EXHIBIT INDEX ON PAGE 72

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: DECEMBER 31, 1997

or

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

For the transition period from _____ to _____

Commission File Number: 1-11954

VORNADO REALTY TRUST

(Exact name of Registrant as specified in its charter)

MARYLAND	22-1657560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY	07663
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares of beneficial interest, $.04 par value per share	New York Stock Exchange
Series A Convertible Preferred Shares of beneficial interest, no par value	New York Stock Exchange

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

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

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

The aggregate market value of the voting shares held by non-affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust as reflected in the table in Item 12 of this Form 10-K, at March 6, 1998 was $2,575,057,000.

As of March 6, 1998, there were 72,185,535 shares of the registrant's shares of beneficial interest outstanding.

Documents Incorporated by Reference

PART III: Proxy Statement for Annual Meeting of Shareholders to be held on May 27, 1998.

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(1) These items are omitted because the Registrant will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 1997, which is incorporated by reference herein. Information relating to Executive Officers of the Registrant appears on page 27 of this Annual Report on Form 10-K.

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Certain factors could cause actual results to differ materially from those in the forward-looking statements. Factors that might cause such a material difference include, but are not limited to, (a) changes in the general economic climate, (b) local conditions such as an oversupply of space or a reduction in demand for real estate in the area, (c) conditions of tenants, (d) competition from other available space, (e) increased operating costs and interest expense, (f) the timing of and costs associated with property improvements, (g) changes in taxation or zoning laws, (h) government regulations, (i) failure of Vornado to continue to qualify as a REIT, (j) availability of financing on acceptable terms, (k) potential liability under environmental or other laws or regulations and (l) general competitive factors.

PART I

ITEM 1. BUSINESS

THE COMPANY

Vornado Realty Trust ("Vornado") is a fully-integrated real estate investment trust ("REIT"). In April 1997, Vornado transferred substantially all of its assets to Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). As a result, Vornado now conducts its business through and substantially all of its interests in properties are held by, the Operating Partnership. Vornado is the sole general partner of the Operating Partnership and owns a 92.7% limited partnership interest at December 31, 1997. All references to the "Company" refer to Vornado and its consolidated subsidiaries, including the Operating Partnership.

The Company currently owns directly or indirectly:

(i) 59 shopping center properties in seven states and Puerto Rico containing approximately 12.4 million square feet, including 1.4 million square feet built by tenants on land leased from the Company;

(ii) all or portions of 14 office building properties in the New York City metropolitan area (primarily Manhattan) containing approximately 8.4 million square feet;

(iii) eight warehouse/industrial properties in New Jersey containing approximately 2.0 million square feet;

(iv) approximately 29.3% of the outstanding common stock of Alexander's, Inc., which has nine properties in the New York City metropolitan area;

(v) a 60% interest in two partnerships that own Americold Corporation ("Americold") and URS Logistics Inc. ("URS" and, together with Americold, the "Cold Storage Companies"), which collectively own and operate 80 warehouse facilities nationwide with an aggregate of approximately 394 million cubic feet of refrigerated, frozen and dry storage space;

(vi) a 40% interest in the Hotel Pennsylvania, a New York City hotel which contains 800,000 square feet of space with 1,700 rooms and 400,000 square feet of retail and office space;

(vii) a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P., a partnership, which owns interests in and manages approximately 7.2 million square feet of office properties in Crystal City, Arlington, Virginia, a suburb of Washington D.C., and manages an additional 14 million square feet of office and other commercial properties in the Washington, D.C. area; and

(viii) other real estate and investments in mortgages collateralized by various office, restaurant and other retail properties.

In addition, in January 1998, the Company entered into an agreement to acquire a substantial portion of the real estate portfolio of Joseph P. Kennedy Enterprises for approximately $625 million.

OBJECTIVES AND STRATEGY

The Company's business objective is to maximize shareholder value. The Company intends to achieve its business objective by continuing to pursue its investment philosophy, making opportunistic investments and executing its operating strategies through:

- Maintaining a superior team of operating and investment professionals and an opportunistic entrepreneurial spirit;

- Continuing to invest in quality office properties in selected markets where the Company believes there is high likelihood of capital appreciation;

- Continuing to invest in retail properties in selected understored locations such as the New York metropolitan area; and

- Investing in fully integrated operating companies that have a significant real estate component.

Presently, the Company executes its strategy through the following functional groups:

- The Company's office property group is based in New York City. It seeks to acquire and operate quality office properties in select geographic areas where there is significant potential for higher rents or increased cash flow through redevelopment.

- The Company's retail property group is based in Saddle Brook, New Jersey. It seeks to maintain high tenant occupancy rates and strong rent levels by providing quality service and having retail properties in understored geographic areas, such as the New York metropolitan area. It also seeks to acquire additional properties in these areas.

- The Company seeks to invest in integrated operating companies having a significant real estate based component and qualified, experienced operating management. The Company believes that by participating with operating management in strategic decision making and by providing access to efficient growth capital, it can enhance profitability.

The Company expects to continue to utilize the capital markets to finance its growth, acquisitions and investments.

ACQUISITIONS

Since January 1, 1997, the Company completed approximately $2.6 billion of real estate acquisitions or investments. In addition, approximately $900 million of acquisitions are currently pending; however, there can be no assurance that such acquisitions will ultimately be completed. The following table lists in chronological order the acquisitions or investments:

COMPLETED:	LOCATION	TOTAL CONSIDERATION (IN MILLIONS)
The Mendik Transaction	New York City	$ 656
Montehiedra Town Center	San Juan, Puerto Rico	74
90 Park Avenue	New York City	185
Riese Transactions	New York City	67
Hotel Pennsylvania	New York City	64
20 Broad Street Mortgage	New York City	27
Charles E. Smith Commercial Realty Investments	Washington, D.C.	60
Cold Storage	Throughout the United States	600
Arbor Property Trust (Green Acres Mall)	Long Island, New York	225
640 Fifth Avenue	New York City	64
One Penn Plaza	New York City	410
150 East 58th Street	New York City	118
Other		30
Total Completed Acquisitions		2,580
PENDING:		
- -------		
Kennedy Properties	Chicago & Washington, D.C.	625
YMCA Development	New York City	64
Las Catalinas Mall	Caguas, Puerto Rico	68
Hotel Pennsylvania -- additional investment	New York City	70
Cold Storage -- Freezer Services, Inc	Midwestern section of the United States	80
Total Pending Acquisitions		907
Total Acquisitions		$3,487

COMPLETED ACQUISITIONS

Mendik Transaction

In April 1997, Vornado consummated the acquisition of interests in all or a portion of seven Manhattan office buildings and the management company held by Bernard H. Mendik, David R. Greenbaum and certain entities controlled by them (the "Mendik Group") and certain of their affiliates (the "Mendik Transaction"). The properties acquired include (i) four wholly owned properties: Two Penn Plaza, Eleven Penn Plaza, 1740 Broadway and 866 U.N. Plaza and (ii) three partially owned properties: Two Park Avenue (40% interest), 330 Madison Avenue (24.8% interest) and 570 Lexington Avenue (5.6% interest). The consideration for the Mendik Transaction was approximately $656,000,000, including $264,000,000 in cash, $177,000,000 in limited partnership units of the Operating Partnership ("Minority Interests" in the accompanying financial statements) and $215,000,000 in indebtedness.

Montehiedra Town Center

In April 1997, the Company acquired The Montehiedra Town Center ("Montehiedra"), a shopping center, located in San Juan, Puerto Rico, from Kmart Corporation ("Kmart") for approximately $74,000,000, of which $63,000,000 was newly issued ten-year indebtedness. The center, which opened in 1994, contains 525,000 square feet, including a 135,000 square foot Kmart store.

90 Park Avenue

In May 1997, the Company acquired a mortgage loan from a consortium of banks collateralized by an office building located at 90 Park Avenue, Manhattan, New York. In August 1997, the Company entered into an agreement with the owners of 90 Park Avenue pursuant to which the Company restructured the mortgage, took title to the land and obtained a 43-year lease on the building under which the Company manages the building and receives the building's cash flow. As part of the restructuring, the amount of the debt was adjusted from the face value of $193,000,000 to the May 1997 acquisition cost of $185,000,000, the maturity date of the debt was extended to August 31, 2022 and the interest rate was set at 7.5%. The Company also purchased the land for $8,000,000, which was further applied to reduce the debt to $177,000,000. This investment has been classified as real estate.

Riese Transactions

In June 1997, the Company acquired four properties containing an aggregate of approximately 80,000 square feet of retail and office space for approximately $26,000,000. The properties were previously owned by affiliates of the Riese Organization. These properties are located in midtown Manhattan. The Company also made a $41,000,000 mortgage loan to Riese affiliates cross-collateralized by ten other Manhattan properties containing an aggregate of approximately 172,000 square feet of retail and office space. The mortgage loan has a five-year term and an initial interest rate of 9.75% increasing annually.

Hotel Pennsylvania Investment

In September 1997, the Company acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue opposite Madison Square Garden in Manhattan, New York. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. from a group of partnerships. The venture intends to refurbish the property creating a sports-themed hotel and entertainment complex. Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. have 40% and 20% interests, respectively. The joint venture acquired the hotel for approximately $159,000,000, of which $120,000,000 was newly issued five-year financing. The Company's share of the purchase price was approximately $64,000,000. The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. The Company manages the site's retail and office space, and Hotel Properties Limited manages the hotel. On March 24, 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to 80%. Under the agreement, the Company will purchase the 40% interest of Hotel Properties Limited for approximately $70 million, including $48 million of existing debt. The increase in the Company's interest is subject to reduction to 67%, should Planet Hollywood International exercise its pro rata option.

20 Broad Street Mortgage

In September 1997, the Company purchased from a bank, at a discount, a mortgage on a 460,000 square foot office building at 20 Broad Street in Manhattan, New York for $27,000,000. The mortgage, which is in default, yields approximately 12%. The property is leased to a number of tenants. The largest such tenant, the New York Stock Exchange, leases approximately 53% of the property. As part of the Mendik Transaction previously described, the Company obtained an option to acquire from the Mendik Group its portion of the leasehold interest in this property.

Charles E. Smith Commercial Realty Investment

In October 1997, the Company acquired a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P. for $60,000,000 in a partnership roll-up. The partnership owns interests in and manages approximately 7.2 million square feet of office properties in Crystal City, Arlington, Virginia, a suburb of Washington, D.C., and manages an additional 14 million square feet of office and other commercial properties in the Washington, D.C. area.

Cold Storage

In October 1997, two partnerships in which preferred stock affiliates of Vornado have 60% interests and affiliates of Crescent Real Estate Equities Company have 40% interests acquired the Cold Storage Companies from affiliates of Kelso & Company, Inc. and other owners. The consideration for these transactions totaled approximately $1,000,000,000, including $628,000,000 of indebtedness. The Company's share of the purchase price was approximately $600,000,000.

The Cold Storage Companies own and operate 80 refrigerated warehouses with an aggregate of approximately 394 million cubic feet.

On March 25, 1998, the Cold Storage Companies entered into an agreement to acquire the assets of Freezer Services, Inc., consisting of nine cold storage warehouses for approximately $134 million, including $22 million of indebtedness.

Arbor Property Trust

In December 1997, the Company acquired Arbor Property Trust ("Arbor") for approximately $225 million and merged it into the Company. The purchase price was comprised of 2,936,000 common shares of beneficial interest of Vornado, 39,400 Series A Convertible Preferred Shares of Vornado and the assumption of $125 million of property level debt. Arbor owned the Green Acres Mall, a 1.7 million square foot super-regional enclosed shopping mall complex situated in Nassau County, Long Island, New York one-mile east of the borough of Queens, New York. The Green Acres Mall is anchored by four major department stores: Sears, Roebuck and Co., J.C. Penney Company, Inc., and Federated Department Stores, Inc. doing business as Stern's and as Macy's. The complex also includes The Plaza at Green Acres, a 179,000 square foot strip shopping center which is anchored by Kmart and Waldbaums.

640 Fifth Avenue

In December 1997, the Company acquired 640 Fifth Avenue, an 18 story Manhattan office building located at the corner of 51st Street, for approximately $64 million from Met Life International Real Estate Partners Limited Partnership. The building contains approximately 250,000 square feet.

One Penn Plaza

In February 1998, the Company acquired a long-term leasehold interest in One Penn Plaza for approximately $410 million from Mid-City Associates. One Penn Plaza is a 57 story Manhattan office building containing approximately 2,350,000 square feet and encompasses substantially the entire square block bounded by 33rd Street, 34th Street, Seventh Avenue and Eighth Avenue.

150 East 58th Street

In March 1998, the Company acquired 150 East 58th Street (the Architects and Design Center), a 39 story Manhattan office building, for approximately $118 million from a limited partnership. The building contains approximately 550,000 square feet.

PENDING ACQUISITIONS

Kennedy Properties

In January 1998, the Company entered into a definitive agreement to acquire a real estate portfolio from Joseph P. Kennedy Enterprises for approximately $625 million, consisting of $465 million in cash, $50 million in indebtedness and an aggregate of $110 million in Operating Partnership Units and Convertible Preferred Operating Partnership Units.

The real estate assets to be acquired include a portfolio of properties used for office, retail and trade showroom space. The properties aggregate approximately 5.3 million square feet and consist of the Merchandise Mart in Chicago, the Apparel Center in Chicago, the Washington Design Center and the Washington Office Center in Washington, D.C. The transaction also includes the acquisition of Merchandise Mart Properties, Inc., which manages the properties and trade shows. The closing is expected to occur in the second quarter of 1998.

YMCA Development

In September 1997, the Company entered into an agreement with the YMCA to acquire a portion of a property now occupied by the YMCA. The property overlooks Central Park and is located between West 63rd and 64th Streets in Manhattan, New York. Pursuant to the agreement, a preferred stock affiliate of the Company will acquire and develop approximately 44,000 square feet for use by the YMCA and approximately 150,000 square feet for sale as residential condominiums. The agreement contemplates the negotiation and execution of additional related agreements. The purchase price for the property is approximately $8,400,000, and the Company estimates that development costs (including the YMCA facilities) will be approximately $55,000,000. To date, the Company has expended approximately $2,750,000 in connection with this transaction and provided the YMCA with a $5,500,000 letter of credit. The transaction is expected to close in the second quarter of 1998.

Las Catalinas Mall

The Company has an option to acquire K Mart's recently constructed anchor store and its 50% interest in the Las Catalinas Mall located in Caguas, Puerto Rico. The total purchase price is approximately $68,000,000 (substantially all of which would be financed with newly issued debt). The acquisition is expected to close in the second quarter of 1998.

Hotel Pennsylvania -- additional investment (see Completed Acquisitions).

Cold Storage -- acquisition of Freezer Services, Inc. (see Completed Acquisitions).

There can be no assurance that any of the pending acquisitions will ultimately be completed.

PROPOSED SPIN-OFF OF OPERATING COMPANY

In order to maintain its status as a REIT for federal income tax purposes, the Company is required to focus principally on investment in certain real estate assets. Accordingly, the Company cannot directly own certain assets and conduct certain activities that would be inconsistent with its status as a REIT.

The Company has formed Vornado Operating, Inc. ("Vornado Operating") to own assets that Vornado could not itself own and conduct activities that Vorndado could not itself conduct. Vornado Operating will be able to do so because it will be taxable as a regular corporation rather than a REIT for taxable years after 1998. Vornado Operating has filed a registration statement with the Securities and Exchange Commission with respect to its proposed spin off from the Company. If the spin off takes place, the Operating Partnership will distribute pro rata to its partners, including Vornado, the shares of Vornado Operating, and Vornado will distribute pro rata to holders of its Common Shares the shares it receives. No holder of Common Shares will be required to make any payment, exchange any Common Shares or take any other action in order to receive Vornado Operating's common stock in the spin off. A record date has not yet been set for the spin off. No assurance can be given concerning the timing of the spin off, or whether the spin off will occur.

If the spin off takes place, the Company and Vornado Operating intend to enter into an Intercompany Agreement pursuant to which, among other things, (a) the Company will agree under certain circumstances

to offer Vornado Operating an opportunity to become the lessee of certain real property owned now or in the future by the Company (under mutually satisfactory lease terms) and (b) Vornado Operating will agree not to make any real estate investment or other REIT-qualified investments unless it first offers the Company the opportunity to make such investment and the Company has rejected that opportunity. The Company expects to capitalize Vornado Operating with an equity contribution of $25 million of cash, and intends to extend to Vornado Operating a $75 million unsecured five-year revolving line of credit. The Intercompany Agreement and the Credit Agreement were not subject to arms-length negotiation because Vornado Operating is currently a subsidiary of the Company. Accordingly, there can be no assurance that the terms of these Agreements are comparable to those the Company could have negotiated with an unaffiliated third party.

FINANCING ACTIVITIES

In April 1997, Vornado sold 5,750,000 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share. The preferred shares bear a coupon of 6 1/2% and are convertible into common shares at $36 3/8 per share. The offering, net of expenses, generated approximately $276,000,000, which was used to fund the cash portion of the Mendik Transaction.

In addition, in April 1997, the Company borrowed $400,000,000 from Union Bank of Switzerland pursuant to an unsecured bridge loan. In July 1997, the Company obtained a $600,000,000 unsecured three-year revolving credit facility. Simultaneously with the closing, the Company borrowed $250,000,000 under the facility and used the proceeds together with working capital to repay the $400,000,000 it borrowed in April. In February 1998, the facility was increased to $1,000,000,000 and certain covenants were amended. The co-managers of the facility are Union Bank of Switzerland, Chase Manhattan Bank, Citibank and NationsBank. Union Bank of Switzerland is also the arranger and administrative agent. The facility contains loan covenants including, among others, maximum loan to value ratio, minimum debt service coverage and minimum market capitalization requirements. Interest is at LIBOR plus .70% to 1.00% depending on the Company's senior debt rating. The credit facility has a competitive bid option program, which allows the Company to hold auctions among banks participating in the facility for short term borrowings of up to 50% of the credit facility. At December 31, 1997, the Company had $370,000,000 outstanding under the facility at a blended rate of 6.79% (LIBOR plus .83%) which was used to fund a portion of the purchase price of certain acquisitions previously described.

In October 1997, Vornado sold 14,000,000 common shares and an additional 2,100,000 common shares in November 1997 when the underwriters exercised in full their over-allotment option. The shares were sold at a price of $45.00 per share which, net of expenses, yielded approximately $688,672,000. The net proceeds were used to repay $310,000,000 outstanding under the Company's line of credit and to fund a portion of the purchase price of certain acquisitions previously described.

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

Also, in February 1998, the Company obtained a $93,192,000 four month bridge mortgage loan from Union Bank of Switzerland in connection with its acquisition of One Penn Plaza. The loan bears interest at LIBOR plus .80% (currently 6.49%).

The Company has historically maintained a relatively low level of debt to market capitalization. At December 31, 1997, the ratio of debt to market capitalization was 24% based on debt of $956,654,000 and market equity of $4,036,769,000. In the future, in connection with its strategy for growth, this percentage may increase. This policy may be reviewed and modified from time to time by the Company without the vote of shareholders.

The Company may seek to obtain funds through equity offerings or debt financing, although there is no express policy with respect thereto. The Company may offer its shares or Operating Partnership's units in exchange for property and repurchase or otherwise reacquire its shares or any other securities in the future.

EBITDA BY PROPERTY TYPE

The following table sets forth the percentage of the Company's earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), represented by property type on a historical and a pro forma basis for the year ended December 31, 1997. The pro forma column gives effect to the Completed and Pending Acquisitions previously described as if they had occurred on January 1, 1997.

	PERCENTAGE OF EBITDA	
PROPERTY TYPE	HISTORICAL	PRO FORMA
Shopping centers	46%	25%
Office buildings	30%	35%
Cold storage	6%	15%
Kennedy Properties	--	16%
Industrial	3%	1%
Investment in Alexander's, Inc. ("Alexander's")	6%	3%
Other	9%	5%
	100%	100%

The percentage of the Company's EBITDA generated by properties located in the Greater Metropolitan New York area was approximately 65% on a historical basis and approximately 56% on a pro forma basis for the year ended December 31, 1997. See Item 2. Properties for a description of each property type.

RELATIONSHIP WITH ALEXANDER'S

The Company owns 29.3% of the outstanding shares of common stock of Alexander's. (See "Interstate Properties" below for a description of Interstate's ownership of the Company and Alexander's.)

Alexander's has nine properties (where its department stores were formerly located) (see Item 2. Properties -- Alexander's).

In March 1995, the Company lent Alexander's $45 million. The loan, which was scheduled to mature in March 1998, has been extended to March 1999 and the interest rate was reset from 15.60% per annum to 13.87% per annum reflecting a reduction in both the spread and the underlying treasury rate. Management believes there are no indications of impairment as discussed in Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan".

The Company manages, develops and leases the Alexander's properties under a management and development agreement (the "Management Agreement") and a leasing agreement (the "Leasing Agreement") pursuant to which the Company receives annual fees from Alexander's. These Agreements have a one-year term expiring in March of each year and are automatically renewable.

The agreement with the Company and Interstate Properties (see below) not to own in excess of two-thirds of Alexander's common stock expired in March 1998.

Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX".

INTERSTATE PROPERTIES

As of December 31, 1997, Interstate Properties owned approximately 17.9% of the common shares of beneficial interest of the Company and 27.1% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are partners. Mr. Roth is the Chairman of the Board and Chief Executive Officer of the Company, the Managing General Partner of Interstate Properties, and the Chief Executive Officer and a director of Alexander's. Messrs. Mandelbaum and Wight are trustees of the Company and are also directors of Alexander's.

COMPETITION

The real estate industry is highly competitive. The Company's success depends upon, among other factors, the trends of the national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs,

income tax laws, governmental regulations and legislation, population trends, the market for real estate properties in the New York metropolitan area, zoning laws and the ability of the Company to lease, sublease or sell its properties at profitable levels. The Company competes with a large number of real estate property owners. Principal means of competition are rent charged, attractiveness of location and the quality of service. The Company's properties are principally located in the New York metropolitan area, a highly competitive market. The economic condition of this market may be significantly influenced by supply and demand for space and the financial performance and productivity of the financial, insurance and real estate industries. An economic downturn may adversely affect the Company's performance.

ENVIRONMENTAL REGULATIONS

Under various Federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up certain hazardous or toxic substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by the parties in connection with the contamination. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such substances. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. Other Federal, state and local laws, ordinances and regulations require abatement or removal of certain asbestos-containing materials in the event of demolition or certain renovations or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The operation and subsequent removal of certain underground storage tanks are also regulated by Federal and state laws. In connection with the ownership, operation and management of its properties, the Company could be held liable for the costs of remedial action with respect to such regulated substances or tanks or related claims.

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

CERTAIN ACTIVITIES

Acquisitions and investments are not necessarily required to be based on specific allocation by type of property. The Company has historically held its properties for long-term investment; however, it is possible that properties in the portfolio may be sold in whole or in part, as circumstances warrant, from time to time. Further, the Company has not adopted a policy that limits the amount or percentage of assets which would be invested in a specific property. While the Company may seek the vote of its shareholders in connection with any particular material transaction, generally the Company's activities are reviewed and may be modified from time to time by its Board of Trustees without the vote of shareholders.

EMPLOYEES

The Company has 190 employees excluding employees of partially-owned entities.

SEGMENT DATA

The Company operates in two reportable segments: commercial office properties and retail properties. The Company engages in no foreign operations.

The Company's principal executive offices are located at Park 80 West, Plaza II, Saddle Brook, New Jersey 07663; telephone (201) 587-1000. The Mendik Division is located at 330 Madison Avenue, New York City, New York 10017; telephone (212) 557-1100.

ITEM 2. PROPERTIES

The Company currently owns, directly or indirectly, office buildings, shopping centers, and warehouse and industrial buildings. The Company also has investments in the Cold Storage Companies, Alexander's, Charles E. Smith Commercial Realty L.P. and the Hotel Pennsylvania. The following tables and narrative set forth certain information for each property type.

OFFICE PROPERTIES, SHOPPING CENTERS AND OTHER PROPERTIES

The following table sets forth certain information for the properties owned by the Company as of December 31, 1997 or as of the date of acquisition for properties thereafter acquired. The Principal Tenants as described below, which are primarily tenants which occupy 30,000 square feet or more, accounted for approximately 70% of total square footage.

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
OFFICE BUILDINGS (MENDIK DIVISION)							
NEW YORK							
One Penn Plaza, Manhattan(4) (acquired in February 1998)	1972	2.9	2,372,000		209	$25.16	94%
Two Penn Plaza, Manhattan	1968	2.7	1,508,000		61	27.19	98%
Eleven Penn Plaza, Manhattan	1923	1.3	956,000		71	25.22	97%
1740 Broadway, Manhattan	1950	0.7	551,000		19	32.77	100%
866 United Nations Plaza, Manhattan	1966	2.1	386,000		84	28.37	81%
90 Park Avenue, Manhattan	1964	0.9	877,000		31	31.35	100%
640 Fifth Avenue, Manhattan	1950	0.5	249,000		12	22.59	94%
150 East 58th Street, Manhattan (acquired in March 1998)	1969	0.5	548,000		135	29.34	97%
Two Park Avenue, Manhattan (40% Ownership)	1930	1.0	946,000		44	23.20	97%
330 Madison Avenue, Manhattan (24.75% Ownership)	1963	0.8	771,000		43	33.62	97%
570 Lexington Avenue, Manhattan (5.6% Ownership)	1930	0.3	433,000		32	31.53	63%
825 Seventh Avenue, Manhattan (50% Ownership)	1968	0.5	149,000		1	7.65	100%
NEW JERSEY							
Paramus(4)	1987	3.4	118,000		25	17.38	53%
CONNECTICUT							
Westport (acquired in January 1998)	1979	20.1	121,000		5	21.62	100%
Total Office Buildings		37.7	9,985,000		772	27.09	94%
Vornado's Ownership Interest		35.9	8,353,000				95%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
OFFICE BUILDINGS (MENDIK DIVISION)			
NEW YORK			
One Penn Plaza, Manhattan(4) (acquired in February 1998)	Kmart Corporation	2016/2036	--(10)
	Parsons Brinkerhoff	2008/2013	
	Miller Freeman Inc.	2011/2016	
Two Penn Plaza, Manhattan	McGraw Hill Co. Inc.	2020/2030	$ 80,000
	Information Builders, Inc.	2013/2023	
Eleven Penn Plaza, Manhattan	Times Mirror Company	2001	54,612
	General Mills	2002	
1740 Broadway, Manhattan	Mutual of New York	2016/2026	--
	William Douglas McAdams Inc.	2007	
866 United Nations Plaza, Manhattan	Mission of Japan to UN	2006/2011	33,000
90 Park Avenue, Manhattan	Sterling Winthrop Inc	2015/2035	--
640 Fifth Avenue, Manhattan	Citibank	2018	--
	Bozell Jacobs Kenyon	2008/2013	
	Right Management Consultants	2001	
150 East 58th Street, Manhattan (acquired in March 1998)			
Two Park Avenue, Manhattan (40% Ownership)	Times Mirror Company	2010/2025	65,000
	Smith Barney Inc.	1998	
330 Madison Avenue, Manhattan (24.75% Ownership)	BDO Seidman	2010/2015	103,800
570 Lexington Avenue, Manhattan (5.6% Ownership)	Quebecor Printing Corp	2007/2012	18,339
	Rochdale Securities Inc.	2008/2013	
	Brean Murray & Co, Inc.	2011	
825 Seventh Avenue, Manhattan (50% Ownership)	American Broadcasting	1999	--

	Companies		
NEW JERSEY			
Paramus(4).....			602
CONNECTICUT			
Westport (acquired in January 1998).....	Metropolitan Life Insurance	2001	--(10)
Total Office Buildings.....			355,353
Vornado's Ownership Interest.....			221,570

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
SHOPPING CENTERS							
NEW JERSEY							
Atlantic City	1965	17.7	136,000	--	--	--	--
Bordentown	1958	31.2	179,000	--	4	6.54	100%
Bricktown	1968	23.9	260,000	3,000	19	10.41	99%
Cherry Hill	1964	37.6	231,000	64,000	13	$ 9.01	94%
Delran	1972	17.5	168,000	4,000	5	5.32	94%
Dover	1964	19.6	173,000	--	13	6.07	99%
East Brunswick	1957	19.2	219,000	10,000	6	11.31	89%
East Hanover	1962	24.6	271,000	--	17	10.34	98%
Hackensack	1963	21.3	208,000	59,000	21	15.25	98%
Jersey City	1965	16.7	223,000	3,000	11	12.41	97%
Kearny	1959	35.3	42,000	62,000	4	6.64	89%
Lawnside	1969	16.4	145,000	--	3	10.50	100%
Lodi	1975	8.7	130,000	--	1	8.56	100%
Manalapan	1971	26.3	194,000	2,000	7	9.09	100%
Marlton	1973	27.8	173,000	7,000	10	8.52	100%
Middletown	1963	22.7	180,000	52,000	23	13.73	99%
Morris Plains	1985	27.0	172,000	1,000	19	11.31	100%
North Bergen	1959	4.6	7,000	55,000	3	26.21	100%
North Plainfield(4)	1989	28.7	217,000	--	16	8.69	98%
Totowa	1957	40.5	201,000	94,000	6	16.08	92%
Turnersville	1974	23.3	89,000	7,000	3	5.98	100%
Union	1962	24.1	257,000	--	12	17.75	100%
Vineland	1966	28.0	143,000	--	4	6.87	51%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
SHOPPING CENTERS			
NEW JERSEY			
Atlantic City			$ 2,135(9)
Bordentown	Bradlees(2)(3)	2001/2021	3,276(9)
	Shop-Rite	2011/2016	
Bricktown	Caldor	2008/2028	9,919(9)
	Shop-Rite	2002/2017	
Cherry Hill	Bradlees(2)(3)	2006/2026	9,706(9)
	Drug Emporium	2002	
	Shop & Bag	2007/2017	
	Toys "R" Us	2012/2042	
Delran	Sam's Wholesale	2011/2021	2,848(9)
Dover	Ames	2017/2037	3,635(9)
	Shop-Rite	2012/2022	
East Brunswick	Bradlees(3)	2003/2023	8,205(9)
	Shoppers World	2007/2012	
	T.J. Maxx	2004/2009	
East Hanover	Home Depot	2009/2019	11,066(9)
	Marshalls	2004/2009	
	Pathmark	2001/2024	
	Today's Man	2009/2014	
Hackensack	Bradlees(3)	2012/2017	--
	Pathmark	2014/2024	
	Rickel Home Center	2003/2013	
Jersey City	Bradlees(3)	2002/2022	10,381(9)
	Shop-Rite	2008/2028	
Kearny	Pathmark	2013/2033	--
	Rickel Home Center	2008	
Lawnside	Home Depot	2012/2027	5,708(9)
	Drug Emporium	2007	
Lodi	National Wholesale Liquidators	2013/2023	2,420(9)
Manalapan	Bradlees(3)	2002/2022	6,397(9)
	Grand Union	2012/2022	
Marlton	Kohl's(2)(3)	2011/2031	5,398(9)
	Shop-Rite	2004/2009	
Middletown	Bradlees(3)	2002/2022	7,761(9)
	Grand Union	2009/2029	
Morris Plains	Caldor	2002/2023	6,600(9)
	Shop-Rite	2002	
North Bergen	A & P	2012/2032	--
North Plainfield(4)	Kmart	2006/2016	3,379
	Pathmark	2001/2011	
Totowa	Bradlees(3)	2013/2028	15,646(9)
	Home Depot	2015/2025	
	Marshalls	2007/2012	
Turnersville	Bradlees(2)(3)	2011/2031	2,116(9)
Union	Bradlees(3)	2002/2022	15,975(9)
	Toys "R" Us	2015	

	Cost Cutter Drug	2000	
Vineland.....	Rickel Home Center	2005/2010	2,358(9)

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
Watchung	1959	53.8	50,000	116,000	6	17.60	97%
Woodbridge	1959	19.7	233,000	3,000	11	13.47	99%
NEW YORK							
14th Street and Union Square, Manhattan	1993	0.8	232,000	--	1	9.92	100%
Albany (Menands)	1965	18.6	141,000	--	2	$ 6.35	100%
Buffalo (Amherst)(4)	1968	22.7	185,000	112,000	10	6.98	96%
Coram(4)	1976	2.4	103,000	--	1	2.22	100%
Freeport	1981	12.5	167,000	--	3	11.50	100%
New Hyde Park(4)	1976	12.5	101,000	--	1	13.55	100%
North Syracuse(4)	1976	29.4	98,000	--	1	2.74	100%
Rochester (Henrietta)(4)	1971	15.0	148,000	--	1	5.86	47%
Rochester	1966	18.4	176,000	--	1	6.05	41%
Valley Stream (Green Acres)(4)	1958	100.0	1,667,000	170,000	158	(6)	87%
PENNSYLVANIA							
Allentown	1957	86.8	263,000	354,000	20	9.97	100%
Bensalem	1972	23.2	208,000	7,000	12	7.62	70%
Bethlehem	1966	23.0	157,000	3,000	13	5.27	81%
Broomall	1966	21.0	146,000	22,000	5	9.08	100%
Glenolden	1975	10.0	101,000	--	3	10.74	100%
Lancaster	1966	28.0	180,000	--	6	4.39	45%
Levittown	1964	12.8	104,000	--	1	5.98	100%
10th and Market Streets, Philadelphia	1994	1.8	271,000	--	3	8.59	69%
Upper Moreland	1974	18.6	122,000	--	1	7.50	100%
York	1970	12.0	113,000	--	3	4.64	100%
MARYLAND							
Baltimore (Belair Rd.)	1962	16.0	206,000	--	2	5.95	65%
Baltimore (Towson)	1968	14.6	146,000	7,000	7	9.63	100%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
Watchung	B.J.'s Wholesale	2024	--
Woodbridge	Bradlees(3)	2002/2022	$ 8,792(9)
	Foodtown	2007/2014	
	Syms	2000/2005	
NEW YORK			
14th Street and Union Square, Manhattan	Bradlees	2019/2029	--
Albany (Menands)	Fleet Bank	2004/2014	--
	Albany Public Mkts.(5)	2000	
Buffalo (Amherst)(4)	Circuit City	2017	4,863(9)
	Media Play	2002/2017	
	MJ Design	2006/2017	
	Toys "R" Us	2013	
	T.J. Maxx	2004	
Coram(4)	May Department Stores(5)	2011	--
Freeport	Home Depot	2011/2021	8,021(9)
	Cablevision	2004	
New Hyde Park(4)	Mayfair Supermarkets	2019/2029	2,043(9)
North Syracuse(4)	Reisman Properties	2014	--
Rochester (Henrietta)(4)	Hechinger(5)	2005/2025	2,203(9)
Rochester	Hechinger(5)	2005/2025	2,832(9)
Valley Stream (Green Acres)(4)	Macy's	2006/2036	124,985(11)
	Sterns	2007/2017	
	JC Penney	2012	
	Sears	2023/2073	
	Kmart	2010/2038	
	Dime Savings Bank	2000	
	Greenpoint Bank	2009	
PENNSYLVANIA			
Allentown	Hechinger	2011/2031	7,696(9)
	Shop-Rite	2011/2019	
	Burlington Coat Factory	2017	
	Wal*Mart	2024/2094	
	Sam's Wholesale	2024/2094	
	T.J. Maxx	1998/2008	
Bensalem	(2)(3)	2011/2031	3,967(9)
Bethlehem	Pathmark	2008/2033	--
	Super Petz	2005/2015	
Broomall	Bradlees(2)(3)	2006/2026	3,260(9)
Glenolden	Bradlees(2)(3)	2012/2022	4,245(9)
Lancaster	Weis Markets	2008/2018	2,312(9)
Levittown	(2)(3)	2006/2026	2,283(9)
10th and Market Streets, Philadelphia	Kmart	2010/2035	--

Upper Moreland.....	Sam's Wholesale(2)	2010/2015	3,517(9)
York.....	Builders Square	2009/2018	1,463(9)
MARYLAND			
Baltimore (Belair Rd.).....	Food Depot	1999/2004	--
Baltimore (Towson).....	Staples	2004	5,779(9)
	Cost Saver Supermarket	2000/2020	
	Drug Emporium	1999/2004	

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
Baltimore (Dundalk).....	1966	16.1	183,000	--	17	6.47	98%
Glen Burnie.....	1958	21.2	117,000	3,000	4	6.03	100%
Hagerstown.....	1966	13.9	133,000	15,000	6	$ 3.12	100%
CONNECTICUT							
Newington.....	1965	19.2	134,000	45,000	4	6.46	100%
Waterbury.....	1969	19.2	140,000	3,000	10	7.81	100%
MASSACHUSETTS							
Chicopee.....	1969	15.4	112,000	3,000	3	5.10	93%
Milford(4).....	1976	14.7	83,000	--	1	5.26	100%
Springfield.....	1966	17.4	8,000	117,000	2	11.25	100%
TEXAS							
Lewisville.....	1990	13.3	35,000	7,000	16	13.61	98%
Mesquite.....	1990	5.5	71,000	--	13	13.86	87%
Dallas.....	1990	9.9	100,000	--	9	9.47	81%
PUERTO RICO (SAN JUAN)							
Montehiedra.....	1997	57.1	525,000	--	96	15.53	99%
Total Shopping Centers.....		1,339.2	10,977,000	1,410,000	673	9.78	92%
WAREHOUSE/INDUSTRIAL							
NEW JERSEY							
E. Brunswick.....	1972	16.1	326,000		2	2.46	97%
E. Hanover.....	1963-1967	45.5	941,000		12	3.85	100%
Edison.....	1982	18.7	272,000		1	2.75	100%
Garfield.....	1959	31.6	487,000		3	3.75	38%
Total Warehouse/Industrial.....		111.9	2,026,000		18	3.41	84%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
Baltimore (Dundalk).....	A & P	2002/2017	$ 4,084(9)
	Ollie's	2003/2008	
	Manor Shops	1998	
Glen Burnie.....	Pathmark Stores, Inc.(5)	2005	2,299(9)
Hagerstown.....	Big Lots	2002/2012	--
	Pharmhouse	2008/2012	
	Weis Markets	1999/2009	
CONNECTICUT			
Newington.....	(3)	2002/2022	3,042(9)
	The Wiz	2007/2027	
Waterbury.....	Toys "R" Us	2010	3,889(9)
	Shaws Supermarkets	2003/2018	
MASSACHUSETTS			
Chicopee.....	Bradlees(3)	2002/2022	1,999(9)
Milford(4).....	Bradlees(3)	2004/2009	--
Springfield.....	Wal*Mart	2018/2092	--
TEXAS			
Lewisville.....	Albertson's(7)	2055	764(9)
Mesquite.....			3,445(9)
Dallas.....	Albertson's(7)	2055	1,987(9)
PUERTO RICO (SAN JUAN)			
Montehiedra.....	Kmart	2022/2072	62,698
	Builders Square	2022/2072	
	Marshalls	2010/2025	
	Caribbean Theatres	2021/2026	
Total Shopping Centers.....			407,397
WAREHOUSE/INDUSTRIAL			
NEW JERSEY			
E. Brunswick.....	Popsicle Playwear	2000/2005	--
	IFB Apparel	2001/2006	
E. Hanover.....	Various Tenants		8,210(9)
Edison.....	White Cons. Ind.	1998/2001	2,455(9)
Garfield.....	Popular Services & Various Tenants	2007	368
Total Warehouse/Industrial.....			11,033

TYPE AND LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS	ANNUALIZED RENT PER SQ. FT.(1)	PERCENT LEASED(1)
OTHER PROPERTIES							
1135 Third Avenue	1997	--	25,000		1	$82.44	100%
Montclair	1972	1.6	17,000		1	16.19	100%
Rahway(4)	1972	--	32,000		1	4.88	100%
Riese Properties	1997	--	80,000		20	58.42	99%
Total Other Properties		1.6	154,000		23	$46.34	99%
Grand Total		1,490.4	23,142,000	1,410,000	1,486		92%
Grand Total Vornado's Ownership Interest		1,488.6	21,510,000	1,410,000			92%

TYPE AND LOCATION	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION	ENCUMBRANCES (THOUSANDS)(8)
OTHER PROPERTIES			
1135 Third Avenue			$ --
Montclair			--
Rahway(4)			--
Riese Properties			--
Total Other Properties			--
Grand Total			$773,783
Grand Total Vornado's Ownership Interest			$640,000

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(1) Represents annualized monthly base rent excluding ground leases, storage rent and rent for leases which had not commenced as of December 31, 1997, which are included in percent leased.

(2) Montgomery Ward & Co., Inc. (a previous lessor) remains liable on such lease including the rent it was obligated to pay -- approximately 70%.

(3) These leases are either fully guaranteed by Stop & Shop, a wholly-owned subsidiary of Royal Ahold NV, or in the case of Totowa, guaranteed as to 70% of rent.

(4) 100% Ground and/or building leasehold interest other than Green Acres, where approximately 10% of the ground is leased.

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

(6) Annualized rent per square foot is $13.16 in total and $27.08 for the mall tenants only.

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

(8) At December 31, 1997, the Company's ownership interest in its properties is encumbered by $640,000,000 of mortgage debt. This amount is comprised of $586,654,000 of debt on wholly-owned properties, which is described in Note 5 in the Notes to Consolidated Financial Statements and $53,346,000 of debt on partially-owned properties, which is reflected in the Company's investments in partially-owned entities described in Note 4 in the Notes to Consolidated Financial Statements.

(9) These encumbrances are cross collateralized under a mortgage in the amount of $227,000,000 at December 31, 1997.

(10) Encumbrances do not include a bridge mortgage loan of $93,192,000 in connection with the acquisition of One Penn Plaza (described in "Financings" on page 8 of Item 1) and the $8,000,000 mortgage on the Westport property: both of these properties were acquired in 1998.

(11) At December 31, 1997, encumbrances were comprised of a $118,000,000 mortgage on the property and a $6,985,000 capital lease obligation. In February 1998, the Company completed a $160,000,000 refinancing on the property and prepaid the then existing $118,000,000 mortgage.

OFFICE PROPERTIES

The Company's office properties consist of all or a portion of 14 office buildings in the New York City metropolitan area (primarily Manhattan) containing approximately 8.4 million square feet. As a result of extensive renovations and upgrades over the last ten years and the Company's on-going program of preventative maintenance, the Company believes that its properties are modern structures, attract high quality tenants and are well positioned to compete with other Class A office properties in their respective submarkets.

The office properties currently are leased to over 770 tenants, which are engaged in a variety of businesses, including financial services, investment banking, publishing, computer technology, health care services, accounting and law. The average lease term of a tenant's lease is 12 years. Leases typically provide for step-ups in rent periodically over the term of the lease and pass through to tenants the tenant's share of increases in real estate taxes and operating expenses for a building over a base year. Electricity is provided to tenants on a submetered basis or included in rent based on surveys and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction of its premises. At December 31, 1997, no single tenant accounted for more than 5.7% of the Company's total leasable office property square footage.

The following table sets forth a schedule of lease expirations for leases in place, as of December 31, 1997 for each of the next 10 years on an aggregate basis, assuming that none of the tenants exercise their renewal options.

YEAR	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUAL RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998	81	297,000	4.5%	$ 8,409,000	$28.28
1999	66	519,000	7.8%	14,796,000	28.51
2000	23	138,000	2.1%	4,508,000	32.60
2001	28	504,000	7.6%	15,346,000	30.43
2002	28	322,000	4.8%	9,199,000	28.56
2003	24	301,000	4.5%	8,113,000	26.91
2004	22	254,000	3.8%	7,266,000	28.63
2005	22	258,000	3.9%	7,974,000	30.87
2006	26	451,000	6.8%	12,964,000	28.75
2007	19	378,000	5.7%	11,332,000	29.96

For the year ended December 31, 1997, office properties accounted for 41% of total revenues (46% of pro forma total revenues which gives effect to the completed and pending acquisitions previously described as if they had occurred on January 1, 1997). The occupancy rate of the properties was 95% as of March 1, 1998. The annual rent per square foot as of December 31, 1997 was $27.09. Two Penn Plaza accounted for 12% of total revenues for the year ended December 31, 1997. One Penn Plaza accounted for 10% of total pro forma revenues. No other office property exceeded 10% of total historical or pro forma revenues or assets. Below are descriptions of One Penn Plaza and Two Penn Plaza:

Two Penn Plaza

Two Penn Plaza is a 32-story Manhattan office building that sits directly atop Penn Station and occupies the entire block front on the west side of Seventh Avenue between 31st and 33rd Streets (adjacent to Madison Square Garden). Built in 1968, Two Penn Plaza has approximately 1,500,000 rentable square feet (including 30,000 square feet of retail space and 28,000 square feet of storage space). The Penn Plaza area has been improved in recent years through the efforts of the 34th Street Business Improvement District Partnership ("BID"), which provides street cleaning services, security personnel and other community services to businesses in the area.

The Company currently is exploring the possibility of developing additional retail space at Two Penn Plaza. The Company believes that the development of additional retail space may provide a source of

additional cash flow and therefore enhance the value of Two Penn Plaza. There can be no assurance, however, that any such additional retail space will be developed.

As of March 1, 1998, approximately 98% of the rentable square footage in Two Penn Plaza was leased. The following table sets forth certain information with respect to Two Penn Plaza at the end of each of the past five years.

YEAR-END	PERCENT LEASED	ANNUAL RENT PER LEASED SQUARE FEET
1997	98.0%	$27.19
1996	69.0%	29.39
1995	94.0%	28.62
1994	94.5%	27.75
1993	96.3%	26.23

The Equitable Life Assurance Society of the United States ("Equitable"), leased approximately 430,000 square feet at Two Penn Plaza under a lease which expired on October 31, 1996. Equitable relocated its operations to a building closer to its Manhattan headquarters. At December 31, 1996, approximately 465,000 square feet (approximately 31%) of the property was vacant. During 1997, the Company entered into separate leases with Information Builders Inc. ("IBI") and The McGraw-Hill Companies Inc. ("McGraw-Hill") for space previously occupied by Equitable. IBI, a privately held software company, leased approximately 180,000 square feet, which commenced on October 1, 1997 and expires on May 31, 2013. Subsequently, IBI exercised their option to lease an additional 40,000 square feet, which also expires on May 31, 2013. In November 1997, McGraw-Hill signed a lease, which when fully implemented, encompasses approximately 407,000 square feet. McGraw-Hill will take possession of approximately 290,000 square feet during the first quarter of 1998. McGraw-Hill will take possession of the remainder of the space as current leases expire in subsequent periods. McGraw-Hill's lease expires on March 31, 2020.

The following table is a schedule of the annual lease expirations at Two Penn Plaza as of March 1, 1998 (assuming that no tenants exercise renewal options):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUAL RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998	11	13,000	0.9%	$ 179,000	$13.53
1999	9	66,000	4.4%	1,725,000	26.14
2000	9	30,000	2.0%	775,000	25.92
2001	6	83,000	5.5%	2,051,000	24.70
2002	2	31,000	2.1%	887,000	28.64
2003	8	129,000	8.5%	3,268,000	25.41
2004	2	35,000	2.3%	923,000	26.63
2005	2	18,000	1.2%	623,000	35.11
2006	1	57,000	3.8%	1,397,000	24.41
2007	1	113,000	7.5%	3,299,000	29.30

The aggregate undepreciated tax basis of depreciable real property at Two Penn Plaza for Federal income tax purposes was approximately $111,000,000 as of December 31, 1997, and depreciation for such property is computed for Federal income tax purposes on the declining balance or straight-line methods over lives which range from 15 to 39 years.

The current assessed value of Two Penn Plaza for real estate tax purposes is $74,250,000. The tax rate in New York City for commercial real estate is 10.164 for $100 of assessed value which results in real estate taxes for the 1997/1998 tax year of $7,897,380 (including the 34th Street BID tax of $350,610).

One Penn Plaza

One Penn Plaza is a 57-story Manhattan office building which encompasses substantially the entire square block bounded by 33rd Street, 34th Street, Seventh Avenue and Eight Avenue. Built in 1972, One Penn Plaza contains approximately 2,350,000 square feet (including 239,000 square feet of retail space, 154,000 square feet of garage space and 22,000 square feet of storage space).

One Penn Plaza is one of the largest office buildings in Midtown Manhattan. It is strategically located between Macy's and Madison Square Garden with direct access to Pennsylvania Station. A recently completed $28.5 million capital improvement program has enhanced the building's competitiveness. The Program included upgrading the lobby, public corridors on all multi-tenant floors, elevators, mechanical and HVAC systems. The Penn Plaza area has been enhanced in recent years through the efforts of the 34th Street BID.

As of March 1, 1998, approximately 94% of the square footage in One Penn Plaza was leased. The following table sets forth certain information with respect to One Penn Plaza at the end of each of the past five years.

YEAR END	PERCENT LEASED	ANNUAL RENT PER LEASED SQUARE FOOT
1997	94.0%	$25.81
1996	85.6%	25.23
1995	85.9%	23.54
1994	80.1%	24.46
1993	80.6%	22.58

The following table is a schedule of the annual lease expirations at One Penn Plaza as of March 1, 1998 (assuming that no tenants exercise renewal options):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	% OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUALIZED RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998	28	127,000	5.4%	$3,218,000	$25.34
1999	35	145,000	6.1%	4,100,000	28.29
2000	34	95,000	4.0%	2,577,000	27.27
2001	14	78,000	3.3%	2,220,000	28.60
2002	25	154,000	6.5%	4,233,000	27.47
2003	11	88,000	3.7%	2,962,000	33.78
2004	13	273,000	11.5%	6,445,000	23.64
2005	7	140,000	5.9%	3,346,000	23.81
2006	10	157,000	6.6%	4,643,000	29.64
2007	6	58,000	2.5%	1,661,000	28.45

The aggregate undepreciated tax basis of depreciable real property at One Penn Plaza for Federal income tax purposes was approximately $410,000,000 as of December 31, 1997, and depreciation for such property will be computed for Federal income tax purposes on the straight-line method over 39 years. The Company acquired this property on February 9, 1998.

The current assessed value of One Penn Plaza for real estate tax purposes is $116,860,000. The tax rate in New York City for commercial real estate is 10.164 for $100 of assessed value which produces real estate taxes for the 1997/1998 tax year of $12,409,287 (including the 34th Street BID tax of $536,637).

Washington, D.C.

The Company has a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P. which owns interests in and manages approximately 7.2 million square feet of office properties in Crystal City, Arlington, Virginia, a suburb of Washington, D.C., and manages an additional 14.0 million square feet of office and other commercial properties in the Washington, D.C. area.

SHOPPING CENTERS

The Company owns 59 shopping center properties of which 57 are strip shopping centers primarily located in the Northeast and Midatlantic states, one is a regional center located in San Juan, Puerto Rico and one is a super-regional center located in Nassau County, Long Island, New York. The Company's shopping centers are generally located on major regional highways in mature densely populated areas. The Company believes its shopping centers attract consumers from a regional, rather than a neighborhood marketplace because of their location on regional highways. Shopping centers accounted for 54% of the Company's total revenue (29% of pro forma total revenue) for the year ended December 31, 1997. The occupancy rate of the shopping center properties was 92% and 90% as of March 1, 1998 and 1997, respectively, and has been over 90% in each of the past five years.

The Company's shopping center lease terms range from five years or less in some instances, for smaller tenant spaces to as long as thirty years for major tenants. Leases generally provide for additional rents based on a percentage of tenant's sales and pass through to tenant's the tenant's share of all common area charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), real estate taxes and insurance costs and certain capital expenditures. Percentage rent accounted for less than 1% of total revenues in 1997. As of December 31, 1997, the average annual base rent per square foot for the Company's shopping centers was $9.78 (excluding the Green Acres Mall). The average annual base rent per square foot for the Green Acres Mall was $13.16 in total and $27.08 for mall tenants only.

The following table sets forth a schedule of lease expirations for leases in place, as of December 31, 1997 for each of the next 10 years on an aggregate basis, assuming that none of the tenants exercise their renewal options.

YEAR	NUMBER OF EXPIRING LEASES	APPROXIMATE SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL SQUARE FOOTAGE	APPROXIMATE ANNUAL RENT OF EXPIRING LEASES	ANNUAL RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1998	44	209,000	1.9%	$2,788,000	$13.36
1999	66	570,000	5.2%	6,367,000	11.18
2000	65	454,000	4.1%	5,646,000	12.44
2001	68	425,000	3.9%	5,320,000	12.51
2002	62	1,162,000	10.6%	12,732,000	10.95
2003	38	398,000	3.6%	4,710,000	11.82
2004	61	758,000	6.9%	7,969,000	10.51
2005	84	623,000	5.7%	8,537,000	13.71
2006	45	579,000	5.3%	5,605,000	9.68
2007	39	580,000	5.3%	5,692,000	9.82

The Company's Montehiedra shopping center, in San Juan, Puerto Rico, accounted for 4.0% of total revenues for the year ended December 31, 1997 and 2% on a pro forma basis. No other shopping center accounted for more than 2.7% of total revenues. The Green Acres Mall, acquired in December 1997, is the Company's largest shopping center property. It contains 1.8 million square feet or 14.7% of total shopping center square footage and represents 7.0% of 1997 pro forma revenues. No other shopping center accounted for more than 5% of total shopping center square footage.

The Company's strip shopping centers are substantially leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvements stores, discount apparel stores, membership warehouse clubs and "category killers." Category killers are large stores which offer a complete selection of a category of items (e.g., toys, office supplies, etc.) at low prices, often in a warehouse format. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price.

The Green Acres Mall is a 1.8 million square foot super-regional enclosed shopping mall complex situated in Nassau County, Long Island, New York one-mile east of the borough of Queens, New York. The Green Acres Mall is anchored by four major department stores: Sears, Roebuck and Co., J.C. Penney Company, Inc., and Federated Department Stores, Inc. doing business as Stern's and as Macy's. The complex also includes The Plaza at Green Acres, a 179,000 square foot strip shopping center which is anchored by Kmart and Waldbaums.

Only one of the Company's tenants, Bradlees, represented more than 10% of total property rentals for the year ended December 31, 1997. Bradlees accounted for 10.5% of total property rentals (4.2% of total pro forma property rentals). In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 16 locations to Bradlees. Of these locations, the leases for 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent.

COLD STORAGE

The Cold Storage Companies, doing business under the trade name of Americold Logistics, Inc., own and operate 80 refrigerated warehouses with an aggregate of approximately 394 million cubic feet. The Cold Storage Companies are headquartered in Atlanta, Georgia and have approximately 4,300 employees.

Services

The Cold Storage Companies provide the frozen food industry with refrigerated warehousing and transportation management services. Refrigerated warehouses are comprised of production and distribution facilities. Production facilities typically serve one or a small number of customers, generally food processors, located nearby. These customers store large quantities of processed or partially processed products in the facility until they are shipped to the next stage of production or distribution. Distribution facilities primarily warehouse a wide variety of customers' finished products until future shipment to end-users. Each distribution facility primarily services the surrounding regional market.

The Cold Storage Companies transportation management services offered include freight routing, dispatching, freight rate negotiation, backhaul coordination, freight bill auditing, network flow management, order consolidation and distribution channel assessment. The Cold Storage Companies' temperature-controlled logistics expertise and access to both frozen food warehouses and distribution channels enable its customers to respond quickly and efficiently to time-sensitive orders from distributors and retailers.

Customers

Customers consist primarily of national, regional and local frozen food manufacturers, distributors, retailers and food service organizations including Con-Agra, Inc., H.J. Heinz & Co., Kraft Foods and Tyson Foods.

Competition

Competition is national, regional and local in nature. The Cold Storage Companies operate in an environment in which breadth of service, warehouse locations, customer mix, warehouse size, service performance and price are the principal competitive factors.

Capital Expenditures

The Cold Storage Companies have budgeted approximately $47,000,000 for capital expenditures over the next year of which (i) $23,000,000 is for warehouse expansions, (ii) $15,000,000 is for recurring replacements of equipment and (iii) $9,000,000 is for non-recurring items including $3,000,000 resulting from the consolidation of the computer systems and offices of the two companies acquired, $3,000,000 for reracking of an existing warehouse and $3,000,000 of structural warehouse delayed maintenance.

On March 25, 1998, the Cold Storage Companies entered into an agreement to acquire the assets of Freezer Services, Inc., consisting of nine cold storage warehouses for approximately $134 million, including $22 million of indebtedness. The Cold Storage Companies anticipate that cash from operations will be adequate to fund capital expenditures, other than acquisitions which will require funding from borrowings or equity infusions.

Facilities

The following table shows the location, size and type of facility for each of the Cold Storage Properties as of December 31, 1997:

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Gateway Xavier Drive, SW Atlanta, GA	D	Owned	11.1
Lakewood Lakewood Avenue, SW Atlanta, GA	D	Owned	2.9
Central West 9th Street Charlotte, NC	P	Owned	1.0
North Exchange Street Charlotte, NC	P	Owned	4.1
Columbia Shop Road Columbia, SC	P	Owned	1.6
Augusta Laney-Walker Road Augusta, GA	P	Owned	1.1
Norfolk East Princess Anne Road Norfolk, VA	P	Owned	1.9
Montgomery Prince Street Montgomery, AL	P	Owned	0.5
Witchita North Mead Wichita, KS	P	Owned	2.8
Marshall West Highway 20 Marshall, MO	P	Owned	4.8
Oklahoma City South Hudson Oklahoma City, OK	P	Owned	0.7
Oklahoma City Exchange Street Oklahoma City, OK	P	Owned	1.4
Fort Smith Midland Boulevard Fort Smith, AR	P	Owned	1.4
Birmingham West 25th Avenue Birmingham, AL	P	Owned	2.0
Memphis East Parkway South Memphis, TN	P	Owned	5.6
Memphis Spottswood Avenue Memphis, TN	P	Owned	0.5
Syracuse Farrell Road Syracuse, NY	D	Owned	11.8
West Memphis South Airport Road West Memphis, AR	D	Owned	6.0

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Indianapolis Arlington Avenue Indianapolis, IN	D	Owned	9.1
Ontario Malaga Place Ontario, CA	D	Owned 24% Leased 76%	8.1
Tarboro Sara Lee Road Tarboro, NC	P	Leased	3.4
Montgomery Newcomb Avenue Montgomery, AL	P	Leased	1.2
Kraft Refrig. Wanamaker Avenue Ontario, CA	M	Managed	3.2
Westgate	D	Owned	11.4

Westgate Parkway Atlanta, GA			
Gadsden East Air Depot Road Gadsden, AL	P	Leased	4.0
Texarkana Genoa Road Texarkana, AR	P	Owned	2.3
Leesport RD2, Orchard Lane Leesport, PA	D	Owned	5.8
Albertville Railroad Avenue Albertville, AL	P	Owned	2.2
Kraft Dry Airport Drive Ontario, CA	M	Managed	13.5
Southgate Westgate Parkway Atlanta, GA	D	Owned	3.5
Ft. Worth Railhead Drive Ft. Worth, TX	M	Managed	17.7
Transload 4th Street, West Birmingham, AL	P	Leased	0.01
Montezuma South Airport Drive Montezuma, GA	P	Owned	4.4
Bettendorf State Street Bettendorf, IA	P/D	Owned	8.9
Boston Widett Circle Boston, MA	P/D	Owned	3.1
Brooks Brooklake Road Brooks, OR	P	Owned	4.8

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Burbank West Magnolia Boulevard Burbank, CA	P/D	Owned	0.8
Burlington South Walnut Burlington, WA	P/D	Owned	4.7
Clearfield South Street Clearfield, UT	P/D	Owned	8.6
Connell West Juniper Street Connell, WA	P	Owned	5.7
Fort Dodge Maple Drive Fort Dodge, IA	D	Owned	3.7
Gloucester East Main Street Gloucester, MA	P/D	Owned	1.9
Gloucester Railroad Avenue Gloucester, MA	P/D	Owned	0.3
Gloucester Rogers Street Gloucester, MA	P/D	Owned	2.8
Gloucester Rowe Square Gloucester, MA	P/D	Owned	2.4
Hermiston Westland Avenue Hermiston, OR	P	Owned	4.0
Kansas City Inland Drive Kansas City, KS	P/D	Owned	35.2
Los Angeles Jesse Street Los Angeles, CA	P/D	Owned	2.7
Milwaukie S.E. McLoughlin Blvd. Milwaukie, OR	D	Owned	4.7
Moses Lake Wheeler Road Moses Lake, WA	P/D	Owned	7.3
Murfreesboro Stephenson Drive Murfreesboro, TN	P/D	Owned	2.9
Nampa 4th Street North Nampa, ID	P	Owned	8.0
Park Rapids U.S. Highway 71 South Park Rapids, MN	P	Leased	3.8
Plant City South Alexander Street Plant City, FL	P/D	Owned	0.8
Plover 110th Street Plover, WI	P/D	Owned	9.4

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Portland Read Street Portland, ME	P/D	Owned	1.8
Rochelle Americold Drive Rochelle, IL	D	Owned	6.0
Salem Portland Road N.E. Salem, OR	P/D	Owned	12.5
Tampa South Lois Avenue Tampa, FL	D	Owned	0.4
Tomah Route 2 Tomah, WI	P	Owned	4.6
Turlock 5th Street Turlock, CA	P/D	Owned	2.5

Turlock South Kilroy Road Turlock, CA	P/D	Owned	3.0
Walla Walla 14th Avenue South Walla Walla, WA	P	Owned	3.1
Walulla Dodd Road Walulla, WA	P/D	Owned	1.2
Watertown Pleasant Street Watertown, MA	P/D	Owned	4.7
Woodburn Silverton Road Woodburn, OR	P/D	Owned	6.3
Bartow U.S. Highway 17 Bartow, FL	P/D	Owned	1.2
Burley U.S. Highway 30 Burley, ID	P/D	Owned	10.7
Denver East 50th Street Denver, CO	P/D	Owned 52% Leased 48%	2.8
Denver North Washington Street Denver, CO	P/D	Leased	0.5
Fogelsville Mill Road Fogelsville, PA	D	Owned 85% Leased 15%	21.6
Fullerton South Raymond Avenue Fullerton, CA	P/D	Leased	4.0
Grand Island East Roberts Street Grand Island, NB	P/D	Leased	2.2
Ontario N.E. First Street Ontario, OR	P	Leased	8.1
Pajaro Salinas Road Pajaro, CA	P/D	Leased	0.7

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Pasco Industrial Way Pasco, WA	P	Leased	6.7
Tampa North 50th Street Tampa, FL	P/D	Owned 80% Leased 20%	4.1
Tampa Shoreline Drive Tampa, FL	D	Owned	1.3

PROPERTY	TYPE: PRODUCTION(P)/ DISTRIBUTION(D)/ MANAGED(M)	OWNED/ LEASED	TOTAL CUBIC FOOTAGE (IN MILLIONS)
Watsonville West Riverside Drive Watsonville, CA	P/D	Owned	5.4
Watsonville Second Street Watsonville, CA	P/D	Leased	1.4

The above table is summarized as follows:

TYPE OF PROPERTY	TOTAL CUBIC FOOTAGE (IN MILLIONS)	PERCENT TO TOTAL
Owned facilities	312.5	79%
Leased facilities	47.4	12%
Managed facilities	34.4	9%
	394.3	100%

ALEXANDER'S PROPERTIES

The following table shows the location, approximate size and leasing status as of December 31, 1997 of each of Alexander's properties.

LOCATION	OWNERSHIP	APPROXIMATE LAND SQUARE FOOTAGE ("SF") OR ACREAGE	APPROXIMATE BUILDING SQUARE FOOTAGE/ NUMBER OF FLOORS	AVERAGE ANNUALIZED BASE RENT PER SQ. FOOT	PERCENT LEASED
OPERATING PROPERTIES					
NEW YORK:					
Rego Park -- Queens	Owned	4.8 acres	351,000/3(1)	$29.61	100%
Kings Plaza Shopping Center & Marina (Kings Plaza Mall) Brooklyn	50% Owned	24.3 acres	427,000/2(1)(2)	32.60	84%
Kings Plaza Store -- Brooklyn	Owned	Included in Shopping Center above	339,000/4	10.00	85%
Fordham Road -- Bronx	Owned	92,211 SF	303,000/5	--	--
Flushing -- Queens	Leased	44,975 SF	177,000/4(1)	16.35	100%
Third Avenue -- Bronx	Owned	60,451 SF	173,000/4	4.33	100%
			1,770,000		
REDEVELOPMENT PROPERTIES					
NEW YORK:					
Lexington Avenue -- Manhattan	92% Owned	84,420 SF	591,000/6(1)(3)		
Rego Park II -- Queens	Owned	6.6 acres	--		
NEW JERSEY:					
Paramus, New Jersey	Owned	30.0 acres	--/3(4)		

LOCATION	TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
OPERATING PROPERTIES		
NEW YORK:		
Rego Park -- Queens	Bed Bath & Beyond	2013
	Circuit City	2021
	Marshalls	2008/2021
	Old Navy	2007/2021
	Sears	2021
Kings Plaza Shopping Center & Marina (Kings Plaza Mall) Brooklyn	120 Tenants	Various
Kings Plaza Store -- Brooklyn	Sears	2023/2033
Fordham Road -- Bronx		
Flushing -- Queens	Caldor	2027
Third Avenue -- Bronx	An affiliate of Conway	2023
REDEVELOPMENT PROPERTIES		
NEW YORK:		
Lexington Avenue -- Manhattan		
Rego Park II -- Queens		
NEW JERSEY:		
Paramus, New Jersey		

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(1) Excludes parking garages operated for the benefit of Alexander's.

(2) Excludes approximately 150,000 square feet of enclosed, common area space.

(3) Alexander's is evaluating redevelopment plans for this site which may involve razing the existing buildings and developing a large multi-use building.

(4) Alexander's has received approvals to develop a shopping center at this site containing up to 650,000 square feet.

Alexander's estimates that its capital expenditures for redevelopment projects at the above properties will include: (i) approximately $90,000,000 to $100,000,000 for the redevelopment of its Paramus property, (ii) approximately $15,000,000 for improvements to its Kings Plaza Shopping Center and (iii) $300,000,000 to develop its Lexington Avenue site. While Alexander's anticipates that financing will be available after tenants have been obtained for these redevelopment projects, there can be no assurance that such financing will be obtained, or if obtained, that such financings will be on terms that are acceptable to the Company. In addition, it is uncertain as to when these projects will commence.

HOTEL PENNSYLVANIA

In September 1997, the Company acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue opposite Madison Square Garden

in Manhattan, New York. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. The venture intends to refurbish the property creating a sports-themed hotel and entertainment complex. Under the joint venture, Hotel Properties Limited and Planet Hollywood International, Inc. have 40% and 20% interests, respectively. The Hotel Pennsylvania contains approximately 800,000 square feet of hotel space with 1,700 rooms and 400,000 square feet of retail and office space. The Company manages the site's retail and office space, and Hotel Properties Limited manages the hotel.

On March 24, 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to 80%. Under the agreement, the Company will purchase the 40% interest of Hotel Properties Limited for approximately $70 million, including $48 million of existing debt. The increase in the Company's interest is subject to reduction to 67%, should Planet Hollywood International exercise its pro rata option.

For the year ended December 31, 1997 the average occupancy rate for the hotel space was 78% and the average daily rate for a hotel room was $93.

The retail and office space was 79% occupied at March 1, 1998 and was leased to 37 tenants including Sports Authority and Bally's Sports Club. The annual rent per square foot was $26.17.

In March 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to as much as 80%.

INSURANCE

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

ITEM 3. LEGAL PROCEEDINGS

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. Discussions to settle the actions have been ongoing, but no settlement has been reached. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company.

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

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1997.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME	AGE	PRINCIPAL OCCUPATION, POSITION AND OFFICE (CURRENT AND DURING PAST FIVE YEARS WITH VORNADO UNLESS OTHERWISE STATED)
Steven Roth.....	56	Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee of the Board; the Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 2, 1995 and a Director since 1989.
Michael D. Fascitelli.....	41	President and a Trustee since December 2, 1996; Director of Alexander's, Inc. since December 2, 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992.
Bernard Mendik.....	68	Co-Chairman of the Board since April 28, 1997 and Chief Executive Officer of the Mendik Division since April 15, 1997; Chairman of the Board of Directors of Mendik Realty from 1990 until April 15, 1997.
David R. Greenbaum.....	46	President of the Mendik Division since April 15, 1997; President of Mendik Realty from 1990 until April 15, 1997.
Joseph Macnow.....	52	Executive Vice President -- Finance and Administration since January 1998; Vice President -- Chief Financial Officer from 1985 to January 1998; Vice President -- Chief Financial Officer of Alexander's, Inc. since August 1995
Richard T. Rowan.....	51	Vice President -- Real Estate
Irwin Goldberg.....	53	Vice President -- Chief Financial Officer since January 1998; Partner at Deloitte & Touche LLP from September 1978 to January 1998.

PART II

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

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

Quarterly price ranges of the common shares and dividends per share paid for the years ended December 31, 1997 and 1996 were as follows:

	YEAR ENDED DECEMBER 31, 1997			YEAR ENDED DECEMBER 31, 1996		
QUARTER	HIGH	LOW	DIVIDENDS	HIGH	LOW	DIVIDENDS
1st	$35.50	$25.38	$ .32	$19.19	$17.82	$ .305
2nd	37.00	30.44	.32	20.75	18.57	.305
3rd	44.25	32.13	.32	21.07	20.25	.305
4th	47.38	40.63	.40	26.44	20.25	.305

All share and per share information has been adjusted for a 2-for-1 share split in October 1997.

The approximate number of record holders of common shares of Vornado at December 31, 1997, was 2,000.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)				
OPERATING DATA					
Revenues:					
Property rentals	$ 168,321	$ 87,424	$ 80,429	$ 70,755	$ 67,213
Expense reimbursements	36,652	26,644	24,091	21,784	19,839
Other income	4,158	2,819	4,198	1,459	1,738
Total Revenues	209,131	116,887	108,718	93,998	88,790
Expenses:					
Operating	74,745	36,412	32,282	30,223	27,994
Depreciation and amortization	22,983	11,589	10,790	9,963	9,392
General and administrative	13,580	5,167	6,687	6,495	5,890
Amortization of officer's deferred compensation expense	22,917	2,083	--	--	--
Costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust	--	--	--	--	856
Total Expenses	134,225	55,251	49,759	46,681	44,132
Operating Income	74,906	61,636	58,959	47,317	44,658
Income applicable to Alexander's	7,873	7,956	3,954	--	--
Income from partially-owned entities	4,658	1,855	788	--	--
Interest and other investment income	23,767	6,643	5,733	8,132	11,883
Interest and debt expense	(42,888)	(16,726)	(16,426)	(14,209)	(31,155)
Benefit for income taxes	--	--	--	--	6,369
Minority interest of unitholders in the Operating Partnership	(7,293)	--	--	--	--
Net Income	61,023	61,364	53,008	41,240	31,755
Preferred stock dividends	(15,549)	--	--	--	--
Net income applicable to common shares	$ 45,474	$ 61,364	$ 53,008	$ 41,240	$ 31,755
Net income per share -- basic(1)	$ .83	$1.26	$1.13	$ .95	$.80
Net income per share -- diluted(1)	$ .79	$1.25	$1.12	$ .94	$.71
Cash dividends declared for common shares	1.36	1.22	1.12	1.00	.75*

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* Does not include special dividend of $1.68 per share of accumulated earnings and profits paid in June 1993.

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	(IN THOUSANDS)				
BALANCE SHEET DATA					
Total assets	$ 2,524,089	$ 565,204	$ 491,496	$393,538	$385,830
Real estate, at cost	1,564,093	397,298	382,476	365,832	340,415
Accumulated depreciation	173,434	151,049	139,495	128,705	118,742
Debt	956,654	232,387	233,353	234,160	235,037
Shareholders' equity	1,313,762	276,257	194,274	116,688	115,737

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
	(IN THOUSANDS)				
OTHER DATA					
Funds from operations(2):					
Net income applicable to common shares	$ 45,474	$ 61,364	$ 53,008	$ 41,240	$ 31,755
Benefit for income taxes	--	--	--	--	(6,369)
Depreciation and amortization of real property	22,413	11,154	10,019	9,192	8,842
Straight-lining of property rentals for rent escalations	(3,359)	(2,676)	(2,569)	(2,181)	(2,200)
Leasing fees received in excess of income recognized	1,733	1,805	1,052	--	--
Losses/(gains) on sale of securities	--	--	360	(51)	(263)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:					
Cold Storage Companies	4,183	--	--	--	--
Alexander's	(2,471)	(2,331)	539	--	--
Mendik partially-owned office buildings	2,891	--	--	--	--
Hotel Pennsylvania	457	--	--	--	--
Charles E. Smith Commercial Realty L.P.	1,298	--	--	--	--
Costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust	--	--	--	--	856
Funds from operations	$ 72,619	$ 69,316	$ 62,409	$ 48,200	$ 32,621
Cash flow provided by (used in):					
Operating activities	$ 110,754	$ 70,703	$ 62,882	$ 46,948	$ 27,725
Investing activities	(1,064,484)	14,912	(103,891)	(15,434)	1,350
Financing activities	1,219,988	(15,046)	36,577	(32,074)	(56,433)

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(1) The earnings per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). For further discussion of earnings per share and the impact of SFAS 128, see the notes to the consolidated financial statements. All share and per share information has also been adjusted for a 2-for-1 share split in October 1997.

(2) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures employed by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by the National Association of Real Estate Investment Trusts ("NAREIT"). Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

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

RESULTS OF OPERATIONS

Years Ended December 31, 1997 and December 31, 1996

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income, were $209,131,000 in the year ended December 31, 1997, compared to $116,887,000 in the prior year, an increase of $92,244,000. This increase was primarily comprised of $90,520,000 of revenues from properties acquired in 1997.

Property rentals were $168,321,000 in the year ended December 31, 1997, compared to $87,424,000 in the prior year, an increase of $80,897,000. This increase resulted from:

1997 Acquisitions:	
Mendik	$56,958,000
90 Park Avenue	9,874,000
Montehiedra shopping center	6,386,000
Riese	2,485,000
Green Acres Mall	937,000
	76,640,000
Full year effect of a 1996 Acquisition	472,000
Shopping center leasing activity	1,907,000
Step-ups in shopping center leases	1,878,000
	$80,897,000

Tenant expense reimbursements were $36,652,000 in the year ended December 31, 1997, compared to $26,644,000 in the prior year, an increase of $10,008,000. This increase was primarily comprised of $11,320,000 of reimbursements from tenants at properties acquired in 1997, partially offset by a reduction in reimbursements at the Company's other properties due to lower expenses passed through to tenants.

Operating expenses were $74,745,000 in the year ended December 31, 1997, as compared to $36,412,000 in the prior year, an increase of $38,333,000. This increase was primarily comprised of $39,645,000 of expenses from properties acquired in 1997, partially offset by lower snow removal costs and repairs and maintenance at the Company's other properties.

Depreciation and amortization expense increased in 1997 as compared to 1996, primarily as a result of acquisitions.

General and administrative expenses were $13,580,000 in the year ended December 31, 1997 compared to $5,167,000 in the prior year, an increase of $8,413,000. This increase resulted primarily from (i) Mendik Division payroll and corporate office expenses of $2,760,000, (ii) cash compensation attributable to the employment of the Company's President of $2,350,000 and (iii) professional fees of $1,641,000.

The Company recognized expense of $22,917,000 in the year ended December 31, 1997 and $2,083,000 in the prior year representing the amortization of the $25,000,000 deferred payment due to the Company's President.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was $7,873,000 in the year ended December 31, 1997, compared to $7,956,000 in the prior year, a decrease of $83,000. This decrease resulted primarily from a $327,000 reduction in loan interest income due to the reset of the interest rate on the loan; partially offset by an increase in equity in non-recurring income.

Income from partially-owned entities was $4,658,000 in the year ended December 31, 1997, compared to $1,855,000 in the prior year, an increase of $2,803,000. This increase consists of: (i) $1,720,000 from the Cold Storage Companies, (ii) $424,000 from partially owned properties acquired as part of the Mendik Transaction, (iii) $1,055,000 from the Company's 40% interest in Hotel Pennsylvania and (iv) $85,000 from the

Company's 15% interest in Charles E. Smith Commercial Realty L.P., partially offset by (v) lower management fee income.

Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on marketable securities) was $23,767,000 for the year ended December 31, 1997, compared to $6,643,000 in the prior year, an increase of $17,124,000. Of this increase, $9,047,000 resulted primarily from income earned on higher average investments (resulting from proceeds from stock offerings and temporary borrowings) and $7,901,000 resulted from investments in mortgage loans receivable.

Interest and debt expense was $42,888,000 for the year ended December 31, 1997, compared to $16,726,000 in the prior year, an increase of $26,162,000. Of this increase, (i) $13,369,000 resulted from borrowings under the Company's revolving credit facility and a term loan, (ii) $9,009,000 resulted from debt on the properties acquired in the Mendik Transaction and (iii) $3,784,000 resulted from borrowings related to the acquisition of the Montehiedra Town Center in April 1997.

The minority interest unit holders in the Operating Partnership are entitled to preferential distributions which aggregated $7,293,000 for the year ended December 31, 1997.

The preferred stock dividends of $15,549,000 apply to the 6.5% preferred shares issued in April 1997 and include accretion of expenses of issuing them of $1,918,000.

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

Years Ended December 31, 1996 and December 31, 1995

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income, were $116,887,000 in 1996, compared to $108,718,000 in 1995, an increase of $8,169,000 or 7.5%.

Property rentals from shopping centers were $80,001,000 in 1996, compared to $74,255,000 in 1995, an increase of $5,746,000 or 7.7%. Of this increase, (i) $3,800,000 resulted from rental step-ups in existing tenant leases which are not subject to the straight-line method of revenue recognition and (ii) $2,000,000 resulted from expansions and an acquisition. Property rentals received from new tenants were approximately the same as property rentals lost from vacating tenants. Percentage rent included in property rentals was $936,000 in 1996, compared to $959,000 in 1995.

Property rentals from the remainder of the portfolio were $7,423,000 in 1996, compared to $6,174,000 in 1995, an increase of $1,249,000 or 20.2%. Of this increase, $650,000 resulted from the purchase of an office building in June 1996.

Tenant expense reimbursements, which consist of the tenants' pro-rata share of common area maintenance expenses (such as snow removal costs, landscaping and parking lot repairs), real estate taxes and insurance, were $26,644,000 in 1996, compared to $24,091,000 in 1995, an increase of $2,553,000. This increase reflects a corresponding increase in operating expenses passed through to tenants.

Other income was $2,819,000 in 1996, compared to $4,198,000 in 1995, a decrease of $1,379,000. This decrease resulted primarily from (i) including management and development fee income from Alexander's in "Income from Partially-Owned Entities" rather than in "Other income" for a full year in 1996, compared to six months in 1995 and (ii) the recognition of leasing fee income in the first quarter of 1995 from Alexander's of $915,000 applicable to 1993 and 1994 (no leasing fee income was recognized prior to 1995 because required conditions had not been met), partially offset by (iii) the increase in management, development and leasing fees from Interstate Properties.

Operating expenses were $36,412,000 in 1996, compared to $32,282,000 in 1995, an increase of $4,130,000. Of this increase, (i) $3,100,000 were passed through to tenants and consisted of higher snow removal costs of $1,500,000, increased real estate taxes of $1,000,000 and other common area maintenance expense increases of $600,000 and (ii) $500,000 resulted from increases in rent expense and other property expenses. In addition, in 1995 operating expenses were partially offset by real estate tax refunds and other miscellaneous income of approximately $500,000.

Depreciation and amortization expense increased by $799,000 in 1996, compared to 1995, as a result of expansions and an acquisition.

General and administrative expenses were $5,167,000 in 1996, compared to $6,687,000 in 1995, a decrease of $1,520,000. This decrease resulted primarily from a reduction in corporate office expenses caused by the third quarter 1995 assignment of the Company's Management and Development Agreement with Alexander's to Vornado Management Corp. ("VMC").

In December 1996, the Company recognized an expense of $2,083,000, representing one month's amortization of the $25,000,000 deferred payment due to the Company's President. The balance of the deferred payment will be amortized in 1997.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was $7,956,000 for the year ended December 31, 1996, compared to $3,954,000 in the prior year, an increase of $4,002,000. This increase resulted from (i) lower operating losses at Alexander's caused by the commencement of rent at the Rego Park I property in March 1996, (ii) the recognition of $2,053,000 of non-recurring income as a result of the reversal of a liability which is no longer required and (iii) interest income on the loan to Alexander's for a full year in 1996, compared to a ten month period in 1995.

In July 1995, the Company assigned its Management Agreement with Alexander's to VMC. In exchange, the Company received 100% of the non-voting preferred stock of VMC which entitles it to 95% of the economic benefits of VMC through distributions. In addition, the Company lent $5,000,000 to VMC for working capital purposes under a three-year term loan bearing interest at the prime rate plus 2%. VMC is responsible for its pro-rata share of compensation and fringe benefits of employees and 30% of other expenses which are common to both Vornado and VMC. Income from investment in and advances to VMC (now included in "Income from partially-owned entities") was $1,855,000 for the year ended December 31, 1996, compared to $788,000 for the period from July 6th to December 31, in 1995. Income from investment in and advances to VMC for the year ended December 31, 1996 reflects additional fee income earned by VMC in the first quarter of 1996 relating to the substantial completion of the redevelopment of Alexander's Rego Park I property.

Interest and other investment income was $6,643,000 for 1996, compared to $5,733,000 in 1995, an increase of $910,000 or 15.9%. This increase resulted from higher net gains on marketable securities and the yield earned on the mortgage note receivable exceeding the yield earned on the investment of such funds in 1995.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Years Ended December 31, 1997, 1996 and 1995

Year Ended December 31, 1997

Cash flows provided by operating activities of $110,754,000 was comprised of (i) net income of $61,023,000, (ii) adjustments for non-cash items of $39,723,000 and (iii) the net change in operating assets and liabilities of $10,008,000. The adjustments for non-cash items are primarily comprised of (i) amortization of deferred officer's compensation expense of $22,917,000 and (ii) depreciation and amortization of $24,460,000.

Net cash used in investing activities of $1,064,484,000 was primarily comprised of (i) acquisitions of real estate of $887,423,000 (see detail below), (ii) investments in mortgage loans receivable of $71,663,000 (see detail below), (iii) capital expenditures of $23,789,000, (iv) restricted cash for tenant improvements of

$27,079,000 and (v) real estate deposits of $46,152,000. Acquisitions of real estate and investments in mortgage loans receivable are comprised of:

	CASH	DEBT ASSUMED	VALUE OF SHARES OR UNITS ISSUED*	TOTAL CONSIDERATION
	(AMOUNTS IN THOUSANDS)			
Real Estate:				
Mendik Transaction	$263,790	$215,279	$177,000	$ 656,069
60% interest in Cold Storage Companies	243,846	376,800	--	620,646
Green Acres Mall	--	125,000	102,015	227,015
90 Park Avenue office building	185,000	--	--	185,000
Montehiedra shopping center	11,000	63,000	--	74,000
40% interest in Hotel Pennsylvania	17,487	48,000	--	65,487
640 Fifth Ave. office building	64,000	--	--	64,000
15% interest in Charles E. Smith Commercial Realty L.P.	60,000	--	--	60,000
Riese properties	26,000	--	--	26,000
1135 Third Avenue and other	16,300	--	--	16,300
	887,423	828,079	279,015	1,994,517
Mortgage loans receivable:				
Riese properties	41,649			41,649
20 Broad Street	27,000			27,000
909 Third Ave. and other, net	3,014			3,014
	71,663			71,663
Total Acquisitions	$959,086	$828,079	$279,015	$2,066,180

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* Valued at time of acquisition.

Net cash provided by financing activities of $1,219,988,000 was primarily comprised of proceeds from (i) borrowings of $770,000,000, (ii) issuance of common shares of $688,672,000, and (iii) issuance of preferred shares of $276,000,000, partially offset by (iv) repayment of borrowings of $409,633,000, (v) dividends paid on common shares of $77,461,000, (vi) dividends paid on preferred shares of $15,549,000 and (vii) the repayment of borrowings on U.S. Treasury obligations of $9,636,000.

Year Ended December 31, 1996

Cash flows provided by operating activities of $70,703,000 was comprised of (i) net income of $61,364,000 and (ii) adjustments for non-cash items of $9,972,000, less (iii) the net change in operating assets and liabilities of $633,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $12,586,000 and amortization of deferred officers compensation expense of $2,083,000, partially offset by the effect of straight-lining of rental income of $2,676,000 and equity in income from Alexander's of $1,108,000. The net change in "Leasing fees receivable" and "Deferred leasing fee income" included in item (iii) above reflects a decrease of $1,717,000 resulting from the rejection of a lease by an Alexander's tenant in March 1996 and an increase of $1,738,000 resulting from the releasing of a portion of this space. "Leasing fees receivable" of $2,500,000 were collected during this period.

Net cash provided by investing activities of $14,912,000 was comprised of (i) proceeds from sale or maturity of securities available for sale of $46,734,000, partially offset by (ii) the Company's investment in a mortgage note receivable of $17,000,000 and (iii) capital expenditures of $14,822,000 (including $8,923,000 for the purchase of an office building).

Net cash used in financing activities of $15,046,000 was primarily comprised of (i) dividends paid of $59,558,000, (ii) the net repayment of borrowings on U.S. Treasury obligations of $34,239,000, (iii) the net repayment on mortgages of $966,000, partially offset by (iv) net proceeds from the issuance of common shares of $73,060,000 and (v) the proceeds from the exercise of stock options of $6,657,000.

Cash increased during the period from December 31, 1995 to December 31, 1996 from $19,127,000 to $89,696,000 primarily as the result of the issuance of common shares in the fourth quarter of 1996 as noted above.

Year Ended December 31, 1995

Cash flows provided by operating activities of $62,882,000 was comprised of: (i) net income of $53,008,000 and (ii) adjustments for non-cash items of $11,305,000 less (iii) the net change in operating assets and liabilities of $1,431,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $11,779,000, plus equity in loss of Alexander's of $2,389,000, partially offset by the effect of straight-lining of rental income of $2,569,000. Further, during this period in connection with the Alexander's transaction, "Leasing fees and other receivables" increased by $7,656,000 and "Deferred leasing fee income" correspondingly increased by $8,888,000. These amounts have been included in "Changes in assets and liabilities: other" in the Consolidated Statements of Cash Flows and are part of the net change in operating assets and liabilities shown in item (iii) above.

Net cash used in investing activities of $103,891,000 was comprised of (i) the Company's investment in and advances to Alexander's of $100,482,000, (ii) capital expenditures of $16,644,000, (iii) a loan to VMC of $5,074,000 and (iv) purchases of securities available for sale of $4,027,000, partially offset by (v) the net proceeds from the sale of securities available for sale of $22,336,000.

Net cash provided by financing activities of $36,577,000 was primarily comprised of (i) net proceeds from issuance of common shares of $79,831,000, and (ii) net borrowings on U.S. Treasury obligations of $9,600,000, partially offset by (iii) dividends paid of $52,875,000.

Funds from Operations for the Years Ended December 31, 1997 and 1996

Funds from operations were $72,619,000 in the year ended December 31, 1997, compared to $69,316,000 in the prior year, an increase of $3,303,000 or 4.8%. Funds from operations for this year reflect amortization of the deferred payment due to the Company's President and related compensation of $25,397,000, compared to $2,157,000 in the prior year. The following table reconciles funds from operations and net income:

	YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
Net income applicable to common shares	$45,474,000	$61,364,000
Depreciation and amortization of real property	22,413,000	11,154,000
Straight-lining of property rentals for rent escalations	(3,359,000)	(2,676,000)
Leasing fees received in excess of income recognized	1,733,000	1,805,000
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations	6,358,000	(2,331,000)
Funds from operations	$72,619,000	$69,316,000

Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur

and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs', including the Company, calculate funds from operations in a manner different from that used by the National Association of Real Estate Investment Trusts ("NAREIT"). Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income. Below are the cash flows provided by (used in) operating, investing and financing activities:

	FOR THE YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
Operating activities	$ 110,754,000	$ 70,703,000
Investing activities	$(1,064,484,000)	$ 14,912,000
Financing activities	$ 1,219,988,000	$(15,046,000)

Certain Cash Requirements

The Company has budgeted approximately $51,000,000 for capital expenditures (excluding acquisitions) over the next year of which (i) $38,500,000 is for tenant improvements and leasing costs at its office properties, (ii) $5,500,000 is for rebuilding the Lodi shopping center, net of expected insurance proceeds, (iii) $1,500,000 is for tenant improvements and renovations at its shopping center properties and (iv) $4,300,000 is for recurring maintenance.

In addition to the Company's budgeted capital expenditures, below is a summary of certain other transactions affecting the Company's liquidity at December 31, 1997:

	CAPITAL REQUIRED
Acquisitions completed subsequent to December 31, 1997:	
One Penn Plaza (purchase price of $410,000,000 less a deposit of $41,000,000 made in December 1997 and indebtedness of $93,000,000)	$276,000,000
150 East 58th Street	118,000,000
Pending acquisitions:	
Kennedy Properties (purchase price of $625,000,000 less value of Operating Partnership Units to be issued of $110,000,000 and debt to be assumed of $50,000,000)	465,000,000
YMCA Development	55,000,000
Capital expenditures for the Hotel Pennsylvania (the Company's 40% share)	25,000,000
	$939,000,000

The capital expenditures shown above would increase as a result of the Company's proposed increased ownership of the Hotel Pennsylvania (See Item 2. -- Properties).

The Company expects that the Cold Storage Companies and Alexander's, in which the Company owns partial interests, will separately fund their capital expenditures (See Item 2. -- Properties).

The $20,000,000 convertible obligation, payable at Vornado's option in 919,540 of its Common Shares or the cash equivalent of their appreciated value, to Michael D. Fascitelli, the Company's President, vested as of December 2, 1997.

In July 1997, the Company obtained a $600,000,000 unsecured three-year revolving credit facility. In February 1998, the facility was increased to $1,000,000,000. At December 31, 1997, the Company had $370,000,000 outstanding under the facility.

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

The Company has an effective shelf registration under which it can offer an aggregate of $2.0 billion of equity securities and an aggregate of $1.0 billion of debt securities.

The Company anticipates that cash from continuing operations will be adequate to fund business operations and the payment of dividends and distributions on an ongoing basis for more than the next twelve months; however, capital outlays for significant acquisitions will require funding from borrowings or equity offerings.

ACQUISITION ACTIVITY

As a result of acquisitions, the book value of the Company's assets have grown from $565,204,000 at December 31, 1996 to $2,524,089,000 at December 31, 1997. In addition, another $528,000,000 in acquisitions were completed through March 6, 1998 and $907,000,000 in acquisitions were pending at that date.

The Company's success is affected by its ability to integrate the assets and businesses it acquires and to effectively manage those assets and businesses. The Company currently expects to continue to grow at a relatively fast pace. However, its ability to do so will be dependent on a number of factors, including, among others, (a) the availability of reasonably priced assets that meet the Company's acquisition criteria and (b) the price of the Company's common stock, the rates at which the Company is able to borrow money and, more generally, the availability of financing on terms that, in the Company's view, make such acquisitions financially attractive.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board has recently issued several new accounting pronouncements. Statement No. 128, "Earnings per Share," establishes standards for computing and presenting earnings per share, and is effective for financial statements for both interim and annual periods ending after December 15, 1997. Statement No. 129, "Disclosure of Information about Capital Structure," establishes standards for disclosing information about an entity's capital structure, and is effective for financial statements for periods ending after December 15, 1997. Statement No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income and its components, and is effective for fiscal years beginning after December 15, 1997. Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers, and is effective for financial statements for periods beginning after December 15, 1997.

Management has incorporated the required disclosures under Statements Nos. 128 and 129 in its financial statements, and does not believe that the other new standards will have a material effect on reported operating results, per share amounts, financial position or cash flow.

YEAR 2000 ISSUES

Many of the world's computer systems currently record years in a two-digit format. Such computer systems may be unable to properly interpret dates beyond the year 1999, which could lead to business disruptions in the United States and internationally (the "Year 2000" issue). The potential costs and uncertainties associated with the Year 2000 issue will depend on a number of factors, including software, hardware and the nature of the industry in which a company operates. Additionally, companies must coordinate with other entities with which they electronically interact, such as customers, creditors and borrowers. Year 2000 compliance programs and information systems modifications are being initiated in an attempt to ensure that these systems and key processes will remain functional. This objective is expected to be achieved either by modifying present systems using existing internal and external programming resources or by installing new systems, and by monitoring supplier and other third-party interfaces. While there can be no assurance that all such modifications will be successful, management does not expect that either costs of

modifications or consequences of any unsuccessful modifications should have a material adverse effect on the financial position, results of operations or liquidity of the Company.

ECONOMIC CONDITIONS

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Not applicable.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 25, 1998

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	DECEMBER 31, 1996
	(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)	
ASSETS		
Real estate, at cost:		
Land	$ 436,274	$ 61,278
Buildings and improvements	1,118,334	327,485
Leasehold improvements and equipment	9,485	8,535
Total	1,564,093	397,298
Less accumulated depreciation and amortization	173,434	151,049
Real estate, net	1,390,659	246,249
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $8,775 and $17,036	355,954	89,696
Restricted cash	27,079	--
Marketable securities	34,469	27,549
Investments in partially-owned entities, including investment in and advances to Alexander's of $108,752 and $107,628	482,787	112,821
Due from officer	8,625	8,418
Accounts receivable, net of allowance for doubtful accounts of $658 and $575	16,663	9,786
Mortgage loans receivable	88,663	17,000
Receivable arising from the straight-lining of rents	24,127	17,052
Other assets	95,063	13,716
Officer's deferred compensation expense	--	22,917
	$2,524,089	$565,204
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$ 956,654	$232,387
Due for U.S. Treasury obligations	--	9,636
Accounts payable and accrued expenses	36,538	9,905
Officer's compensation payable	25,000	25,000
Deferred leasing fee income	9,927	8,373
Other liabilities	3,641	3,646
Total liabilities	1,031,760	288,947
Minority interest of unitholders in the Operating Partnership	178,567	--
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized, 20,000,000 shares; liquidation preference $50.00 per share ($289,466); issued and outstanding, 5,789,315 shares, stated at	279,884	--
Common shares of beneficial interest: $.04 par value per share; authorized, 100,000,000 shares; issued and outstanding, 72,164,654 and 53,095,360 shares	2,887	1,044
Additional capital	1,146,385	358,874
Deficit	(109,561)	(77,574)
	1,319,595	282,344
Unrealized loss on securities available for sale	(840)	(998)
Due from officers for purchase of common shares of beneficial interest	(4,993)	(5,089)
Total shareholders' equity	1,313,762	276,257
	$2,524,089	$565,204

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED		
	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Property rentals	$168,321	$ 87,424	$ 80,429
Expense reimbursements	36,652	26,644	24,091
Other income (including fee income from related parties of $1,752, $2,569 and $4,123)	4,158	2,819	4,198
Total revenues	209,131	116,887	108,718
Expenses:			
Operating	74,745	36,412	32,282
Depreciation and amortization	22,983	11,589	10,790
General and administrative	13,580	5,167	6,687
Amortization of officer's deferred compensation expense	22,917	2,083	--
Total expenses	134,225	55,251	49,759
Operating income	74,906	61,636	58,959
Income applicable to Alexander's	7,873	7,956	3,954
Income from partially-owned entities	4,658	1,855	788
Interest and other investment income	23,767	6,643	5,733
Interest and debt expense	(42,888)	(16,726)	(16,426)
Minority interest of unitholders in the Operating Partnership	(7,293)	--	--
Net income	61,023	61,364	53,008
Preferred stock dividends	(15,549)	--	--
NET INCOME applicable to common shares	$ 45,474	$ 61,364	$ 53,008
NET INCOME PER COMMON SHARE -- BASIC	$ .83	$ 1.26	$ 1.13
NET INCOME PER COMMON SHARE -- DILUTED	$ .79	$ 1.25	$ 1.12

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	PREFERRED SHARES	COMMON SHARES	ADDITIONAL CAPITAL	DEFICIT	UNREALIZED GAIN(LOSS) ON SECURITIES AVAILABLE FOR SALE	DUE FROM OFFICERS	TOTAL SHAREHOLDERS' EQUITY
	(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)						
BALANCE, JANUARY 1, 1995		$ 866	$ 198,184	$ (79,513)	$ 2,336	$(5,185)	$ 116,688
Net income		--	--	53,008	--	--	53,008
Net proceeds from issuance of common shares		100	79,731	--	--	--	79,831
Dividends paid ($1.12 per share)		--	--	(52,875)	--	--	(52,875)
Common shares issued under employees' share plans		4	1,316	--	--	--	1,320
Change in unrealized gains (losses) on securities available for sale		--	--	--	(3,698)*	--	(3,698)
BALANCE, DECEMBER 31, 1995		970	279,231	(79,380)	(1,362)	(5,185)	194,274
Net income		--	--	61,364	--	--	61,364
Net proceeds from issuance of common shares		60	73,000	--	--	--	73,060
Dividends paid ($1.22 per share)		--	--	(59,558)	--	--	(59,558)
Common shares issued under employees' share plans		14	6,643	--	--	--	6,657
Change in unrealized gains (losses) on securities available for sale		--	--	--	364	--	364
Forgiveness of amount due from officers		--	--	--	--	96	96
BALANCE, DECEMBER 31, 1996		1,044	358,874	(77,574)	(998)	(5,089)	276,257
Net income		--	--	61,023	--	--	61,023
Dividends paid on preferred shares ($2.37 per share)		--	--	(15,549)	--	--	(15,549)
Net proceeds from issuance of preferred shares (including accretion of $1,918)	$277,918	--	--	--	--	--	277,918
Two-for-one common share split		1,044	(1,044)	--	--	--	--
Net proceeds from issuance of common shares	--	644	688,028	--	--	--	688,672
Shares issued in connection with Arbor acquisition	1,966	117	99,932	--	--	--	102,015
Dividends paid on common shares ($1.36 per share)	--	--	--	(77,461)	--	--	(77,461)
Common shares issued in connection with an employment agreement and employees' share plans	--	38	595	--	--	--	633
Change in unrealized gains (losses) on securities available for sale	--	--	--	--	158	--	158
Forgiveness of amount due from officers	--	--	--	--	--	96	96
BALANCE, DECEMBER 31, 1997	$279,884	$2,887	$1,146,385	$(109,561)	$ (840)	$(4,993)	$1,313,762

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* Includes $3,435 in unrealized gains attributable to the Company's investment in the common stock of Alexander's, Inc.

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED		
	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(AMOUNTS IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 61,023	$ 61,364	$ 53,008
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization (including debt issuance costs)	24,460	12,586	11,779
Amortization of officer's deferred compensation expense	22,917	2,083	--
Straight-lining of rental income	(7,075)	(2,676)	(2,569)
Minority interest of unitholders in the Operating Partnership	7,293	--	--
Equity in (income) loss of Alexander's	(2,188)	(1,108)	2,389
Equity in income of other investees	(4,658)	--	--
Net gain on marketable securities	(1,026)	(913)	(294)
Changes in operating assets and liabilities:	10,008	(633)	(1,431)
Net cash provided by operating activities	110,754	70,703	62,882
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of real estate	(887,423)	--	--
Investments in mortgage loans receivable	(71,663)	(17,000)	--
Cash restricted for tenant improvements	(27,079)	--	--
Additions to real estate	(23,789)	(14,822)	(16,644)
Investment in and advances to Alexander's		--	(100,482)
Real estate deposits and other	(46,152)	--	(5,074)
Purchases of securities available for sale	(8,378)	--	(4,027)
Proceeds from sale or maturity of securities available for sale	--	46,734	22,336
Net cash (used in) provided by investing activities	(1,064,484)	14,912	(103,891)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common shares	688,672	73,060	79,831
Proceeds from issuance of preferred shares	276,000	--	--
Proceeds from borrowings on U.S. Treasury obligations	--	10,000	40,000
Repayment of borrowings on U.S. Treasury obligations	(9,636)	(44,239)	(30,400)
Proceeds from borrowings	770,000	10,000	60,000
Repayments on borrowings	(409,633)	(10,966)	(60,807)
Costs of refinancing debt	(3,038)	--	(492)
Dividends paid on common shares	(77,461)	(59,558)	(52,875)
Dividends paid on preferred shares	(15,549)	--	--
Exercise of share options	633	6,657	1,320
Net cash provided by (used in) financing activities	1,219,988	(15,046)	36,577
Net increase (decrease) in cash and cash equivalents	266,258	70,569	(4,432)
Cash and cash equivalents at beginning of year	89,696	19,127	23,559
Cash and cash equivalents at end of year	$ 355,954	$ 89,696	$ 19,127
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest	$ 38,968	$ 15,695	$ 15,881
NON-CASH TRANSACTIONS:			
Financing assumed in acquisitions	$ 403,279	$ --	$ --
Shares issued in connection with acquisitions	102,015	--	--
Minority interest in connection with acquisitions	177,000	--	--
Deferred officer's compensation expense and related liability	--	25,000	--
Unrealized (loss)gain on securities available for sale	158	364	(3,698)

See notes to consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Vornado Realty Trust ("Vornado") is a fully-integrated real estate investment trust ("REIT"). In April 1997, Vornado transferred substantially all of its assets to Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). As a result, Vornado now conducts its business through, and substantially all of its interests in properties are held by, the Operating Partnership. Vornado is the sole general partner of the Operating Partnership and owns a 92.7% limited partnership interest at December 31, 1997. All references to "Vornado" in these financial statements refer to Vornado Realty Trust; all references to the "Operating Partnership" refer to Vornado Realty L.P. and all references to the "Company" refer to Vornado and its consolidated subsidiaries, including the Operating Partnership.

The Company currently owns directly or indirectly:

(i) 59 shopping center properties in seven states and Puerto Rico;

(ii) all or portions of 14 office building properties in the New York City metropolitan area (primarily Manhattan);

(iii) eight warehouse/industrial properties in New Jersey;

(iv) approximately 29.3% of the outstanding common stock of Alexander's, Inc., which has nine properties in the New York City metropolitan area;

(v) a 60% interest in two partnerships that own Americold Corporation and URS Logistics, Inc., (collectively the "Cold Storage Companies") which own and operate 80 refrigerated, frozen and dry storage space warehouse facilities;

(vi) a 40% interest in the Hotel Pennsylvania, a New York City hotel which contains retail and office space;

(vii) a 15% limited partnership interest in Charles E. Smith Commercial Realty, which owns interests in and manages office properties in Crystal City, Arlington, Virginia, a suburb of Washington D.C., and manages additional office and other commercial properties in the Washington, D.C. area;

(viii) other real estate and investments in mortgages collateralized by various office, restaurant and other retail properties;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P. All significant intercompany amounts have been eliminated. Equity interests in partially-owned entities include partnerships, joint ventures and preferred stock affiliates (corporations in which the Company owns all of the preferred stock and none of the common equity) and are accounted for under the equity method of accounting as the Company exercises significant influence. These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions. Ownership of the preferred stock entitles the Company to substantially all of the economic benefits in the preferred stock affiliates. The common stock of the preferred stock affiliates is owned by Officers and Trustees of Vornado.

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

REAL ESTATE: Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation is provided

on a straight-line basis over the assets estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases.

The Company's properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis, to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to reflect an impairment in the value of the asset.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents does not include cash restricted for tenant improvements at the Company's Two Penn Plaza office building.

MARKETABLE SECURITIES: Marketable securities are carried at fair market value. The Company has classified debt and equity securities which it intends to hold for an indefinite period of time as securities available for sale and equity securities it intends to buy and sell on a short term basis as trading securities. Unrealized gains and losses are included in earnings for trading securities and as a component of shareholder's equity for securities available for sale. Realized gains or losses on the sale of securities are recorded based on average cost.

At December 31, 1997 and 1996, marketable securities had an aggregate cost of $34,950,000 and $28,299,000 (of which $7,230,000 and $7,260,000 represents trading securities) and an aggregate market value of $34,469,000 and $27,549,000 (of which $7,583,000 and $7,508,000 represents trading securities). Gross unrealized gains and losses were $1,583,000 and $2,064,000 at December 31, 1997 and $606,000 and $1,356,000 at December 31, 1996.

MORTGAGE LOANS RECEIVABLE: The Company evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether it is impaired. A loan is considered to be impaired, when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate. Interest on impaired loans is recognized on a cash basis.

FAIR VALUE OF FINANCIAL INSTRUMENTS: All financial instruments of the Company are reflected in the accompanying consolidated balance sheets at amounts which, in management's estimation, based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt) are considered appropriate, and reasonably approximate their fair values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

DEFERRED CHARGES: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis in accordance with the terms of the agreements to which they relate.

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

INCOME TAXES: The Company operates in a manner intended to enable it to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986 as amended. Under those sections, a REIT which distributes at least 95% of its REIT taxable income as a dividend to its shareholders each year and

which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company has distributed to shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required. All dividend distributions for the three years ended December 31, 1997, are characterized for Federal income tax purposes as ordinary income.

The net basis of the Company's assets and liabilities for tax purposes is approximately $480,000,000 lower than the amount reported for financial statement purposes.

AMOUNTS PER SHARE: In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share (SFAS 128). SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the requirements of SFAS 128. All share and per share information has also been adjusted for a 2-for-1 stock split in October 1997.

STOCK OPTIONS: The Company accounts for stock-based compensation using the intrinsic value method. Under the intrinsic value method compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted market price of the Company's stock on the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans.

3. ACQUISITIONS

The Company completed approximately $2.6 billion of real estate acquisitions or investments from January 1, 1997 through March 6, 1998 and an additional $900 million of acquisitions are pending; however, there can be no assurance that such acquisitions will ultimately be completed. These acquisitions were consummated through subsidiaries or preferred stock affiliates of the Company and were recorded under the purchase method of accounting. Related net assets and results of operations have been included in these financial statements since their respective dates of acquisition. The respective purchase costs were allocated to acquired assets and assumed liabilities using their relative fair values as of the closing dates, based on valuations and other studies which are not yet complete. Accordingly, the initial valuations are subject to change as such information is finalized. The Company believes that any such change will not be significant since the allocations were principally to real estate. The following are the details of the acquisitions or investments:

COMPLETED IN 1997

Mendik Transaction

In April 1997, Vornado consummated the acquisition of interests in all or a portion of seven Manhattan office buildings and the management company held by Bernard H. Mendik, David R. Greenbaum and certain entities controlled by them (the "Mendik Group") and certain of their affiliates (the "Mendik Transaction"), which is operated as the Mendik Division. The properties acquired include (i) four wholly owned properties: Two Penn Plaza, Eleven Penn Plaza, 1740 Broadway and 866 U.N. Plaza and (ii) three partially owned properties: Two Park Avenue (40% interest), 330 Madison Avenue (24.8% interest) and 570 Lexington Avenue (5.6% interest). The consideration for the transaction was approximately $656,000,000, including $264,000,000 in cash, $177,000,000 in the limited partnership units of the Operating Partnership issued to persons other than Vornado ("Minority Interests") and $215,000,000 in indebtedness.

Montehiedra Town Center

In April 1997, the Company acquired The Montehiedra Town Center ("Montehiedra"), a shopping center, located in San Juan, Puerto Rico, for approximately $74,000,000, of which $63,000,000 was newly issued ten-year indebtedness.

90 Park Avenue

In May 1997, the Company acquired a mortgage loan from a consortium of banks collateralized by an office building located at 90 Park Avenue, Manhattan, New York. On August 21, 1997, the Company entered into an agreement with the owners of 90 Park Avenue pursuant to which the Company restructured the mortgage, took title to the land and obtained a 43-year lease on the building under which the Company manages the building and receives the building's cash flow. As part of the restructuring, the amount of the debt was adjusted from the face value of $193,000,000 to the May 1997 acquisition cost of $185,000,000, the maturity date of the debt was extended to August 31, 2022 and the interest rate was set at 7.5%. The Company purchased the land from the borrower for $8,000,000, which was further applied to reduce the debt to $177,000,000. This investment has been classified as real estate.

Riese Transactions

In June 1997, the Company acquired four properties for approximately $26,000,000. The properties were previously owned by affiliates of the Riese Organization. These properties are located in midtown Manhattan. The Company also made a $41,000,000 mortgage loan to Riese affiliates cross-collateralized by ten other Manhattan properties. The mortgage loan has a five-year term and an initial interest rate of 9.75% increasing annually.

Hotel Pennsylvania Investment

In September 1997, the Company acquired a 40% interest in the Hotel Pennsylvania, which is located on Seventh Avenue opposite Madison Square Garden in Manhattan, New York. The property was acquired in a joint venture with Hotel Properties Limited and Planet Hollywood International, Inc. from a group of partnerships. Under the joint venture agreement, Hotel Properties Limited and Planet Hollywood International, Inc. have 40% and 20% interests, respectively. The joint venture acquired the hotel for approximately $159,000,000, of which $120,000,000 was newly issued five-year financing. The Company's share of the purchase price was approximately $64,000,000. The Company manages the site's retail and office space, and Hotel Properties Limited manages the hotel. See "Subsequent Events".

20 Broad Street Mortgage

In September 1997, the Company purchased from a bank, at a discount, a mortgage on an office building at 20 Broad Street in Manhattan, New York for $27,000,000. The mortgage, which is in default, yields approximately 12%. The property is leased to a number of tenants. The largest such tenant, the New York Stock Exchange, leases approximately 53% of the property. As part of the Mendik Transaction previously described, the Company obtained an option to acquire from the Mendik Group its portion of the leasehold interest in this property.

Charles E. Smith Commercial Realty Investment

In October 1997, the Company acquired a 15% limited partnership interest in Charles E. Smith Commercial Realty L.P. for $60,000,000 in a partnership roll-up. The partnership owns interests in and manages office properties in Crystal City, Arlington, Virginia, a suburb of Washington, D.C., and manages additional office and other commercial properties in the Washington, D.C. area.

Cold Storage

In October 1997, two partnerships in which preferred stock affiliates of the Company have 60% interests and affiliates of Cresent Real Estate Equities Company have 40% interests acquired Americold Corporation

("Americold") and URS Logistics, Inc. ("URS") from affiliates of Kelso & Company, Inc. and other owners. Americold and URS are cold storage and logistics warehouse companies. The consideration for these transactions totaled approximately $1,000,000,000, including $628,000,000 of indebtedness. The Company's share of the purchase price was approximately $600,000,000. See "Subsequent Events".

Arbor Property Trust

In December 1997, the Company acquired Arbor Property Trust ("Arbor") for approximately 2,936,000 common shares of beneficial interest of Vornado and 39,400 Series A Convertible Preferred Shares of Vornado. The approximate value of the transaction was $225 million, subject to property level debt of $125 million. Arbor was a single property real estate investment trust which owned the Green Acres Mall, a super-regional enclosed shopping mall complex situated in Nassau County, Long Island, New York one-mile east of the borough of Queens, New York.

640 Fifth Avenue

In December 1997, the Company acquired 640 Fifth Avenue, a Manhattan office building located at the corner of 51st Street, for approximately $64 million from Met Life International Real Estate Partners Limited Partnership.

COMPLETED IN 1998 (SEE "SUBSEQUENT EVENTS")

One Penn Plaza

In February 1998, the Company acquired a long-term leasehold interest in One Penn Plaza, a Manhattan office building for approximately $410 million from Mid-City Associates.

150 East 58th Street

In March 1998, the Company acquired 150 East 58th Street (the "Architects and Design Center"), a Manhattan office building, for approximately $118 million from a limited partnership.

PENDING

Kennedy Properties (See "Subsequent Events")

In January 1998, the Company entered into a definitive agreement to acquire a real estate portfolio from Joseph P. Kennedy Enterprises for approximately $625 million, consisting of $465 million in cash, $50 million in indebtedness and an aggregate of $110 million in Operating Partnership Units and Convertible Preferred Operating Partnership Units.

YMCA Development

In September 1997, the Company entered into an agreement with the YMCA to acquire a portion of a property now occupied by the YMCA. The property overlooks Central Park and is located between West 63rd and 64th Streets in Manhattan, New York. Pursuant to the agreement, a preferred stock affiliate of the Company will acquire and develop approximately 44,000 square feet for use by the YMCA and approximately 150,000 square feet for sale as residential condominiums. The agreement contemplates the negotiation and execution of additional related agreements. The purchase price for the property is approximately $8,400,000, and the Company estimates that development costs (including the YMCA facilities) will be approximately $55,000,000. To date the Company has expended approximately $2,750,000 in connection with this transaction and provided the YMCA with a $5,500,000 letter of credit. The transaction is expected to close in the second quarter of 1998.

Las Catalinas Mall

The Company has an option to acquire K Mart's recently constructed anchor store and its 50% interest in the Las Catalinas Mall located in Caguas, Puerto Rico. The total purchase price is approximately $68,000,000 (substantially all of which would be financed with newly issued debt). The acquisition is expected to close in the second quarter of 1998.

Hotel Pennsylvania -- additional investment (see "Subsequent Events").

Cold Storage -- acquisition of Freezer Services, Inc. (see "Subsequent Events").

Pro Forma Information

The unaudited pro forma information set forth below presents (i) the condensed consolidated statements of income for the Company for the years ended December 31, 1997 and 1996 as if (a) the acquisitions described above (excluding the pending acquisitions in Cold Storage and Hotel Pennsylvania) and the financings attributable thereto had occurred on January 1, 1996 and (ii) the condensed consolidated pro forma balance sheet of the Company as of December 31, 1997, as if such acquisitions and financings had occurred on December 31, 1997.

Condensed Pro Forma Consolidated Income Statement

	PRO FORMA (UNAUDITED) YEAR ENDED	
	DECEMBER 31, 1997	DECEMBER 31, 1996
	(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Revenues	$500,200	$488,900
Net income	$106,100	$107,600
Preferred stock dividends	(20,700)	(19,800)
Net income applicable to common shares	$ 85,400	$ 87,800
Net income per common share -- basic	$1.55	$1.79
Net income per common share -- diluted	$1.49	$1.78

Pro Forma revenues and net income applicable to common shares after giving effect only to the acquisitions and financings completed prior to December 31, 1997 were $314,900,000 and $87,500,000 for the year ended December 31, 1997 and $315,600,000 and $95,550,000 for the year ended December 31, 1996. The pro forma results for the year ended December 31, 1997, include non-recurring lease cancellation income of $14,350,000, partially offset by related expenses of $2,775,000.

Condensed Pro Forma Consolidated Balance Sheet (Unaudited) at December 31, 1997 (amounts in thousands):

Total assets	$3,553,600
Total liabilities	$1,951,300
Minority interest	288,550
Total shareholders' equity	1,313,750
Total liabilities and shareholders' equity	$3,553,600

4. INVESTMENTS IN PARTIALLY-OWNED ENTITIES

The Company's investments in partially-owned entities and income recognized from such investments is disclosed below. Summarized financial data is provided for (i) investments in entities which exceed 10% of the Company's total assets and (ii) investments in which the Company's share of partially-owned entities pre-tax income exceeds 10% of the Company's net income.

BALANCE SHEET DATA:

	COMPANY'S INVESTMENT		TOTAL ASSETS		TOTAL DEBT		TOTAL EQUITY	
	1997	1996	1997	1996	1997	1996	1997	1996
	(AMOUNTS IN THOUSANDS)							
INVESTMENTS:								
Cold Storage Companies.....	$243,846	$ --	$1,481,405	$ --	$638,047	$ --	$404,227	$ --
Alexander's.....	108,752	107,628	$ 235,074	$211,585	$208,087	$192,347	$ 13,029	$5,564
Charles E. Smith Commercial Realty L.P.	60,437	--						
Hotel Pennsylvania...	20,152	--						
Mendik Partially-Owned Office Buildings.....	37,209	--						
Vornado Management Corp. and Mendik Management Company.....	12,391	5,193						
	$482,787	$112,821						

INCOME STATEMENT DATA:

	COMPANY'S INCOME FROM PARTIALLY-OWNED ENTITIES			TOTAL REVENUES			NET INCOME (LOSS)		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
	(AMOUNTS IN THOUSANDS)								
INCOME APPLICABLE TO ALEXANDER'S	$7,873	$7,956	$3,954	$25,369	$21,833	$11,734	$7,466*	$24,699*	$(6,731)
INCOME FROM OTHER PARTIALLY-OWNED INVESTMENTS:									
Cold Storage Companies	$1,720	$ --	$ --	$78,699	$ --	$ --	$ 90	$ --	$ --
Hotel Pennsylvania	1,055	--	--						
Charles E. Smith Commercial Realty L.P.	85	--	--						
Mendik Partially-Owned Office Buildings	424	--	--						
Vornado Management Corp. and Mendik Management Company	1,374	1,855	788						
	$4,658	$1,855	$ 788						

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* 1997 net income includes $8,914 of income from the condemnation of a portion of a property. 1996 income includes income from discontinued operations of $11,602 and a non-recurring gain of $14,372.

Alexander's

The Company owns 29.3% of the outstanding shares of common stock of Alexander's. In March 1995, the Company lent Alexander's $45,000,000. The loan, which was scheduled to mature in March 1998, has been extended to March 1999 and the interest rate was reset from 15.60% per annum to 13.87% per annum reflecting a reduction in both the spread and the underlying treasury rate. In addition, Alexander's has approximately $163,087,000 of other indebtedness at December 31, 1997 of which: (i) $30,000,000 has been extended with the Company's loan to March 1999, (ii) $75,000,000 bearing interest at 6.82%, is due on September 15, 1998, (iii) $22,684,000 bearing interest at 10.22%, is due in February 2000 (iv) $21,812,000, bearing interest at 9.50%, is due on August 21, 1998 and (v) $13,596,000, bearing interest at 8.19%, is due on December 31, 1998. All of these loans are collateralized by Alexander's real estate.

The investment in Alexander's is comprised of:

	DECEMBER 31,	
	1997	1996
	(AMOUNTS IN THOUSANDS)	
Common stock, net of $1,596,000 and $989,000 of accumulated depreciation of buildings	$ 54,931	$ 56,952
Loan receivable	45,000	45,000
Deferred loan origination income	(83)	(583)
Leasing fees and other receivables	6,576	5,901
Equity in income (loss)	1,894	(293)
Deferred expenses	434	651
	$108,752	$107,628

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. The annual management fee

payable to the Company by Alexander's is $3,000,000, plus 6% of development costs with minimum guaranteed fees of $750,000 per annum.

The leasing agreement provides for the Company to generally receive a fee of (i) 3% of sales proceeds and (ii) 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term. Subject to the payment of rents by Alexander's tenants, the Company is due $6,244,000 at December 31, 1997. Such amount is receivable annually in an amount not to exceed $2,500,000 until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993, or at the time the transactions which gave rise to the commissions occurred, if later. The Company recognized leasing fee income of $767,000, $695,000 and $1,448,000 in 1997, 1996 and 1995, respectively.

As of December 31, 1997, Interstate Properties owned approximately 17.9% of the common shares of beneficial interest of the Company and 27.1% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are partners. Mr. Roth is the Chairman of the Board and Chief Executive Officer of the Company, the Managing General Partner of Interstate Properties, and the Chief Executive Officer and a director of Alexander's, Messrs. Mandelbaum and Wight are trustees of the Company and are also directors of Alexander's.

The agreement with the Company and Interstate Properties not to own in excess of two-thirds of Alexander's common stock expired in March 1998.

Cold Storage Companies

Investment represents a 60% interest in two partnerships held by preferred stock affiliates and advances to the partnerships of $713,000. Income recognized is from the date of acquisition (November 1, 1997) and is comprised of a management fee of approximately $1,800,000, which represents 1% per annum of the Total Combined Assets (as defined) of the Cold Storage Companies and the Company's 60% share of equity in net income, net of the management fee.

At December 31, 1997, the Cold Storage Companies have an aggregate of $638,047,000 of debt which is comprised of (i) a $586,778,000 bridge loan maturing on October 31, 1998 and bearing interest at LIBOR plus 1.25% (7.23% at December 31, 1997) (ii) $37,041,000 of capital lease obligations and (iii) $14,228,000 of other notes and mortgages. The Cold Storage Companies are in the process of refinancing the bridge loan.

Hotel Pennsylvania

This investment represents a 40% interest in partnerships held by (i) a subsidiary of the Company for the property's commercial operations and (ii) a preferred stock affiliate for the property's hotel operations. Income is recognized from the date of acquisition (September 24, 1997) and is comprised of a fee for managing the commercial operations and equity in net income.

Charles E. Smith Commercial Realty L.P.

This investment represents a 15% interest in partnership. Income is comprised of equity in net income of the partnership for the two months ended December 31, 1997 (the period since the investment was made).

Mendik Partially-Owned Office Buildings

This investment represents the Company's interests in the partially-owned properties included in the Mendik Transaction: Two Park Avenue (40% interest) 330 Madison Avenue (24.8% interest) and 570 Lexington Avenue (5.6% interest).

Vornado Management Corp. and Mendik Management Company

These investments represent non-voting interest in preferred stock affiliates. Income is comprised of equity in the net income of preferred stock affiliates.

5. DEBT

Following is a summary of the Company's debt:

	DECEMBER 31,	
	1997	1996
	(AMOUNTS IN THOUSANDS)	
Notes and Mortgage Payable:		
Fixed Interest:		
Mortgage payable cross collateralized by an aggregate of 44 shopping centers and warehouse/industrial properties, due in 2000 with interest at 6.36% (prepayable with yield maintenance)	$ 227,000	$ 227,000
Eleven Penn Plaza mortgage payable, due in 2007, requires amortization based on a 25 year term with interest at 8.39% (prepayable after 2003 with yield maintenance)	54,612	--
866 UN Plaza mortgage payable, due in 2004, with interest at 7.79% (prepayable without penalty)	33,000	--
Monteheidra Town Center mortgage pass-through certificates, due in 2007 (52,447) and 2009 (10,251), requires amortization based on 30 year term with interest at 8.23% (prepayable after August 1999 with yield maintenance)	62,698	--
Other mortgages payable	11,344	5,387
	388,654	232,387
Variable Interest:		
Two Penn Plaza mortgage payable, due in 2005, interest at LIBOR plus .63% (6.44% at December 31, 1997) (prepayable without penalty)	80,000	--
Green Acres Mall and Plaza, collateralized notes, due on August 19, 1998, interest at LIBOR plus .78% (6.40% at December 31, 1997) (see below)	118,000	--
	198,000	--
Total notes and mortgages payable	586,654	232,387
Unsecured revolving credit facility, interest at LIBOR plus .83% (6.79% at December 31, 1997(see below))	370,000	--
Total Debt	$ 956,654	$ 232,387

The net carrying value of properties collateralizing the notes and mortgages amounted to $888,558 at December 31, 1997. As at December 31, 1997, the maturities for the next five years are as follows (amounts in thousands):

YEAR ENDING DECEMBER 31:	AMOUNT
1998	$120,218 ($118,000 of which has been refinanced -- see below)
1999	1,869
2000	228,731
2001	1,886
2002	2,038

In July 1997, the Company obtained a $600,000,000 unsecured three-year revolving credit facility. In February 1998, the facility was increased to $1,000,000,000. The facility contains customary loan covenants including, among others, limits on total outstanding indebtedness; maximum loan to value ratio; minimum debt service coverage and minimum market capitalization requirements. Interest is at LIBOR plus .70% to 1.00% depending on the Company's senior debt rating. The credit facility has a competitive bid option program, which allows the Company to hold auctions among banks participating in the facility for short term borrowings of up to $500,000,000. The Company paid an origination fee in July 1997 of .30%, origination and amendment fees in February 1998 of .39% and pays a commitment fee quarterly over the remaining term of the facility ranging from .15% to .20% on the facility amount.

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008, requires amortization based on a 30-year term, bears interest at 6.75% and may be defeased after 2001.

6. SHAREHOLDERS' EQUITY

In April 1997, Vornado completed its public offering of 5,750,000 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share. The preferred shares bear a coupon of 6 1/2% and are convertible into common shares at $36 3/8 per share. The offering, net of expenses, generated approximately $276,000,000 which was used to fund the cash portion of the Mendik Transaction. Dividends on the preferred shares in 1997 were approximately $15,549,000 (including accretion of expenses in connection with the offering of $1,918,000).

On October 20, 1997, the Company paid a 100% common share dividend to shareholders. All share and per share information has been adjusted to reflect this two-for-one share split.

In October 1997, Vornado sold 14,000,000 common shares and an additional 2,100,000 common shares in November 1997 when the underwriters exercised in full their over-allotment option. The shares were sold at a price of $45.00 per share which, net of expenses, yielded approximately $688,672,000. The net proceeds were used to repay $310,000,000 outstanding under the Company's line of credit and to fund a portion of the purchase price of certain acquisitions previously described.

In connection with the acquisition of Arbor in December 1997, the Company issued approximately 2,936,000 common shares of beneficial interest and 39,400 Series A Convertible Preferred Shares of Beneficial Interest. The approximate value of the shares issued at the time of the acquisition was $102,000,000.

7. EMPLOYEES' SHARE OPTION PLAN

Under the Omnibus Share Plan (the "Plan"), various officers and key employees have been granted incentive share options and non-qualified options to purchase common shares. Options granted are at prices equal to 100% of the market price of the Company's shares at the date of grant, 1,119,917 shares vest on a graduated basis, becoming fully vested 27 months after grant, 3,500,000 shares (granted in connection with Mr. Fascitelli's employment agreement) vest on a graduated basis becoming fully vested 60 months after grant and 910,000 shares (granted in connection with the Mendik Transaction) vest on a graduated basis, becoming fully vested 36 months after grant. All options expire ten years after grant.

The Plan also provides for the award of Stock Appreciation Rights, Performance Shares and Restricted Stock, as defined, none of which have been awarded as of December 31, 1997.

If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below, for the years ended December 31, 1997 and 1996 (amounts in thousands, except share amounts):

	DECEMBER 31, 1997	DECEMBER 31, 1996
Net income applicable to common shares:		
As reported	$45,474	$61,364
Pro-forma	41,248	60,613
Net income per share applicable to common shares:		
Basic:		
As reported	$ .83	$ 1.26
Pro-forma	.75	1.24
Diluted:		
As reported	.79	1.25
Pro forma	.72	1.23

The fair value of each option grant is estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions used for grants in the periods ending December 31, 1997 and 1996.

	DECEMBER	
	1997	1996
Expected volatility	25%	26%
Expected life	5 years	5 years
Risk-free interest rate	6.4%	5.6%
Expected dividend yield	3.4%	5.1%

A summary of the Plan's status, and changes during the years then ended, is presented below:

	DECEMBER 31, 1997		DECEMBER 31, 1996	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at January 1	4,139,386	$22.51	1,079,880	$12.27
Granted	1,521,500	29.99	3,741,500	23.14
Exercised	(33,969)	18.69	(681,994)	9.75
Cancelled	(97,000)	31.25	--	--
Outstanding at December 31	5,529,917	$24.43	4,139,386	$22.51
Options exercisable at December 31	1,327,418		420,770	
Weighted-average fair value of options granted during the year ended December 31 (per option)	$7.87		$4.75	

The following table summarizes information about options outstanding under the Plan at December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 1997	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 1997	WEIGHTED-AVERAGE EXERCISE PRICE
$6 to $12...	52,868	5.0 Years	$11	52,868	$11
17$to $19...	564,674	7.2 Years	18	502,425	18
$23.....	3,500,000	8.9 Years	23	700,000	23
$26.....	302,375	9.1 Years	26	72,125	26
$30.....	910,000	9.2 Years	30	--	--
32$to $42...	200,000	9.4 Years	34	--	--
$6 to $42...	5,529,917	8.9 Years	$24	1,327,418	$21

Shares available for future grant at December 31, 1997 were 7,945,464.

8. RETIREMENT PLAN

Prior to December 31, 1997, the Company's qualified retirement plan covered all full-time employees. The Plan provided annual pension benefits that were equal to 1% of the employee's annual compensation for each year of participation. In December 1997, benefits for active employees were frozen. The funding policy is in accordance with the minimum funding requirements of ERISA.

Pension expense includes the following components (amounts in thousands):

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
Service cost -- benefits earned during the period.....	$ 115	$ 108	$ 70
Interest cost on projected benefit obligation.....	607	544	573
Actual return on assets.....	(494)	(179)	(307)
Net amortization and deferral.....	347	(59)	66
Net pension expense.....	$ 575	$ 414	$ 402
Assumptions used in determining the net pension expense were:			
Discount rate.....	7 1/4%	7 1/2%	7 1/4%
Rate of increase in compensation levels.....	5 1/2%	5 1/2%	6 1/2%
Expected rate of return on assets.....	7 %	8 %	8 %

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

	DECEMBER 31, 1997	DECEMBER 31, 1996
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 8,245	$ 7,590
Accumulated benefit obligation	$ 8,337	$ 7,657
Projected benefit obligation	$ 8,337	$ 8,028
Plan assets at fair value	4,901	3,915
Projected benefit obligation in excess of plan assets	3,436	4,113
Unrecognized net obligations	(1,086)	(2,135)
Adjustment required to recognize minimum liability	1,086	1,764
Accrued pension costs	$ 3,436	$ 3,742

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

9. LEASES

As lessor:

The Company leases space to tenants in shopping centers and office buildings under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Shopping center leases provide for the pass-through to tenants of real estate taxes, insurance and maintenance. Office building leases generally require the tenants to reimburse the Company for operating costs and real estate taxes above their base year costs. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 1997, future base rental revenue under noncancellable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows (amounts in thousands):

YEAR ENDING DECEMBER 31:	AMOUNT
1998	$ 215,744
1999	218,958
2000	207,757
2001	197,321
2002	185,814
Thereafter	1,522,822

These amounts do not include rentals based on tenants' sales. These percentage rents approximated $1,786,000, $936,000 and $959,000 for the years ended December 31, 1997, 1996 and 1995.

Only one of the Company's tenants, Bradlees, represented more than 10% of total property rentals for the year ended December 31, 1997. Bradlees accounted for 10.5% of total property rentals (4.2% of total pro forma property rentals). In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 16 locations to Bradlees. Of these locations, the leases for 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent.

As lessee:

The Company is a tenant under operating leases for certain properties. These leases will expire principally during the next twenty years. Future minimum lease payments under operating leases at December 31, 1997, are as follows (amounts in thousands):

YEAR ENDING DECEMBER 31:	AMOUNT
1998	$ 2,350
1999	2,274
2000	2,109
2001	2,098
2002	1,135
Thereafter	27,126

Rent expense was $2,001,000, $1,465,000 and $1,395,000 for the years ended December 31, 1997, 1996 and 1995.

10. CONTINGENCIES

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

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. Discussions to settle the actions have been ongoing, but no settlement has been reached. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company.

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

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

In April 1997, the Company's Lodi shopping center was destroyed by a fire. The Company intends to rebuild the shopping center commencing in 1998, which rebuilding is subject to the approval of local

authorities. The Company carries replacement value insurance. To date the insurance carrier has paid the Company $5,500,000 as a deposit for the above mentioned rebuilding. In the event the Company cannot rebuild the shopping center, a large portion of the deposit would be returned to the carrier. If the shopping center is rebuilt, the Company will recognize a gain measured by the total proceeds from the insurance carrier, which could amount to approximately $10,000,000, net of the book value of the property of $1,564,000.

11. REPURCHASE AGREEMENTS

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

12. OTHER RELATED PARTY TRANSACTIONS

On December 2, 1996, Michael D. Fascitelli became the President of the Company and was elected to the Company's Board. Mr. Fascitelli signed a five-year employment contract under which, in addition to his annual salary, he received a deferred payment consisting of $5,000,000 in cash and a $20,000,000 convertible obligation payable at the Company's option in 919,540 of its Common Shares or the cash equivalent of their appreciated value but not less than $20,000,000. Accordingly, cash of $5,000,000 and 919,540 Common Shares are being held in an irrevocable trust. The deferred payment obligation to Mr. Fascitelli vested as of December 2, 1997. Further, Mr. Fascitelli was granted options for 3,500,000 Common Shares of the Company.

At December 31, 1997, the loans due from Mr. Roth, Mr. Rowan and Mr. Macnow in connection with their stock option exercises were $13,122,500 ($4,993,000 of which is shown as a reduction in shareholders' equity), $202,000 and $182,000, respectively. The loans bear interest at a rate equal to the broker call rate (7.25% at December 31, 1997) but not less than the minimum applicable federal rate provided under the Internal Revenue Code. Interest on the loan to Mr. Roth is payable quarterly. Mr. Roth's loan, which was due in December 1997, was extended for five years until December 2002. The Company has agreed on each January 1st (commencing January 1, 1997) to forgive one-fifth of the amounts due from Mr. Rowan and Mr. Macnow, provided that they remain employees of the Company.

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement for which the Company receives a quarterly fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the management agreement was not negotiated at arms length, the Company believes based upon comparable fees charged by other real estate companies, that its terms are fair to the Company. For the years ended December 31, 1997, 1996 and 1995, $1,184,000, $2,074,000 and $1,150,000 of management fees were earned by the Company pursuant to the management agreement.

The Mendik Group owns an entity which provides cleaning and related services and security services to office properties. The Company has entered into contracts with the Mendik Group (Bernard H. Mendik, David R. Greenbaum and certain entities controlled by them) to provide such services in its Manhattan office buildings. Although the terms and conditions of the contracts pursuant to which these services are provided were not negotiated at arms length, the Company believes based upon comparable fees charged to other real estate companies, that the terms and conditions of such contracts are fair to the Company. The Company was charged fees in connection with these contracts of $9,965,241 for the period from April 15, 1997 (date of acquisition of the Mendik portfolio) to December 31, 1997.

The common stock of the preferred stock affiliates which own interests in the Cold Storage Companies, Hotel Pennsylvania and related management companies is owned by Officers and Trustees of Vornado.

13. MINORITY INTEREST

The minority interest represents limited partnership interests in the Operating Partnership not owned by Vornado Realty Trust (Vornado owns all of the Class A Units of the Operating Partnership). These limited partnership interests are comprised of Class C, D and E Units primarily distributed in connection with the Mendik Transaction. Holders of Class D and E Units are entitled to a preferential annual distribution rate of $2.015. Holders of Class C Units are entitled to a preferential annual distribution rate of $1.69. Class C Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equal $.4225 per quarter ($1.69 annually) for four consecutive quarters. Class D and E Units will automatically convert to Class A Units when the distributions paid to holders of Class A Units equal $.50375 per quarter ($2.015 annually) for four consecutive quarters. Generally, the value of each Class A Unit, equates to one common share of beneficial interest of Vornado. Preferential distributions aggregated $7,293,000 for the period from April 15, 1997 (date of acquisition of the Mendik portfolio) to December 31, 1997.

14. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1997	1996	1995
	(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Numerator:			
Net income	$ 61,023	$ 61,364	$ 53,008
Preferred stock dividends	(15,549)	--	--
Numerator for basic and diluted earnings per share -- income applicable to common shares	$ 45,474	$ 61,364	$ 53,008
Denominator:			
Denominator for basic earnings per share -- weighted average shares	55,097,656	48,854,832	46,765,618
Effect of dilutive securities:			
Employee stock options	2,119,553	352,052	393,720
Denominator for diluted earnings per share -- adjusted weighted average shares and assumed conversions	57,217,209	49,206,884	47,159,338
Net income per common share -- basic	$ 0.83	$ 1.26	$ 1.13
Net income per common share -- diluted	$ 0.79	$ 1.25	$ 1.12

15. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following summary represents the results of operations for each quarter in 1997 and 1996 (amounts in thousands, except share amounts):

	REVENUE	NET INCOME APPLICABLE TO COMMON SHARES	NET INCOME PER COMMON SHARE(1) BASIC	NET INCOME PER COMMON SHARE(1) DILUTED
1997				
March 31	$29,297	$ 9,690	$.19	$.18
June 30	50,662	8,933	.17	.17
September 30	61,868	10,385	.20	.19
December 31	67,304	16,466	.26	.25
1996				
March 31	$28,610	$15,922	$.33	$.33
June 30	29,245	15,120	.31	.31
September 30	29,063	14,939	.31	.31
December 31	29,969	15,383	.31	.31

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(1) The total for the year may differ from the sum of the quarters as a result of weighting.

16. SEGMENT INFORMATION

The Company has two reportable segments: office properties and retail properties (including shopping centers). The Company operated as a single segment until April, 1997, at which time the Mendik transaction was consummated and the Company acquired interests in all or a portion of several Manhattan office buildings and a management company. Accordingly, selected financial information related to each segment is presented for 1997 only.

	OFFICE	RETAIL	CORPORATE AND OTHER	TOTAL
	(AMOUNTS IN THOUSANDS)			
Property rentals	$69,472	$90,304	$ 8,545	$ 168,321
Expense reimbursements	9,284	25,489	1,879	36,652
Other income	2,070	231	1,857	4,158
Operating expenses	38,047	33,386	3,312	74,745
Depreciation and amortization	9,546	11,592	1,845	22,983
Operating income	30,486	70,406	(25,986)(1)	74,906
Identifiable assets	668,128	820,575	1,035,386(2)	2,524,089
Capital expenditures	12,992	8,445	2,352	23,789

- ---------------
(1) Includes amortization of officer's deferred compensation expense of $22,917 and excludes income applicable to Alexander's of $7,873 and income from other partially-owned entities of $4,658.

(2) Includes investment in partially-owned entities of $482,800 and cash of $356,000.

One retail tenant represents 19.6% of the total retail rentals for the year ended December 31, 1997. Three office tenants represent 20.6%, 11.6% and 11.4%, respectively of total office rentals for the year ended December 31, 1997. No other tenant individually accounted for more than 10% of the respective segment property rentals.

17. SUBSEQUENT EVENTS

Kennedy Properties

In January 1998, the Company entered into a definitive agreement to acquire a real estate portfolio from Joseph P. Kennedy Enterprises for approximately $625 million, consisting of $465 million in cash, $50 million in indebtedness and an aggregate of $110 million in Operating Partnership Units and Convertible Preferred Operating Partnership Units.

The real estate assets to be acquired include a portfolio of properties used for office, retail and trade showroom space. The properties aggregate approximately 5.3 million square feet and consist of the Merchandise Mart in Chicago, the Apparel Center in Chicago, the Washington Design Center and the Washington Office Center in Washington D.C. The transaction also includes the acquisition of Merchandise Properties, Inc., which manages the properties and trade shows. The closing is expected to occur in the second quarter of 1998.

Hotel Pennsylvania

On March 24, 1998, the Company entered into an agreement to increase its interest in the Hotel Pennsylvania from 40% to 80%. Under the agreement, the Company will purchase the 40% interest of Hotel Properties Limited (one of its joint venture partners) for approximately $70 million including $48 million of existing debt. The increase in the Company's interest is subject to reduction to 67%, should the third joint venture partner exercise its pro rata option.

Cold Storage

On March 25, 1998, the Cold Storage Companies entered into an agreement to acquire the assets of Freezer Services, Inc., consisting of nine cold storage warehouses for approximately $134 million, including $22 million of indebtedness.

There can be no assurance that these proposed transactions will ultimately be completed.

One Penn Plaza

In February 1998, the Company acquired a long-term leasehold interest in One Penn Plaza for approximately $410 million from Mid-City Associates. One Penn Plaza is a 57 story Manhattan office building containing approximately 2,350,000 square feet and encompasses substantially the entire square block bounded by 33rd Street, 34th Street, Seventh Avenue and Eighth Avenue. In connection with the acquisition the Company obtained a $93,192,000 four month bridge mortgage loan bearing interest at LIBOR plus .80% (currently 6.49%).

150 East 58th Street

In March 1998, the Company acquired 150 East 58th Street (the Architects and Design Center), a 39 story Manhattan office building, for approximately $118 million. The building contains approximately 550,000 square feet.

Green Acres Mall

In February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

PROPOSED SPIN-OFF OF OPERATING COMPANY

In order to maintain its status as a REIT for federal income tax purposes, the Company is required to focus principally on investment in certain real estate assets. Accordingly, the Company cannot directly own certain assets and conduct certain activities that would be inconsistent with its status as a REIT.

The Company has formed Vornado Operating, Inc. ("Vornado Operating") to own assets that Vornado could not itself own and conduct activities that Vornado could not itself conduct. Vornado Operating will be able to do so because it will be taxable as a regular corporation rather than a REIT for taxable years after 1998. Vornado Operating has filed a registration statement with the Securities and Exchange Commission with respect to its proposed spin off from the Company. If the spin off takes place, the Operating Partnership will distribute pro rata to its partners, including Vornado, the shares of Vornado Operating, and Vornado will distribute pro rata to holders of its Common Shares the shares it receives. No holder of Common Shares will be required to make any payment, exchange any Common Shares or take any other action in order to receive Vornado Operating's common stock in the spin off. A record date has not yet been set for the spin off. No assurance can be given concerning the timing of the spin off, or whether the spin off will occur.

If the spin off takes place, the Company and Vornado Operating intend to enter into an Intercompany Agreement pursuant to which, among other things, (a) the Company will agree under certain circumstances to offer Vornado Operating an opportunity to become the lessee of certain real property owned now or in the future by the Company (under mutually satisfactory lease terms) and (b) Vornado Operating will agree not to make any real estate investment or other REIT-qualified investments unless it first offers the Company the opportunity to make such investment and the Company has rejected that opportunity. The Company expects to capitalize Vornado Operating with an equity contribution of $25 million of cash, and intends to extend to Vornado Operating a $75 million unsecured five-year revolving line of credit. The Intercompany Agreement and the Credit Agreement were not subject to arms-length negotiation because Vornado Operating is currently a subsidiary of the Company. Accordingly, there can be no assurance that the terms of these Agreements are comparable to those the Company could have negotiated with an unaffiliated third party.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to trustees of the Registrant will be contained in a definitive Proxy Statement involving the election of trustees which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1997, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant appears at page 27 of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

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

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

2. Financial Statement Schedules.

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

		PAGES IN THIS ANNUAL REPORT ON FORM 10-K
Independent Auditors' Report		
II	Valuation and Qualifying Accounts -- years ended December 31, 1997, 1996 and 1995	67
III	Real Estate and Accumulated Depreciation as of December 31, 1997	68

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

The consolidated financial statements of Alexander's, Inc. for the year ended December 31, 1996 are hereby incorporated by reference to Item 14(a)1 of the 1996 Annual Report on Form 10-K of Alexander's, Inc. for the year ended December 31, 1996.

3. The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K.

EXHIBIT NO.	
12	Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirements
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors to Incorporation by Reference.
27	Financial Data Schedule.

(b) Reports on Form 8-K

During the last quarter of the period covered by this Annual Report on Form 10-K described below.

PERIOD COVERED: (DATE OF EARLIEST EVENT REPORTED)	ITEMS REPORTED	DATE OF REPORT
September 22, 1997.....	Financial statements and pro forma financial information in connection with the acquisition of or investments in Charles E. Smith Commercial Realty L.P., Hotel Pennsylvania, URS Logistics, Inc. and Americold Corporation	October 8, 1997
October 14, 1997.....	Underwriting agreements in connection with sale of securities	October 24, 1997
November 18, 1997.....	Agreements to acquire One Penn Plaza and 150 East 58th St. office buildings	December 1, 1997
December 16, 1997.....	Acquisition of Arbor Property Trust and 640 Fifth Avenue, an office building	December 22, 1997

SIGNATURES

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

VORNADO REALTY TRUST

By: /s/ IRWIN GOLDBERG
Irwin Goldberg, Vice President,
Chief Financial Officer

Date: March 25, 1998

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

SIGNATURE	TITLE	DATE
By: /s/ STEVEN ROTH (Steven Roth)	Chairman of the Board of Trustees (Principal Executive Officer)	March 25, 1998
By: /s/ MICHAEL D. FASCITELLI (Michael D. Fascitelli)	President and Trustee	March 25, 1998
By: /s/ IRWIN GOLDBERG (Irwin Goldberg)	Vice President -- Chief Financial Officer	March 25, 1998
By: /s/ DAVID MANDELBAUM (David Mandelbaum)	Trustee	March 25, 1998
By: /s/ BERNARD MENDIK (Bernard Mendik)	Trustee	March 25, 1998
By: /s/ STANLEY SIMON (Stanley Simon)	Trustee	March 25, 1998
By: /s/ RONALD G. TARGAN (Ronald G. Targan)	Trustee	March 25, 1998
By: /s/ RUSSELL B. WIGHT, JR. (Russell B. Wight, Jr.)	Trustee	March 25, 1998
By: /s/ RICHARD R. WEST (Richard R. West)	Trustee	March 25, 1998

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED AGAINST OPERATIONS	DEDUCTIONS DESCRIPTION	AMOUNT	BALANCE AT END OF YEAR
	(AMOUNTS IN THOUSANDS)				
YEAR ENDED DECEMBER 31, 1997:					
Deducted from accounts receivable, allowance for doubtful accounts.....	$575	$305	Uncollectible accounts written-off	$222	$658
YEAR ENDED DECEMBER 31, 1996:					
Deducted from accounts receivable allowance for doubtful accounts.....	$578	$211	Uncollectible accounts written-off	$214	$575
YEAR ENDED DECEMBER 31, 1995:					
Deducted from accounts receivable, allowance for doubtful accounts.....	$457	$613	Uncollectible accounts written-off	$492	$578

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		INITIAL COST TO COMPANY(1)		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS		LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
OFFICE BUILDINGS							
NEW YORK							
Two Penn Plaza, Manhattan	$ 80,000	$ 53,615	$164,903	$ 9,090	$ 53,615	$ 173,993	$ 227,608
Eleven Penn Plaza, Manhattan	54,612	40,333	85,259	931	40,333	86,190	126,523
1740 Broadway, Manhattan	--	26,971	102,890	2,191	26,971	105,081	132,052
866 United Nations Plaza, Manhattan	33,000	32,196	37,534	174	32,196	37,708	69,904
90 Park Avenue, Manhattan	--	8,000	175,890	45	8,000	175,935	183,935
825 Seventh Avenue, Manhattan	--	853	8,017	(193)	853	7,824	8,677
640 Fifth Avenue, Manhattan	--	38,224	25,992	--	38,224	25,992	64,216
Total New York	167,612	200,192	600,485	12,238	200,192	612,723	812,915
NEW JERSEY							
Paramus	601	--	8,345	2,363	--	10,708	10,708
Total New Jersey	601	--	8,345	2,363	--	10,708	10,708
TOTAL OFFICE BUILDINGS	168,213	200,192	608,830	14,601	200,192	623,431	823,623
SHOPPING CENTERS							
NEW JERSEY							
Atlantic City	2,135*	358	2,143	586	358	2,729	3,087
Bordentown	3,276*	498	3,176	1,226	713	4,187	4,900
Bricktown	9,919*	929	2,175	9,180	929	11,355	12,284
Cherry Hill	9,706*	915	3,926	3,308	915	7,234	8,149
Delran	2,848*	756	3,184	2,024	756	5,208	5,964
Dover	3,635*	224	2,330	2,598	204	4,948	5,152
East Brunswick	8,205*	319	3,236	3,823	319	7,059	7,378
East Hanover	11,066*	376	3,063	3,541	477	6,503	6,980
Hackensack	--	536	3,293	7,278	536	10,571	11,107
Jersey City	10,381*	652	2,962	1,798	652	4,760	5,412
Kearny(4)	--	279	4,429	(1,301)	290	3,117	3,407
Lawnside	5,708*	851	2,222	1,492	851	3,714	4,565
Lodi(5)	2,420*	245	2,315	(1,464)	245	3,779	4,024
Manalapan	6,397*	725	2,447	4,955	725	7,402	8,127
Marlton	5,398*	1,514	4,671	684	1,611	5,258	6,869
Middletown	7,761*	283	1,508	3,956	283	5,464	5,747
Morris Plains	6,600*	1,254	3,140	3,277	1,104	6,567	7,671
North Bergen(4)	--	510	3,390	(956)	2,309	635	2,944
North Plainfield	3,380	500	13,340	320	500	13,660	14,160
Totowa	15,646*	1,097	5,359	11,964	1,097	17,323	18,420
Turnersville	2,116*	900	2,132	66	900	2,198	3,098
Union	15,975*	1,014	4,527	1,894	1,014	6,421	7,435
Vineland	2,358*	290	1,594	1,253	290	2,847	3,137

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
OFFICE BUILDINGS				
NEW YORK				
Two Penn Plaza, Manhattan	$ 3,072	1968	1997	39 Years
Eleven Penn Plaza, Manhattan	1,568	1923	1997	39 Years
1740 Broadway, Manhattan	1,941	1950	1997	39 Years
866 United Nations Plaza, Manhattan	689	1966	1997	39 Years
90 Park Avenue, Manhattan	1,691	1964	1997	39 Years
825 Seventh Avenue, Manhattan	313	1968	1997	39 Years

640 Fifth Avenue, Manhattan	28	1950	1997	39 Years
Total New York	9,302			
NEW JERSEY				
Paramus	2,632	1967	1987	29-40 Years
Total New Jersey	2,632			
TOTAL OFFICE BUILDINGS	11,934			
SHOPPING CENTERS				
NEW JERSEY				
Atlantic City	1,899	1965	1965	14-40 Years
Bordentown	3,655	1958	1958	7-40 Years
Bricktown	4,306	1968	1968	22-40 Years
Cherry Hill	4,828	1964	1964	12-40 Years
Delran	2,737	1972	1972	16-40 Years
Dover	2,689	1964	1964	16-40 Years
East Brunswick	4,893	1957	1957	9-33 Years
East Hanover	4,147	1962	1962	9-40 Years
Hackensack	4,206	1963	1963	15-40 Years
Jersey City	3,444	1965	1965	12-40 Years
Kearny(4)	997	1938	1959	24-40 Years
Lawnside	2,009	1969	1969	17-40 Years
Lodi(5)	2,215	1955	1975	10-27 Years
Manalapan	3,463	1971	1971	14-40 Years
Marlton	3,628	1973	1973	16-40 Years
Middletown	2,545	1963	1963	19-40 Years
Morris Plains	4,106	1961	1985	7-19 Years
North Bergen(4)	79	1993	1959	30 Years
North Plainfield	3,924	1955	1989	25-30 Years
Totowa	5,555	1957	1957	17-40 Years
Turnersville	1,634	1974	1974	23-40 Years
Union	4,783	1962	1962	7-40 Years
Vineland	1,694	1966	1966	18-40 Years

(Continued)

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		INITIAL COST TO COMPANY(1)			GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
Watchung(4).....	--	451	2,347	6,811	4,200	5,409	9,609
Woodbridge.....	8,792*	190	3,047	711	220	3,728	3,948
Total New Jersey.....	143,722	15,666	85,956	71,952	21,498	152,076	173,574
NEW YORK							
14th Street and Union Square, Manhattan.....	--	12,566	4,044	3,525	12,581	7,554	20,135
Albany (Menands).....	--	460	1,677	2,812	460	4,489	4,949
Buffalo (Amherst).....	4,863*	402	2,019	2,125	636	3,910	4,546
Freeport.....	8,021*	1,231	3,273	2,848	1,231	6,121	7,352
New Hyde Park.....	2,043*	--	--	126	--	126	126
North Syracuse.....	--	--	--	23	--	23	23
Rochester (Henrietta).....	2,203*	--	2,124	1,168	--	3,292	3,292
Rochester.....	2,832*	443	2,870	616	443	3,486	3,929
Valley Stream.....	124,985	138,691	99,586	--	138,691	99,586	238,277
Total New York.....	144,947	153,793	115,593	13,243	154,042	128,587	282,629
PENNSYLVANIA							
Allentown.....	7,696*	70	3,446	10,056	334	13,238	13,572
Bensalem.....	3,967*	1,198	3,717	1,883	1,198	5,600	6,798
Bethlehem.....	--	278	1,806	3,873	278	5,679	5,957
Broomall.....	3,260*	734	1,675	1,644	850	3,203	4,053
Glenolden.....	4,245*	850	1,295	756	850	2,051	2,901
Lancaster.....	2,312*	606	2,312	2,646	606	4,958	5,564
Levittown.....	2,283*	193	1,231	177	193	1,408	1,601
10th and Market Streets, Philadelphia.....	--	933	3,230	4,878	933	8,108	9,041
Upper Moreland.....	3,517*	683	2,497	265	683	2,762	3,445
York.....	1,463*	421	1,700	1,279	421	2,979	3,400
Total Pennsylvania....	28,743	5,966	22,909	27,457	6,346	49,986	56,332
MARYLAND							
Baltimore (Belair Rd.)....	--	785	1,333	3,146	785	4,479	5,264
Baltimore (Towson).....	5,779*	581	2,756	714	581	3,470	4,051
Baltimore (Dundalk).....	4,084*	667	1,710	3,166	667	4,876	5,543
Glen Burnie.....	2,299*	462	1,741	637	462	2,378	2,840
Hagerstown.....	--	168	1,453	909	168	2,362	2,530
Total Maryland.....	12,162	2,663	8,993	8,572	2,663	17,565	20,228
CONNECTICUT							
Newington.....	3,042*	502	1,581	688	502	2,269	2,771
Waterbury.....	3,889*	--	2,103	1,590	667	3,026	3,693
Total Connecticut.....	6,931	502	3,684	2,278	1,169	5,295	6,464
MASSACHUSETTS							
Chicopee.....	1,999*	510	2,031	358	510	2,389	2,899
Springfield(4).....	--	505	1,657	836	2,586	412	2,998
Total Massachusetts...	1,999	1,015	3,688	1,194	3,096	2,801	5,897

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
Watchung(4).....	559	1994	1959	27-30 Years
Woodbridge.....	2,793	1959	1959	11-40 Years
Total New Jersey.....	76,788			
NEW YORK				
14th Street and Union Square, Manhattan.....	606	1965	1993	36-40 Years
Albany (Menands).....	1,859	1965	1965	22-40 Years
Buffalo (Amherst).....	2,401	1968	1968	1-40 Years

Freeport	2,595	1981	1981..	15-40 Years
New Hyde Park	122	1970	1976	6-7 Years
North Syracuse	23	1967	1976	11-12 Years
Rochester (Henrietta)	1,976	1971	1971	15-40 Years
Rochester	2,331	1966	1966	10-40 Years
Valley Stream	98	1956	1997	40 Years
Total New York	12,011			
PENNSYLVANIA				
Allentown	4,508	1957	1957	20-42 Years
Bensalem	3,399	1972	1972	17-40 Years
Bethlehem	3,001	1966	1966	9-40 Years
Broomall	1,887	1966	1966	9-40 Years
Glenolden	999	1975	1975	18-40 Years
Lancaster	2,824	1966	1966	12-40 Years
Levittown	1,091	1964	1964	7-40 Years
10th and Market Streets, Philadelphia	561	1977	1994	28-30 Years
Upper Moreland	1,884	1974	1974	16-40 Years
York	1,633	1970	1970	15-40 Years
Total Pennsylvania	21,787			
MARYLAND				
Baltimore (Belair Rd.)	2,873	1962	1962	10-33 Years
Baltimore (Towson)	2,030	1968	1968	13-40 Years
Baltimore (Dundalk)	2,506	1966	1966	12-40 Years
Glen Burnie	1,745	1958	1958	18-33 Years
Hagerstown	1,310	1966	1966	9-40 Years
Total Maryland	10,464			
CONNECTICUT				
Newington	1,493	1965	1965	9-40 Years
Waterbury	1,741	1969	1969	21-40 Years
Total Connecticut	3,234			
MASSACHUSETTS				
Chicopee	1,744	1969	1969	13-40 Years
Springfield(4)	61	1993	1966..	28-30 Years
Total Massachusetts	1,805			

(Continued)

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		INITIAL COST TO COMPANY(1)			GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
TEXAS							
Dallas							
Lewisville	764*	2,433	2,271	676	2,469	2,911	5,380
Mesquite	3,445*	3,414	4,704	1,133	3,414	5,837	9,251
Skillman	1,987*	3,714	6,891	1,067	3,714	7,958	11,672
Total Texas	6,196	9,561	13,866	2,876	9,597	16,706	26,303
PUERTO RICO (SAN JUAN)							
Montehiedra	62,698	9,182	66,701	--	9,182	66,701	75,883
TOTAL SHOPPING CENTERS	407,398	198,348	321,390	127,572	207,593	439,717	647,310
WAREHOUSE/INDUSTRIAL							
NEW JERSEY							
East Brunswick	--	--	4,772	2,867	--	7,639	7,639
East Hanover	8,210*	576	7,752	6,977	691	14,614	15,305
Edison	2,455*	705	2,839	1,212	704	4,052	4,756
Garfield	378	96	8,068	4,323	97	12,390	12,487
Total Warehouse/ Industrial	11,043	1,377	23,431	15,379	1,492	38,695	40,187
OTHER PROPERTIES							
NEW JERSEY							
Montclair	--	66	470	330	66	800	866
Rahway	--	--	--	25	--	25	25
Total New Jersey	--	66	470	355	66	825	891
NEW YORK							
1135 Third Avenue	--	7,796	7,796	--	7,796	7,796	15,592
Riese	--	19,135	7,294	--	19,135	7,294	26,429
Total New York	--	26,931	15,090	--	26,931	15,090	42,021
TOTAL OTHER PROPERTIES	--	26,997	15,560	355	26,997	15,915	42,912
LEASEHOLD IMPROVEMENTS AND EQUIPMENT						10,061	10,061
TOTAL - DECEMBER 31, 1997	$586,654	$426,914	$969,211	$157,907	$436,274	$1,127,819	$1,564,093

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
TEXAS				
Dallas				
Lewisville	727	1989	1990	25-30 Years
Mesquite	1,451	1988	1990	24-30 Years
Skillman	1,905	1988	1990	26-30 Years
Total Texas	4,083			
PUERTO RICO (SAN JUAN)				
Montehiedra	1,140	1996	1997	40 Years
TOTAL SHOPPING CENTERS	131,312			
WAREHOUSE/INDUSTRIAL				
NEW JERSEY				
East Brunswick	3,886	1972	1972	9-40 Years
East Hanover	8,871	1963-1967	1963	9-40 Years
Edison	1,987	1954	1982	16-25 Years
Garfield	8,583	1942	1959	13-33 Years
Total Warehouse/				

Industrial.....	23,327			
OTHER PROPERTIES				
NEW JERSEY				
Montclair.....	505	1972	1972	4-15 Years
Rahway.....	25	1972	1972	14 Years
Total New Jersey.....	530			
NEW YORK				
1135 Third Avenue.....	--			
Riese.....	93	1911-1987	1997	39 Years
Total New York.....	93			
TOTAL OTHER PROPERTIES.....	623			
LEASEHOLD IMPROVEMENTS AND EQUIPMENT	6,238			3-20 Years
TOTAL - DECEMBER 31, 1997.....	$173,434			

- ---

* These encumbrances are cross collateralized under a mortgage in the amount of $227,000,000 at December 31, 1997.

Notes:

1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date -- see Column H.

2) The net basis of the company's assets and liabilities for tax purposes is approximately $480,000,000 lower than the amount reported for financial statement purposes.

3) Date of original construction -- many properties have had substantial renovation or additional construction -- see Column D.

4) Buildings on these properties were demolished in 1993. As a result, the cost of the buildings and improvements, net of accumulated depreciation, were transferred to land. In addition, the cost of the land in Kearny is net of a $1,615,000 insurance recovery.

5) Building destroyed by fire expected to be rebuilt.

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)

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

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
REAL ESTATE			
Balance at beginning of period	$ 397,298	$382,476	$365,832
Additions during the period:			
Land	374,996	--	161
Buildings & improvements	792,397	14,822	16,635
	1,564,691	397,298	382,628
Less: Cost of assets written-off	598	--	152
Balance at end of period	$1,564,093	$397,298	$382,476
ACCUMULATED DEPRECIATION			
Balance at beginning of period	$ 151,049	$139,495	$128,705
Additions charged to operating expenses	22,983	11,589	10,790
	174,032	151,084	139,495
Less: Accumulated depreciation on assets written-off	598	35	--
Balance at end of period	$ 173,434	$151,049	$139,495

EXHIBIT INDEX

EXHIBIT NO.	
2.1	-- Master Consolidation Agreement (the "Master Consolidation Agreement"), dated March 12, 1997, among Vornado Realty Trust, Vornado/Saddle Brook L.L.C., The Mendik Company, L.P., and various parties defined therein -- Incorporated by reference to Exhibit 2.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on March 26, 1997....
2.2	-- Agreement for Contribution of Interests in 1740 Broadway Investment Company, dated as of April 15, 1997, by and among The Mendik Company, L.P., Mendik 1740 Corp. and Certain Partners of 1740 Broadway Investment Company -- Incorporated by reference to Exhibit 2.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....
2.3	-- Agreement for Contribution of Interests in Eleven Penn Plaza Company, dated as of April 15, 1997, by and among The Mendik Company, L.P., The Partners in M/F Associates, M/F Eleven Associates and M/S Associates and M/S Eleven Associates and Bernard H. Mendik -- Incorporated by reference to Exhibit 2.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....
2.4	-- Agreement for Contribution of Interests in 866 UN Plaza Associates LLC, dated as of April 15, 1997, by and among The Mendik Company, L.P., The Members of 866 UN Plaza Associates LLC and Bernard H. Mendik -- Incorporated by reference to Exhibit 2.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....
2.5	-- Agreement for Contribution of Interests in M330 Associates, dated as of April 15, 1997, by and among The Mendik Company, L.P., The Partners in M330 Associates and The Mendik Partnership, L.P. -- Incorporated by reference to Exhibit 2.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....
2.6	-- Agreement for Contribution of Interests in 570 Lexington Interests, dated as of April 15, 1997, by and among The Mendik Company, L.P., Mendik Realty Company and The Partners of 570 Lexington Investors -- Incorporated by reference to Exhibit 2.5 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....
2.7	-- Agreement for Contribution of Interests in B&B Park Avenue L.P., dated as of April 15, 1997, by and among The Mendik Company, L.P., Mendik RELP Corporation and The Partners of B&B Park Avenue L.P. -- Incorporated by reference to Exhibit 2.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....
2.8	-- Agreement for Contribution of Interests in Two Penn Plaza Associates L.P., dated as of April 15, 1997, by and among The Mendik Company, L.P., The Partners of Two Penn Plaza Associates L.P. and Bernard H. Mendik -- Incorporated by reference to Exhibit 2.7 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....
2.9	-- Contribution Agreement (Transfer of 99% of REIT Management Assets from Mendik/FW LLC to the Operating Partnership), dated as of April 15, 1997, between FW/Mendik REIT, L.L.C. and The Mendik Company, L.P. -- Incorporated by reference to Exhibit 2.8 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....
2.10	-- Assignment and Assumption Agreement (Transfer of 1% Interest in REIT Management Assets and Third-Party Management Assets from Mendik/FW LLC to the Management Corporation), dated as of April 15, 1997, between FW/Mendik REIT, L.L.C. and Mendik Management Company, Inc. -- Incorporated by reference to Exhibit 2.9 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997....
2.11	-- Agreement and Plan of Merger, dated as of August 22, 1997, among Vornado Realty Trust, Trees Acquisition Subsidiary, Inc. and Arbor Property Trust -- Incorporated by reference to Exhibit 99.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), dated August 21, 1997, as amended by Form 8-K/A, dated August 21, 1997 and filed on September 11, 1997.....

EXHIBIT NO.	
2.12	-- Amendment to Agreement and Plan of Merger, dated as of October 15, 1997, among Vornado Realty Trust, Trees Acquisition Subsidiary, Inc. and Arbor Property Trust -- Incorporated by reference to Exhibit 2.2 of Vornado's Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-36835), filed on October 27, 1997.....
2.13	-- Agreement and Plan of Merger, dated as of September 26, 1997, among Vornado Realty Trust, Atlanta Parent, Inc., Atlanta Storage Acquisition Co. and URS Logistics, Inc. -- Incorporated by reference to Exhibit 99.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997.....
2.14	-- Agreement and Plan of Merger, dated as of September 26, 1997, among Vornado Realty Trust, Portland Parent, Inc., Portland Storage Acquisition Co. and Americold Corporation -- Incorporated by reference to Exhibit 99.5 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997.....
3.1	-- Amended and Restated Declaration of Trust of Vornado, amended April 3, 1997 -- Incorporated by reference to Exhibit 3.1 of Vornado's Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997.....
3.2	-- By-laws of Vornado, as amended on April 28, 1997 to Exhibit 3(b) of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 1997 (File No. 001-11954), filed on May 14, 1997.....
3.3	-- First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of April 15, 1997 -- Incorporated by reference to Exhibit 3.1 of the Operating Partnership's Registration Statement on Form 10 (File No. 000-22685), filed on June 12, 1997.....
3.4	-- Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997.....
3.5	-- Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 16, 1997.....
4.1	-- Indenture dated as of November 24, 1993 between Vornado Finance Corp. and Bankers Trust Company, as Trustee -- Incorporated by reference to Vornado's current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993.....
4.2	-- Specimen certificate representing Vornado's Common Shares of Beneficial Interest, par value $0.04 per share -- Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995.....
4.3	-- Specimen certificate representing Vornado's $3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share -- Incorporated by reference to Exhibit 4.2 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997.....
4.4	-- Articles Supplementary Classifying Vornado's $3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share -- Incorporated by reference to Exhibit 4.1 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997.....
10.1	-- Second Amendment, dated as of June 12, 1997, to Vornado's 1993 Omnibus Share Plan, as amended -- Incorporated by reference to Vornado's Registration Statement on Form S-8 (File No. 333-29011) filed on June 12, 1997.....
10.2	-- Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992.....
10.2	-- Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of November 24, 1993 made by each of the entities listed therein, as mortgagors to Vornado Finance Corp., as mortgagee -- Incorporated by reference to Vornado's Current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993.....

EXHIBIT NO.	
10.3**	-- 1985 Stock Option Plan as amended -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended May 2, 1987 (File No. 001-11954), filed June 9, 1987.....
10.4**	-- Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended October 26, 1985 (File No. 001-11954), filed December 9, 1985.....
10.5**	-- Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended May 2, 1987 (File No. 001-11954), filed June 9, 1987.....
10.6**	-- Form of Stock Option Agreement for use in connection with incentive stock options issued pursuant to Vornado, Inc. 1985 Stock Option Plan -- Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended October 26, 1985 (File No. 001-11954), filed December 9, 1985.....
10.7**	-- Employment Agreement between Vornado, Inc. and Joseph Macnow dated January 1, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 001-11954), filed March 30, 1992.....
10.8**	-- Employment Agreement between Vornado, Inc. and Richard Rowan dated January 1, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 001-11954), filed March 30, 1992.....
10.9**	-- Employment Agreement between Vornado Realty Trust and Irwin Goldberg, dated December 11, 1997.....
10.10**	-- Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli dated December 2, 1996 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997.....
10.11	-- Promissory Notes from Steven Roth to Vornado, Inc. dated December 29, 1992 and January 15, 1993 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.....
10.12	-- Registration Rights Agreement between Vornado, Inc. and Steven Roth Dated December 29, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.....
10.13	-- Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.....
10.14	-- Promissory Note from Steven Roth to Vornado Realty Trust dated April 15, 1993 and June 17, 1993 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994.....
10.15	-- Promissory Note from Richard Rowan to Vornado Realty Trust -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994.....
10.16	-- Promissory Note from Joseph Macnow to Vornado Realty Trust -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994.....
10.17	-- Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.....

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** Management contract or compensatory plan

EXHIBIT NO.	
10.18	-- Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.....
10.19	-- Amendment to Real Estate Retention Agreement dated February 6, 1995 -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995.....
10.20	-- Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement -- Incorporated by reference to Vornado's annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994.....
10.21	-- Stock Purchase Agreement, dated February 6, 1995, among Vornado Realty Trust and Citibank, N.A. -- Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.....
10.22	-- Management and Development Agreement, dated as of February 6, 1995 -- Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.....
10.23	-- Standstill and Corporate Governance Agreement, dated as of February 6, 1995 -- Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.....
10.24	-- Credit Agreement, dated as of March 15, 1995, among Alexander's Inc., as borrower, and Vornado Lending Corp., as lender -- Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995.....
10.25	-- Subordination and Intercreditor Agreement, dated as of March 15, 1995 among Vornado Lending Corp., Vornado Realty Trust and First Fidelity Bank, National Association -- Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995.....
10.26	-- Revolving Credit Agreement dated as of February 27, 1995 among Vornado Realty Trust, as borrower, and Union Bank of Switzerland, as Bank and Administrative Agent -- Incorporated by reference to Exhibit 10(F)9 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995.....
10.27	-- Form of Intercompany Agreement between Vornado Realty L.P. and Vornado Operating, Inc. -- Incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998.....
10.28	-- Form of Revolving Credit Agreement between Vornado Realty L.P. and Vornado Operating, Inc., together with related form of Note incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No.333-40701)...
10.29	-- Amended and Restated Revolving Credit Agreement, dated as of February 23, 1998, between Vornado Realty L.P., as Borrower, Vornado Realty Trust, as General Partner and Union Bank of Switzerland (New York Branch), as Bank, the other banks signatory hereto, each as a bank, Union Bank of Switzerland (New York Branch), as Administrative Agent and Citicorp Real Estate, Inc., The Chase Manhattan Bank and Nationsbank, as Syndication Agents.....
10.30	-- Registration Rights Agreement, dated as of April 15, 1997, between Vornado Realty Trust and the holders of Units listed on Schedule A thereto -- Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....

EXHIBIT NO.	
10.31	-- Noncompetition Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, the Mendik Company, L.P., and Bernard H. Mendik -- Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....
10.32	-- Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum -- Incorporated by reference to Exhibit 10.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997.....
10.33	-- Agreement, dated September 28, 1997, between Atlanta Parent Incorporated, Portland Parent Incorporated and Crescent Real Estate Equities, Limited Partnership -- Incorporated by reference to Exhibit 99.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997.....
12	-- Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirements.....
13	-- Not applicable.....
16	-- Not applicable.....
18	-- Not applicable.....
19	-- Not applicable.....
21	-- Subsidiaries of the Registrant.....
22	-- Not applicable.....
23	-- Consent of independent auditors to incorporation by reference.....
25	-- Not applicable.....
27.1	-- Financial Data Schedule.....
27.2	-- Financial Data Schedule.....
27.3	-- Financial Data Schedule.....
29	-- Not applicable.....

Exhibit 3.4

SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF Vornado Realty L.P., dated as of October 20, 1997, is entered into by and among Vornado Realty Trust, a Maryland real estate investment trust (defined herein as the "General Partner"), as the general partner of and a limited partner in the Partnership, and the General Partner, on behalf of and as attorney in fact for each of the persons and entities identified on Exhibit A hereto as a Limited Partner in the Partnership, together with any other Persons who become Partners in the Partnership as provided herein.

WHEREAS, the Partnership was formed under the name "Mendik Real Estate Group, L.P." on October 2, 1996, and, on October 2, 1996, the Partnership adopted an Agreement of Limited Partnership;

WHEREAS, on November 7, 1996, the general partner of the Partnership changed the Partnership's name to "The Mendik Company, L.P." and, in connection therewith, caused a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership to be filed in the office of the Delaware Secretary of State on November 8, 1996;

WHEREAS, as of April 15, 1997, the General Partner and certain of its affiliates, FW/Mendik REIT, L.L.C., a Delaware limited liability company, and The Mendik Company, Inc., a Maryland corporation, recapitalized the Partnership and, in connection therewith, entered into a First Amended and Restated Agreement of Limited Partnership, dated as of April 15, 1997 (the "Prior Agreement"), and in connection therewith filed a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership in the office of the Delaware Secretary of State, which filing was made on April 15, 1997;

WHEREAS, Vornado Realty Trust, as the sole general partner of the Partnership, has determined that it is in the best interest of the Partnership and its partners to amend and, in connection therewith, to restate the Prior Agreement to reflect the fact that as of October 20, 1997 the Partnership issued and distributed to each Person who was a Limited Partner on October 15, 1997, an additional Common Partnership Unit for each Common Partnership Unit (and in the same Class) that was owned by such Person on October 15, 1997.

WHEREAS, Section 14.1.B of the Prior Agreement grants the General Partner power and authority to amend the Prior Agreement without the consent of any of the Partnership's limited partners if the amendment does not adversely affect or eliminate any right granted to a limited partner pursuant to any of the provisions of the Prior Agreement specified in Section 14.1.C or Section 14.1.D of the Prior Agreement as requiring a particular minimum vote; and

WHEREAS, the amendments affected hereby do not adversely affect or eliminate any of the limited partner rights specified in Section 14.1.C or Section 14.1.D of the Prior Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, General Partner hereby amends and restates the Prior Agreement in its entirety as follows:

ARTICLE I
DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each Partnership Year (i) increased by any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Exhibit B hereto.

"Adjustment Date" has the meaning set forth in Section 4.2.B hereof.

"Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any Person of which such Person owns or controls ten percent (10%) or more of the voting interests or (iv) any officer, director, general partner or trustee of such Person or any Person referred to in clauses (i), (ii), and (iii) above. For purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Affiliated Transferee" means, with respect to any Limited Partner, a member of such Limited Partner's Immediate Family, a trust formed solely for the benefit of such Limited Partner and/or members of such Limited Partner's Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity all of the interests in which are, and remain, directly or indirectly owned and controlled solely by such Limited Partner and/or members of such Limited Partner's Immediate Family, and if the Limited Partner is an entity and owned Partnership Units on April 15, 1997, Persons who, as of that date, directly or indirectly owned interests in or were beneficiaries of such Limited Partner and continue to own such interests (or be beneficiaries) at the time of the proposed transfers or any Affiliated Transferee of such Persons.

"Agreed Value" means (i) in the case of any Contributed Property contributed to the Partnership as part of or in connection with the Consolidation, the amount set forth on Exhibit E attached hereto as the Agreed Value of such Property; (ii) in the case of any other Contributed Property, the 704(c) Value of such property as of the time of its contribution to the Partnership, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the

case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the regulations thereunder.

"Agreement" means this Second Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"Bankruptcy" with respect to any Person shall be deemed to have occurred when (a) the Person commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Person is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Person, (c) the Person executes and delivers a general assignment for the benefit of the Person's creditors, (d) the Person files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Person in any proceeding of the nature described in clause (b) above, (e) the Person seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Person or for all or any substantial part of the Person's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the appointment without the Person's consent or acquiescence of a trustee, receiver of liquidator has not been vacated or stayed within ninety (90) days of such appointment or (h) an appointment referred to in clause (g) is not vacated within ninety (90) days after the expiration of any such stay.

"Book-Tax Disparities" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Exhibit B hereto and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained, with respect to each such Contributed Property or Adjusted Property, strictly in accordance with federal income tax accounting principles.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Capital Account" means the Capital Account maintained for a Partner pursuant to Exhibit B hereto.

"Capital Contribution" means, with respect to any Partner, any cash, cash equivalents or the Agreed Value of Contributed Property which such Partner contributes or is deemed to contribute to the Partnership pursuant to Section 4.1 or 4.2 hereof.

"Carrying Value" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property reduced (but not below zero) by all Depreciation with respect to such Contributed Property or Adjusted Property, as the case may be, charged to the Partners' Capital Accounts and (ii) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Exhibit B hereto, and to reflect changes, additions or other adjustments to the

Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cash Amount" means an amount of cash equal to the Value on the Valuation Date of the Shares Amount, subject to Section 8.6.A(iv).

"Certificate" means the Certificate of Limited Partnership of the Partnership filed in the office of the Delaware Secretary of State on October 2, 1996, as amended by a Certificate of Amendment filed in Delaware on November 8, 1996, as further amended by a Certificate of Amendment filed in Delaware on April 14, 1997, as further amended by a Certificate of Amendment filed in Delaware on April 15, 1997, and as further amended from time to time in accordance with the terms hereof and the Act.

"Charter Documents" has the meaning set forth in Section 7.11.D hereof.

"Class A Unit" means any Partnership Unit that is not specifically designated by the General Partner as being of another specified class of Partnership Units.

"Class B Unit" means a Partnership Unit that is specifically designated by the General Partner as being a Class B Unit.

"Class C Accumulated Amount" has the meaning set forth in Section 4.2.D(i).

"Class C Minimum Amount" has the meaning set forth in Section 4.2.D(i).

"Class C Preferential Distribution" has the meaning set forth in Section 5.1.B.

"Class C Unit" means any Partnership Unit that is specifically designated by the General Partner as being a Class C Unit.

"Class D/E Accumulated Amount" has the meaning set forth in Section 4.2.D(ii).

"Class D/E Minimum Amount" has the meaning set forth in Section 4.2.D(ii).

"Class D/E Preferential Distribution" has the meaning set forth in Section 5.1.B.

"Class D Unit" means a Partnership Unit that is specifically designated by the General Partner as being a Class D Unit.

"Class E Unit" means any Partnership Unit that is specifically designated by the General Partner as being a Class E Unit.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Common Partnership Unit" means any Class A, Class B, Class C, Class D and Class E Unit and any other Partnership Unit that is not a Preference Unit.

"Consent" means the consent or approval of a proposed action by a Partner given in accordance with Section 14.2 hereof.

"Consent of Certain Limited Partners" means Consent of the holders of 75% in the aggregate of the Two Penn Plaza Units, the Eleven Penn Plaza Units, and the 866 U.N. Plaza Units, collectively considered as one group, provided that:

(A) if:

(i) there has been a prior transaction involving the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as the case may be, that has been approved by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, or the 866 U.N. Plaza Units, as the case may be, pursuant to Section 7.11.C(1), 7.11.C(2) or 7.11.C(3), as applicable, and

(ii) no holder of Two Penn Plaza Units, Eleven Penn Plaza Units, or 866 U.N. Plaza Units, as applicable with respect to a transaction involving Two Penn Plaza, Eleven Penn Plaza or 866 U.N. Plaza, respectively, would recognize gain for federal income tax purposes with respect to (but only with respect to) such Partnership Units in excess of $1.00 as a result of the sale or other disposition of all such Partnership Units for $1.00 (that is, no Limited Partner has a "negative capital account" with respect to such Partnership Units),

then the "Certain Limited Partners" shall not be considered to include the holders of such Partnership Units; and

(B) if any holder of Two Penn Plaza Units, Eleven Penn Plaza Units or 866 U.N. Plaza Units, as applicable, has received from the Partnership the payment described in Section 7.11.C(7) in respect of such Partnership Units, and the amount of such payment is, at the time that it is made, equal to the full amount that would be payable under Section 7.11.C(7) with respect to such Partnership Units if the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as applicable, were to have been sold on such date for its market value, then the "Certain Limited Partners" shall not include such holder.

"Consent of the Outside Limited Partners" means the Consent of Limited Partners (excluding for this purpose any Limited Partnership Interests held by the General Partner, any Person of which the General Partner owns or controls more than fifty percent (50%) of the voting interests and any Person owning or controlling, directly or indirectly, more than fifty percent (50%) of the outstanding voting interests of the General Partner) holding Percentage Interests regardless of class that are greater than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners of all classes taken together who are not excluded for the purposes hereof.

"Consolidation" means the transactions whereby the Partnership acquired all or substantially all of the interests in the assets previously owned by the General Partner, interests in certain office properties located in midtown Manhattan, and certain property management businesses that provide services to those office properties and to other properties in the New York metropolitan area, in exchange for Partnership Units, all as described in a Master Consolidation Agreement dated as of March 12, 1997 among the General Partner, Vornado Sub, the Partnership and the other entities named therein.

"Consolidation Transaction" has the meaning set forth in Section 7.11.C(6) hereof.

"Contributed Property" means each property or other asset contributed to the Partnership, in such form as may be permitted by the Act, but excluding cash contributed or deemed contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Exhibit B hereto, such

property shall no longer constitute a Contributed Property for purposes of Exhibit B hereto, but shall be deemed an Adjusted Property for such purposes.

"Conversion Factor" means, as of the date of this Agreement, 1.0; provided that in the event that (x) the General Partner Entity (i) declares (and the applicable record date has passed or will have passed before a redeeming Partner would receive cash or Common Shares in respect of the Partnership Units being redeemed) or pays a dividend on its outstanding Shares in Shares or makes a distribution to all holders of its outstanding Shares in Shares, (ii) subdivides its outstanding Shares or (iii) combines its outstanding Shares into a smaller number of Shares, and (y) in connection with any such event described in clauses (i), (ii) or (iii) above does not cause the Partnership to make a comparable distribution of additional Units to all holders of the Partnership's outstanding Class A Units, Class C Units, Class D Units and Class E Units (and to all holders of Units of any other class issued by the Partnership after the date hereof which are, by their terms, redeemable for cash or, at the General Partner's election, Common Shares as set forth in Section 8.6), or a subdivision or combination of the Partnership's outstanding Class A Units, Class C Units, Class D Units and Class E Units (and of all Units of any other class issued by the Partnership after the date hereof which are, by their terms, redeemable for cash or, at the General Partner's election, Common Shares as set forth in Section 8.6) in any such case so that the number of Class A Units held by the General Partner after such distribution, subdivision or combination is equal to the number of the General Partner's then-outstanding Shares, then upon completion of such declaration, subdivision or combination the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purposes that such dividend, distribution, subdivision or combination has occurred as of such time) and the denominator of which shall be the actual number of Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination; and provided further that in the event that an entity shall cease to be the General Partner Entity (the "Predecessor Entity") and another entity shall become the General Partner Entity (the "Successor Entity"), the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which is the Value of one Share of the Predecessor Entity, determined as of the time immediately prior to when the Successor Entity becomes the General Partner Entity, and the denominator of which is the Value of one Share of the Successor Entity, determined as of that same date. (For purposes of the second proviso in the preceding sentence, in the event that any shareholders of the Predecessor Entity will receive consideration in connection with the transaction in which the Successor Entity becomes the General Partner Entity, the numerator in the fraction described above for determining the adjustment to the Conversion Factor (that is, the Value of one Share of the Predecessor Entity) shall be the sum of the greatest amount of cash and the fair market value of any securities and other consideration that the holder of one Share in the Predecessor Entity could have received in such transaction (determined without regard to any provisions governing fractional shares).) Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for the event giving rise thereto; it being intended that (x) adjustments to the Conversion Factor are to be made in order to avoid unintended dilution or anti-dilution as a result of transactions in which Shares are issued, redeemed or exchanged without a corresponding issuance, redemption or exchange of Partnership Units and (y) if a Specified Redemption Date shall fall between the record date and the effective date of any event of the type described above, that the Conversion Factor applicable to such redemption shall be adjusted to take into account such event.

"Convertible Funding Debt" has the meaning set forth in Section 7.5.F hereof.

"Debt" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person, (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such

property, even though such Person has not assumed or become liable for the payment thereof, and (iv) obligations of such Person incurred in connection with entering into a lease which, in accordance with generally accepted accounting principles, should be capitalized.

"Declaration of Trust" means the Declaration of Trust or other similar organizational document governing the General Partner, as amended, supplemented or restated from time to time.

"Deemed Partnership Interest Value" means, as of any date with respect to any class of Partnership Interests, the Deemed Value of the Partnership Interest of such class multiplied by the applicable Partner's Percentage Interest of such class.

"Deemed Value of the Partnership Interest" means, as of any date with respect to any class of Partnership Interests, (a) if the common shares of beneficial interest (or other comparable equity interests) of the General Partner are Publicly Traded (i) the total number of shares of beneficial interest (or other comparable equity interest) of the General Partner corresponding to such class of Partnership Interest (as provided for in Section 4.2.B hereof) issued and outstanding as of the close of business on such date (excluding any treasury shares) multiplied by the Value of a share of such beneficial interest (or other comparable equity interest) on such date divided by (ii) the Percentage Interest of the General Partner in such class of Partnership Interests on such date, and (b) otherwise, the aggregate Value of such class of Partnership Interests determined as set forth in the fourth and fifth sentences of the definition of Value.

"Depreciation" means, for each fiscal year, an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner.

"866 U.N. Plaza Associates" means 866 United Nations Plaza Associates LLC, a New York limited liability company.

"866 U.N. Plaza Property" has the meaning set forth in Section 7.11.C hereof.

"866 U.N. Plaza Units" has the meaning set forth in Section 7.11.C hereof.

"Eleven Penn Partnerships" means M/F Associates, a New York limited partnership, M/F Eleven Associates, a New York limited partnership, M/S Associates, a New York limited partnership, and M/S Eleven Associates, a New York limited partnership.

"Eleven Penn Plaza Property" has the meaning set forth in Section 7.11.C hereof.

"Eleven Penn Plaza Units" has the meaning set forth in Section 7.11.C hereof.

"Equity Merger" has the meaning set forth in Section 7.11.D hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

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

"Exchanged Property" has the meaning set forth in Section 7.11.C hereof.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

"Funds From Operations" shall mean, with respect to any period, the General Partner's "funds from operations," calculated in a manner consistent with the calculation of such measure as it is used in the General Partner's consolidated financial statements appearing in its most recent public filing on Form 10-K or Form 10-Q (whichever is more recent).

"FW/Mendik LLC" means FW/Mendik REIT, L.L.C., a Delaware limited liability company.

"General Partner" means Vornado Realty Trust, a Maryland real estate investment trust, or its successors as general partner of the Partnership.

"General Partner Entity" means the General Partner; provided, however, that if (i) the common shares of beneficial interest (or other comparable equity interests) of the General Partner are at any time not Publicly Traded and (ii) the shares of common stock (or other comparable equity interests) of an entity that owns, directly or indirectly, fifty percent (50%) or more of the common shares of beneficial interest (or other comparable equity interests) of the General Partner are Publicly Traded, the term "General Partner Entity" shall refer to such entity whose shares of common stock (or other comparable equity securities) are Publicly Traded. If both requirements set forth in clauses (i) and (ii) above are not satisfied, then the term "General Partner Entity" shall mean the General Partner.

"General Partner Payment" has the meaning set forth in Section 15.14 hereof.

"General Partnership Interest" means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partnership Interest may be expressed as a number of Partnership Units.

"Immediate Family" means, with respect to any natural Person, such natural Person's spouse, parents, descendants, nephews, nieces, brothers and sisters.

"Incapacity" or "Incapacitated" means, (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her Person or estate, (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter, (iii) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership, (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership, (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee) or (vi) as to any Partner, the Bankruptcy of such Partner.

"Indemnitee" means (i) any Person made a party to a proceeding or threatened with being made a party to a proceeding by reason of its status as (A) the General Partner, (B) a Limited Partner or (C) an officer of the Partnership (or any Subsidiary or other entity in which the Partnership owns an equity interest) or a trustee/director, officer or shareholder of the General Partner or the General Partner Entity (or any Subsidiary or other entity in which the General Partner owns an equity interest (so long as the General Partner's ownership of an interest in such entity is not prohibited by Section 7.5.A) or for which the General Partner, acting on behalf of the Partnership, requests the trustee/director, officer or shareholder to serve as a director, officer, trustee or agent, including serving as a trustee of an employee benefit plan) and (ii) such other Persons (including Affiliates of the General Partner, a Limited Partner or the Partnership) as the General Partner may

designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Limited Partner" means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended and restated from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidating Event" has the meaning set forth in Section 13.1 hereof.

"Liquidating Transaction" has the meaning set forth in Section 7.11.C hereof.

"Liquidator" has the meaning set forth in Section 13.2.A hereof.

"Majority in Interest" means Partners (excluding the General Partner) who hold more than fifty percent (50%) of the outstanding Percentage Interests not held by the General Partner.

"Mendik Owner" means, with respect to Bernard H. Mendik or David R. Greenbaum, as applicable, any member of his Immediate Family and any trust formed solely for the benefit of him and/or members of his Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity all of the interests in which are, and remain, owned and controlled solely by him and/or members of his Immediate Family.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain for such taxable period over the Partnership's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Exhibit B hereto. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to the special allocation rules in Exhibit C hereto, Net Income or the resulting Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction for such taxable period over the Partnership's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to the special allocation rules in Exhibit C hereto, Net Loss or the resulting Net Income, whichever the case may be, shall be recomputed without regard to such item.

"New Securities" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase shares of beneficial interest (or other comparable equity interest) of the General Partner, excluding grants under any Stock Option Plan, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

"Non-Class D/E Units" has the meaning set forth in Section 5.1(B)(vii).

"Nonrecourse Built-in Gain" means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 2.B of Exhibit C hereto if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means a Notice of Redemption substantially in the form of Exhibit D attached hereto.

"Partner" means the General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and continued upon the terms and conditions set forth in this Agreement, and any successor thereto.

"Partnership Interest" means a Limited Partnership Interest or the General Partnership Interest, as the context requires, and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner either (i) for the making of any distribution pursuant to Section 5.1 hereof, which record date shall be the same as the record date established by the General Partner Entity for a distribution to its shareholders of some or all of its portion of such distribution received by the General Partner if the shares of common stock (or comparable equity interests) of the General Partner Entity are Publicly Traded, or (ii) if applicable, for determining the Partners entitled to vote on or consent to any proposed action for which the consent or approval of the Partners is sought pursuant to Section 14.2 hereof.

"Partnership Unit" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, and includes Class A Units, Class B Units, Class C

Units, Class D Units, Class E Units and any other classes or series of Partnership Units established after the date hereof. The number of Partnership Units outstanding and the Percentage Interests in the Partnership represented by such Partnership Units are set forth in Exhibit A hereto, as such Exhibit may be amended and restated from time to time. The ownership of Partnership Units may be evidenced by a certificate in a form approved by the General Partner.

"Partnership Year" means the fiscal year of the Partnership.

"Percentage Interest" means, as to a Partner holding a Partnership Interest of any class issued hereunder, its interest in such class, determined by dividing the Partnership Units of such class owned by such Partner by the total number of Partnership Units of such class then outstanding as specified in Exhibit A attached hereto, as such exhibit may be amended and restated from time to time, multiplied by the aggregate Percentage Interest allocable to such class of Partnership Interests. For such time or times as the Partnership shall at any time have outstanding more than one class of Partnership Interests, the Percentage Interest attributable to each class of Partnership Interests shall be determined as set forth in Section 4.2.B hereof.

"Person" means a natural person, partnership (whether general or limited), trust, estate, association, corporation, limited liability company, unincorporated organization, custodian, nominee or any other individual or entity in its own or any representative capacity.

"Predecessor Entity" has the meaning set forth in the definition of "Conversion Factor" herein.

"Preference Units" has the meaning set forth in Section 4.2.E.

"Publicly Traded" means listed or admitted to trading on the New York Stock Exchange, the American Stock Exchange or another national securities exchange or designated for quotation on the NASDAQ National Market, or any successor to any of the foregoing.

"Qualified REIT Subsidiary" means any Subsidiary of the General Partner that is a "qualified REIT subsidiary" within the meaning Section 856(i) of the Code. Except as otherwise specifically provided herein, a Qualified REIT Subsidiary of the General Partner that holds as its only assets direct and/or indirect interests in the Partnership will not be treated as an entity separate from the General Partner.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Redeeming Partner" has the meaning set forth in Section 8.6.A hereof.

"Redemption Amount" means either the Cash Amount or the Shares Amount, as determined by the General Partner in its sole and absolute discretion; provided that in the event that the Shares are not Publicly Traded at the time a Redeeming Partner exercises its Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount; provided further, the foregoing is subject to Section 8.6.A(iv). A Redeeming Partner shall have no right, without the General Partner's consent, in its sole and absolute discretion, to receive the Redemption Amount in the form of the Shares Amount.

"Redemption Right" has the meaning set forth in Section 8.6.A hereof.

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"REIT" means a real estate investment trust under Section 856 of the Code.

"REIT Expenses" shall mean (i) costs and expenses relating to the continuity of existence of the General Partner and any Person in which the General Partner owns an equity interest, to the extent not prohibited by Section 7.5.A (and excluding expenses relating to any Person in which the General Partner acquired an interest with the Consent of the Outside Limited Partners, unless the Consent of the Outside Limited Partners has been obtained to include such expenses within the definition of "REIT Expenses"), other than the Partnership (which Persons shall, for purposes of this definition, be included within the definition of "General Partner"), including taxes, fees and assessments associated therewith (other than federal, state or local income taxes imposed upon the General Partner as a result of the General Partner's failure to distribute to its shareholders an amount equal to its taxable income), any and all costs, expenses or fees payable to any trustee or director of the General Partner or such Persons, (ii) costs and expenses relating to any offer or registration of securities by the General Partner (the proceeds of which will be contributed or advanced to the Partnership) and all statements, reports, fees and expenses incidental thereto, including underwriting discounts and selling commissions applicable to any such offer of securities, (iii) costs and expenses associated with the preparation and filing of any periodic reports by the General Partner under federal, state or local laws or regulations, including filings with the SEC, (iv) costs and expenses associated with compliance by the General Partner with laws, rules and regulations promulgated by any regulatory body, including the Securities and Exchange Commission, and (v) all other operating or administrative costs of the General Partner incurred in the ordinary course of its business; provided, however, that any of the foregoing expenses that are determined by the General Partner to be expenses relating to the ownership and operation of, or for the benefit of, the Partnership shall be treated, subject to Section 7.4.E hereof, as reimbursable expenses under Section 7.4.B hereof rather than as "REIT Expenses".

"REIT Requirements" has the meaning set forth in Section 5.1.A hereof.

"Replacement Property" has the meaning set forth in Section 7.11.C hereof.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 2.B.1(a) or 2.B.2(a) of Exhibit C hereto to eliminate Book-Tax Disparities.

"Restricted Partner" means any of FW/Mendik LLC, Bernard H. Mendik, David R. Greenbaum, any Mendik Owner and any other Person identified on Exhibit F hereto.

"Safe Harbors" has the meaning set forth in Section 11.6.F hereof.

"Securities Act" means the Securities Act of 1933, as amended.

"704(c) Value" of any Contributed Property means the fair market value of such property at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. Subject to Exhibit B hereto, the General Partner shall, in its sole and absolute discretion, use such method as it deems reasonable and appropriate to allocate the aggregate of the 704(c) Values of Contributed Properties in a single or integrated transaction among each separate property on a basis proportional to their fair market values. The 704(c) Values of the Contributed Properties contributed to the Partnership as part of or in connection with the Consolidation are set forth on Exhibit E attached hereto.

"Share" means a share of beneficial interest (or other comparable equity interest) of the General Partner Entity. Shares may be issued in one or more classes or series in accordance with the terms of the Declaration of Trust (or, if the General Partner is not the General Partner Entity, the organizational documents of the General Partner Entity). In the event that there is more than one class or series of Shares, the term "Shares" shall, as the context requires, be deemed to refer to the class or series of Shares that correspond to the class or series of Partnership Interests for which the reference to Shares is made. When used with reference to Class A Units, Class C Units, Class D Units or Class E Units, the term "Shares" refers to common shares of beneficial interest (or other comparable equity interest) of the General Partner Entity.

"Shares Amount" means a number of Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Partner times the Conversion Factor; provided, that in the event the General Partner Entity issues to all holders of Shares rights, options, warrants or convertible or exchangeable securities entitling such holders to subscribe for or purchase Shares or any other securities or property (collectively, the "rights"), then the Shares Amount shall also include such rights that a holder of that number of Shares would be entitled to receive; and provided, further, that the Shares Amount shall be adjusted pursuant to Section 7.5 hereof in the event that the General Partner acquires material assets other than on behalf of the Partnership.

"Specified Redemption Date" means the tenth Business Day after receipt by the General Partner of a Notice of Redemption; provided, that if the Shares are not Publicly Traded, the Specified Redemption Date means the thirtieth Business Day after receipt by the General Partner of a Notice of Redemption.

"Stock Option Plan" means any share or stock incentive plan or similar compensation arrangement (including, without limitation, any arrangement whereby the Partnership or the General Partner delivers Units or shares of capital stock of the General Partner into a "rabbi trust") of the General Partner, the Partnership or any Affiliate of the Partnership or the General Partner, as the context may require.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership or joint venture, or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4 hereof.

"Successor Entity" has the meaning set forth in the definition of "Conversion Factor" herein.

"Successor Partnership" has the meaning set forth in Section 7.11.C hereof.

"Tenant" means any tenant from which the General Partner derives rent, either directly or indirectly through limited liability companies or partnerships, including the Partnership, or through any Qualified REIT Subsidiary.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership for cash or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership for cash.

"Termination Transaction" has the meaning set forth in Section 11.2.B hereof.

"Title 8" means Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland.

"Transferred Property" has the meaning set forth in Section 7.11.C. hereof.

"Two Penn Plaza Associates" means Two Penn Plaza Associates, L.P., a New York limited partnership.

"Two Penn Plaza Property" has the meaning set forth in Section 7.11.C hereof.

"Two Penn Plaza Units" has the meaning set forth in Section 7.11.C hereof.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under Exhibit B hereto) as of such date, over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereto) as of such date.

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereto) as of such date, over (ii) the fair market value of such property (as determined under Exhibit B hereto) as of such date.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the first Business Day thereafter.

"Value" means, with respect to any outstanding Shares of the General Partner Entity that are Publicly Traded, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date with respect to which value must be determined or, if such day is not a Business Day, the immediately preceding Business Day. The market price for each such trading day shall be the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day. In the event that the outstanding Shares of the General Partner Entity are Publicly Traded and the Shares Amount includes rights that a holder of Shares would be entitled to receive, then the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event that the Shares of the General Partner Entity are not Publicly Traded, the Value of the Shares Amount per Partnership Unit offered for redemption (which will be the Cash Amount per Partnership Unit offered for redemption payable pursuant to Section 8.6.A hereof) means the amount that a holder of one Partnership Unit would receive if each of the assets of the Partnership were to be sold for its fair market value on the Specified Redemption Date, the Partnership were to pay all of its outstanding liabilities, and the remaining proceeds were to be distributed to the Partners in accordance with the terms of this Agreement. Such Value shall be determined by the General Partner, acting in good faith and based upon a commercially reasonable estimate of the amount that would be realized by the Partnership if each asset of the Partnership (and each asset of each partnership, limited liability company, joint venture or other entity in which the Partnership owns a direct or indirect interest) were sold to an unrelated purchaser in an arms' length transaction where neither the purchaser nor the seller were under economic compulsion to enter into the transaction (without regard to any discount in value as a result of the Partnership's minority interest in any property or any illiquidity of the Partnership's interest in any property). In connection with determining the Deemed Value of the Partnership Interest for purposes of determining the number of additional Partnership Units issuable upon a Capital Contribution funded by an underwritten public offering of shares of beneficial interest (or other comparable equity interest) of the General Partner, the Value of such shares shall be the public offering price per share of such class of beneficial interest (or other comparable equity interest) sold.

"Vornado Sub" means Vornado/Saddle Brook L.L.C., a Delaware limited liability company and a wholly-owned subsidiary of the General Partner.

ARTICLE II
ORGANIZATIONAL MATTERS

Section 2.1 Organization

The Partnership is a limited partnership organized pursuant to the provisions of the Act and upon the terms and conditions set forth in the Prior Agreement. The General Partner hereby amends and restate the Prior Agreement in its entirety. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 Name

The name of the Partnership is Vornado Realty L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware shall be located at Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Trust Company. The principal office of the Partnership shall be Vornado Realty L.P., Park 80 West, Plaza II, Saddle Brook, New Jersey 07663, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 Term

The term of the Partnership commenced on October 2, 1996, the date on which the Certificate was filed in the office of the Secretary of State of the State of Delaware in accordance with the Act, and shall continue until December 31, 2095 (as such date may be extended by the General Partner in its sole discretion), unless it is dissolved sooner pursuant to the provisions of Article XIII hereof or as otherwise provided by law.

ARTICLE III
PURPOSE

Section 3.1 Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such business shall be limited to and conducted in such a manner as to permit the General Partner Entity (or the General Partner, as applicable) at all times to be classified as a REIT and avoid the imposition

of federal income and excise taxes on the General Partner Entity (or the General Partner, as applicable), unless the General Partner Entity (or the General Partner, as applicable) ceases to qualify, or is not qualified, as a REIT for any reason or reasons; (ii) to enter into any partnership, joint venture, limited liability company or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged, directly or indirectly, in any of the foregoing; and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, the Limited Partners acknowledge that the status of the General Partner Entity (or the General Partner, as applicable) as a REIT and the avoidance of federal income and excise taxes on the General Partner Entity (or the General Partner, as applicable) inures to the benefit of all the Partners and not solely the General Partner or its Affiliates. Notwithstanding the foregoing, the Limited Partners acknowledge and agree that the General Partner Entity (or the General Partner, as applicable) may terminate its status as a REIT under the Code at any time to the full extent permitted under the Declaration of Trust.

Section 3.2 Powers

The Partnership shall have full power and authority to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness whether or not secured by mortgage, deed of trust, pledge or other lien, acquire, own, manage, improve and develop real property, and lease, sell, transfer and dispose of real property; provided, however, that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner Entity (or the General Partner, as applicable) to continue to qualify as a REIT, (ii) could subject the General Partner Entity (or the General Partner, as applicable) to any additional taxes under Section 857 or Section 4981 of the Code or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner Entity (or the General Partner, if different) or its securities, unless such action (or inaction) shall have been specifically consented to by the General Partner in writing.

Section 3.3 Partnership Only for Purposes Specified

The Partnership shall be a partnership only for the purposes specified in Section 3.1 above, and this Agreement shall not be deemed to create a partnership among the Partners with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 above.

ARTICLE IV
CAPITAL CONTRIBUTIONS AND ISSUANCES OF PARTNERSHIP INTERESTS

Section 4.1 Capital Contributions of the Partners

A. Capital Contributions. Prior to the effective date of this Agreement, the General Partner and the Limited Partners have made such capital contributions as are reflected on Exhibit A hereto. The Capital Accounts and the Carrying Values set forth on Exhibit A were determined pursuant to Section I.D of Exhibit B hereto.

B. General Partnership Interest. A number of Partnership Units held by the General Partner equal to one percent (1%) of all outstanding Partnership Units shall be deemed to be the General Partner Partnership Units and shall be the General Partnership Interest. All other Partnership Units held by the General Partner shall be Limited Partnership Interests and shall be held by the General Partner in its capacity as a Limited Partner in the Partnership.

C. Capital Contributions By Merger. To the extent the Partnership acquires any property by the merger of any other Person into the Partnership, Persons who receive Partnership Interests in exchange for their interests in the Person merging into the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement and as set forth in Exhibit A hereto.

D. No Obligation to Make Additional Capital Contributions. Except as provided in Sections 7.5 and 10.5 hereof, the Partners shall have no obligation to make any additional Capital Contributions or provide any additional funding to the Partnership (whether in the form of loans, repayments of loans or otherwise). No Partner shall have any obligation to restore any deficit that may exist in its Capital Account, either upon a liquidation of the Partnership or otherwise.

Section 4.2 Issuances of Partnership Interests

A. General. The General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners (including the General Partner and its Affiliates) or other Persons (including, without limitation, in connection with the contribution of property to the Partnership) Partnership Units or other Partnership Interests in one or more classes, or in one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partnership Interests, all as shall be determined, subject to applicable Delaware law, by the General Partner in its sole and absolute discretion, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests, (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions and (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; provided that, no such Partnership Units or other Partnership Interests shall be issued (x) to the General Partner unless either (a) the Partnership Interests are issued in connection with the grant, award or issuance of Shares or other equity interests in the General Partner having designations, preferences and other rights such that the economic interests attributable to such Shares or other equity interests are substantially similar to the designations, preferences and other rights (except voting rights) of the additional Partnership Interests issued to the General Partner in accordance with this Section 4.2.A, or (b) the Partnership Interests are issued to all Partners holding Partnership Interests in the same class in proportion to their respective Percentage Interests in such class or (c) the Partnership Interests are issued in connection with a Termination Transaction or a transaction in which another person is merged, combined or consolidated with or into the General Partner and in exchange for the transfer or contribution of all or substantially all of the assets of such other person by the General Partner to the Partnership, or (y) to any Person in violation of Section 4.2.E. In the event that the Partnership issues Partnership Interests pursuant to this Section 4.2.A, the General Partner shall make such revisions to this Agreement (including but not limited to the revisions described in Section 5.4, Section 6.2 and Section 8.6 hereof) as it deems necessary to reflect the issuance of such additional Partnership Interests.

B. Percentage Interest Adjustments in the Case of Capital Contributions for Partnership Units. Upon the acceptance of additional Capital Contributions in exchange for Partnership Units, the Percentage Interest related thereto shall be equal to a fraction, the numerator of which is equal to the amount of cash, if any, plus the Agreed Value of Contributed Property, if any, contributed with respect to such additional Partnership Units and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests for all outstanding classes (computed as of the Business Day immediately preceding the date on which the additional Capital Contributions are made (such contribution date being referred to as an "Adjustment Date")) plus (ii) the aggregate amount of additional Capital Contributions contributed to the Partnership on such Adjustment Date in respect of such additional Partnership Units. The Percentage Interest of each other Partner holding Partnership Interests not making a full pro rata Capital Contribution shall be adjusted to a fraction the numerator of which is equal to the sum of (i) the Deemed Partnership Interest Value of such Limited Partner (computed as of the Business Day immediately preceding the Adjustment Date) plus

(ii) the amount of additional Capital Contributions (such amount being equal to the amount of cash, if any, plus the Agreed Value of Contributed Property, if any, so contributed), if any, made by such Partner to the Partnership in respect of such Partnership Interest as of such Adjustment Date and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests of all outstanding classes (computed as of the Business Day immediately preceding such Adjustment Date) plus (ii) the aggregate amount of the additional Capital Contributions contributed to the Partnership on such Adjustment Date in respect of such additional Partnership Interests. For purposes of calculating a Partner's Percentage Interest pursuant to this Section 4.2.B, cash Capital Contributions by the General Partner will be deemed to equal the cash contributed by the General Partner plus (a) in the case of cash contributions funded by an offering of any equity interests in or other securities of the General Partner, the offering costs attributable to the cash contributed to the Partnership, and (b) in the case of Partnership Units issued pursuant to Section 7.5.E hereof, an amount equal to the difference between the Value of the Shares sold pursuant to any Stock Option Plan and the net proceeds of such sale.

C. Classes of Partnership Units. From and after April 15, 1997, subject to Section 4.2.A above, the Partnership shall have five classes of Common Partnership Units entitled "Class A Units", "Class B Units", "Class C Units", "Class D Units" and "Class E Units" and one class of Preference Units entitled "Series A Preferred Units" which shall be issued to the Partners in connection with set forth below:

(i) the General Partner will receive Class A Units in respect of its General Partnership Interest and will receive Class A Units and Series A Preferred Units in respect of its Limited Partnership Interest;

(ii) initially, no Class B Units will be issued to any Partner;

(iii) as specified on Exhibit A, certain Persons will receive Class C Units, certain Persons will receive Class D Units and certain Persons will receive Class E Units in respect of their Limited Partnership Interests.

The General Partner may, in its sole and absolute discretion but subject to Section 4.2.E, issue to newly admitted Partners Class A Units, Class B Units, Class C Units, Class D Units, Class E Units or Partnership Units of any other class established by the Partnership in accordance with Section 4.2.A (subject to Section 4.2.E below) in exchange for the contribution by such Partners of cash, real estate partnership interests, stock, notes or any other assets or consideration; provided that any Partnership Unit that is not specifically designated by the General Partner as being of a particular class shall be deemed to be a Class A Unit unless the context clearly requires otherwise.

D. Conversion of Class C Units, Class D Units and Class E Units.

(i) At such time as all holders of Class A Units have received quarterly distributions in accordance with Article V equal to the per quarter amount set forth in Section 5.1.B(v) of this Agreement (or, if the Prior Agreement was in effect for any portion of the period of four consecutive quarters, the per quarter amount set forth in Section 5.1.B(v) of the Prior Agreement for so much of the period as the Prior Agreement was in effect) per Partnership Unit for each of four consecutive quarters (without including for these purposes distributions, if any, made to holders of Class A Units pursuant to Subsections 4.2.D(i) and 4.2.D(ii)) (such amount, the "Class C Minimum Amount"), the Class C Units will be converted automatically into Class A Units and thereafter will have the same distribution rights as all other Class A Units. The foregoing conversion will be deemed to have occurred as of the first day of the quarter immediately succeeding the fourth consecutive quarter with respect to which the distributions described in the preceding sentence are made.

At any time prior to the first distribution made in respect of Partnership Units that were converted from Class C Units to Class A Units pursuant to this Subsection 4.2.D(i), the General Partner

may, in its sole discretion but subject to Section 5.2.B, elect to make a one-time distribution of the Class C Accumulated Amount, calculated as of the date of such distribution, pro rata among those Persons who hold Class A Units; provided, however, that the foregoing distribution right shall only be available if during each of the preceding four (4) consecutive fiscal quarters the Partnership has earned Funds From Operations sufficient to enable the Partnership to distribute to holders of Class A Units on a per Partnership Unit basis (assuming a 100% payout of Funds From Operations) at least the applicable Class C Minimum Amount per Partnership Unit (which payment must be made in a quarter prior to the quarter in which Class C Units are converted to Class A Units pursuant to the preceding paragraph). For purposes hereof, the "Class C Accumulated Amount" means, as of any date the lesser of (A) $1,500,000.00 and (B)(x)the sum of all amounts previously distributed to holders of Class C Units pursuant to Subsections 5.1.B(iv) and 5.1.B(v) during the most recently completed twelve (12) consecutive fiscal quarters less (y) the sum of all amounts previously distributed to holders of Class A Units (excluding Class A Units that were converted from Class C Units prior to such distribution) during such period pursuant to Subsection 5.1.B(vi) but not Subsection 5.1.B(vii); provided that the Class C Accumulated Amount shall not exceed the Partnership's aggregate Funds From Operations for such twelve quarter period less (without duplication) the distributions pursuant to Subsections 5.1(B)(i) through (vi).

(ii) At such time as all holders of Class A Units have received quarterly distributions in accordance with Article V in an amount at least equal to the per quarter amount set forth in Section 5.1.B(iii) of this Agreement (or, if the Prior Agreement was in effect for any portion of the period of four consecutive quarters, the per quarter amount set forth in Section 5.1.B(iii) of the Prior Agreement for so much of the period as the Prior Agreement was in effect) per Partnership Unit for each of four consecutive quarters (without including for these purposes distributions, if any, made to holders of Class A Units pursuant to Subsections 4.2.D(i) and 4.2.D(ii)) (such amount, the "Class D/E Minimum Amount"), the Class D Units and the Class E Units, if any, will be converted automatically into Class A Units and thereafter will have the same distribution rights as all other Class A Units. The foregoing conversion will be deemed to have occurred as of the first day of the quarter immediately succeeding the fourth consecutive quarter with respect to which the distributions described in the preceding sentence are made.

At any time prior to the first distribution made in respect of Partnership Units that were converted from Class D Units or Class E Units to Class A Units pursuant to this Subsection 5.1.D(ii), the General Partner may, in its sole discretion but subject to Section 5.2.B, elect to make a one time distribution of the Class D/E Accumulated Amount, calculated as of the date of such distribution, pro rata among those Persons who hold Class A Units; provided, however, that the foregoing distribution right shall only be available if during each of the preceding four (4) consecutive fiscal quarters the Partnership has earned Funds From Operations sufficient to enable the Partnership to distribute to holders of Class A Units on a per Partnership Unit basis (assuming a 100% payout of Funds From Operations) at least the applicable Class D/E Minimum Amount per Partnership Unit. For purposes hereof, the "Class D/E Accumulated Amount" means, as of any date the lesser of (A) $1,500,000 less any amount distributed pursuant to Subsection 4.2.D(i) above and (B) (x) the sum of all amounts previously distributed to holders of Class D Units and Class E Units pursuant to Subsections 5.1.B(ii) and (iii) during the most recently completed twelve (12) consecutive fiscal quarters less (y) the sum of all amounts previously distributed to holders of Class A Units (excluding Class A Units that were converted from Class D Units or Class E Units prior to or during such period, if any) during such period pursuant to Subsections 5.1.B(vi) and (vii) during such period and less the Class C Accumulated Amount distributed previously or contemporaneously therewith, provided that the maximum amount of the Class D/E Accumulated Amount shall not exceed the Partnership's Funds From Operations less (without duplication) distributions pursuant to Subsections 5.1.B(i) through (vii).

(iii) Immediately after the time at which the Prior Agreement became effective, every Class D Unit held by any of Mendik/FW, Christopher G. Bonk, Michael M. Downey, James D. Kuhn, John J. Silberstein, David L. Sims, Kevin R. Wang, Mr. Mendik, Mr. Greenbaum or any Mendik Owner with respect to either of Mr. Mendik or Mr. Greenbaum automatically, and without any further payment or action of any kind

by any Person, was converted into a Class C Unit and thereafter became entitled to all of the same distribution rights as any other Class C Unit, and the General Partner has reflected said conversion on Exhibit A.

E. Limitation on the Issuance of Partnership Units. The General Partner may not, without the Consent of the Outside Limited Partners (taking into account, for these purposes, only those Limited Partnership Interests issued in connection with the Consolidation), cause the Partnership to issue any Limited Partnership Interests of any class ranking senior (as to preferential distributions or redemption or voting rights) to the Class C Units, the Class D Units or the Class E Units (any such senior Partnership Units, "Preference Units") unless the distribution and redemption (but not voting) rights of such Partnership Units are substantially similar to the terms of securities issued by the General Partner and the proceeds or other consideration from the issuance of such securities have been contributed to the Partnership. The foregoing limitation will expire with respect to the Partnership Units of any such class at such time as the Partnership Units of that class issued in connection with the Consolidation are no longer outstanding, whether as a result of redemption, conversion to another class or otherwise.

F. Issuance of Series A Preferred Units. In consideration of the contribution to the Partnership on the April 15, 1997 of the entire net proceeds received by the General Partner from the issuance of the Series A Preferred Shares, the General Partner is deemed to have made a Capital Contribution to the Partnership in the amount of the gross proceeds of such issuance, which was $287,500,000, and the Partnership is deemed simultaneously to have distributed to the General Partner, as REIT Expenses, the amount of the underwriters' discount and other costs incurred by the General Partner in connection with such issuance. On April 15, 1997, in consideration of the contribution to the Partnership described in this Section 4.2.F, the Partnership issued to the General Partner, in respect of its Limited Partnership Interest and in addition to the Class A Units issued to the General Partner pursuant to this Section 4.2, 5,750,000 of a series of Preference Units designated as the "Series A Preferred Units" (as defined in Exhibit G hereto). The terms of the Series A Preferred Units are set forth in Exhibit G attached hereto.

Section 4.3 No Preemptive Rights

Except to the extent expressly granted by the General Partner (on behalf of the Partnership) pursuant to another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Partnership Units or other Partnership Interests.

Section 4.4 Other Contribution Provisions

In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such Partner in cash for the fair market value of such services, and the Partner had contributed such cash to the capital of the Partnership.

Section 4.5 No Interest on Capital

No Partner shall be entitled to interest on its Capital Contributions or its Capital Account.

ARTICLE V
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions

A. General. Subject to Section 5.1.C, the General Partner shall have the exclusive right and authority to declare and cause the Partnership to make distributions as and when the General Partner deems appropriate or desirable in its sole discretion. Notwithstanding anything to the contrary contained herein, in no event may a Partner receive a distribution with respect to a Partnership Unit for a quarter or shorter period if such Partner is entitled to receive a distribution for such quarter or shorter period with respect to a Share for which such Partnership Unit has been redeemed or exchanged. Unless otherwise expressly provided for herein or in an agreement at the time a new class of Partnership Interests is created in accordance with Article IV hereof, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership Interest. For so long as the General Partner elects to qualify as a REIT, the General Partner shall make such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the qualification of the General Partner Entity or the General Partner (as applicable) as a REIT, to make distributions to the Partners in amounts such that the General Partner will receive amounts sufficient to enable the General Partner Entity or the General Partner (as applicable) to pay shareholder dividends that will (1) satisfy the requirements for qualification as a REIT under the Code and the Regulations (the "REIT Requirements") and (2) avoid any federal income or excise tax liability for the General Partner Entity or the General Partner (as applicable).

B. Method. When, as and if declared by the General Partner, the Partnership will make distributions to the General Partner in any amount necessary to enable the General Partner to pay REIT Expenses, and thereafter:

(i) first, to holders of Series A Preferred Units and any other Preference Units in an amount equal to preferential distributions accumulated and unpaid on such Preference Units in accordance with their respective terms;

(ii) second, to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the Partnership Record Date) in an amount equal to any accumulated and unpaid Class D/E Preferential Distributions;

(iii) third, to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the Partnership Record Date) until such holders have received with respect to the period for which such distribution is made an amount per Class D Unit and Class E Unit, respectively, to be determined based on a distribution rate of $0.50375 per quarter (the "Class D/E Preferential Distribution") pro rated to take into account the actual number of days in such period and the number of days in the period that such Class D Units or Class E Units, as applicable, were outstanding; provided, however, that if the General Partner does not distribute sufficient cash to pay the Class D/E Preferential Distribution, then the Class D/E Preferential Distribution will cumulate, without interest, and be payable by the Partnership in the future pursuant to clause (ii) above;

(iv) fourth, to holders of Class C Units in an amount equal to any accumulated and unpaid Class C Preferential Distributions;

(v) fifth, to holders of Class C Units until such holders have received with respect to the period for which such distribution is made an amount per Class C Unit to be determined based on a distribution rate of $.4225 per quarter (the "Class C Preferential Distribution") pro rated to take into account the actual number of days in such period and the number of days in the period that such Class C Units were outstanding; provided, however, that if the General Partner does not distribute sufficient cash to pay the Class C Preferential

Distribution, then the Class C Preferential Distribution will cumulate, without interest, and be payable by the Partnership in the future pursuant to clause (iv) above;

(vi) sixth, to the holders of Partnership Units other than Class C Units, Class D Units and Class E Units (the "Other Units") until the holders of such Other Units have received with respect to the period for which such distribution is made an amount per Partnership Unit equal to the amount that would have been payable to such holders under clause (v) above if the Partnership Units held by them had been Class C Units (assuming, with respect to Class A Units held directly or indirectly by the General Partner, that such Partnership Units were held for the entire period);

(vii) seventh, to the holders of Partnership Units other than Class D Units and Class E Units (the "Non-Class D/E Units") until the holders of such Non-Class D/E Units have received with respect to the quarter for which such distribution is made a total amount per Partnership Unit (taking into account distributions made to such holders of Non-Class D/E Units with respect to such quarter under clause (v) or clause (vi) above as applicable) equal to the amount that would have been payable to such holders under clause (iii) above if the Partnership Units held by them had been Class D Units (assuming, with respect to Class A Units held directly or indirectly by the General Partner, that such Partnership Units were held for the entire period);

(viii) eighth, to holders of Class A Units as described in Subsection 4.2.D(i);

(ix) ninth, to holders of Class A Units as described in Subsection 4.2.D(ii);

(x) tenth, to all holders of Partnership Units of all classes (other than Class A Preferred Units and any other Units issued by the Partnership from time that, by their terms, are not entitled to participate in distributions under this clause (x)), pro rata in proportion to their respective Percentage Interests, in an amount sufficient to permit to the General Partner to satisfy the REIT Requirements and to avoid any federal income or excise tax liability for the General Partner Entity (or the General Partner, as applicable);

(xi) eleventh, to the extent of remaining distribution amount, to holders of Partnership Units of all classes (other than Class A Preferred Units and any other Units issued by the Partnership from time that, by their terms, are not entitled to participate in distributions under this clause (xi)) in proportion to their respective Percentage Interests.

Each holder of Partnership Interests that are entitled to any preference in distribution shall be entitled to a distribution in accordance with the rights of any such class of Partnership Interests (and, within such class, pro rata in proportion to the respective Percentage Interests on such Partnership Record Date). Notwithstanding anything to the contrary contained herein, in no event shall any partner receive a distribution with respect to any Common Partnership Unit with respect to any quarter until such time as the Partnership has distributed to the holders of the Preference Units all distributions payable with respect to such Preference Units through the last day of such quarter, in accordance with the instruments designating such Preference Units.

C. Minimum Distributions if General Partner Not a REIT or Not Publicly Traded. In addition, if the General Partner Entity is not a REIT or the common shares of beneficial interest (or other comparable equity interests) of the General Partner Entity are not Publicly Traded, the General Partner shall use commercially reasonable efforts (including, if appropriate, incurring indebtedness), as determined by the General Partner in its sole discretion exercised in good faith, to make cash distributions pursuant to Section 5.1.B above at least annually for each taxable year of the Partnership beginning prior to the twentieth (20th) anniversary of April 15, 1997 in an aggregate amount with respect to each such taxable year at least equal to

95% of the Partnership's taxable income for such year other than gain subject to Section 704(c) of the Code allocable to the Class A Units, with such distributions to be made not later than 60 days after the end of such year; provided, the foregoing shall not create any obligation on the part of the General Partner to contribute or loan funds to the Partnership or dispose of assets. Notwithstanding Section 14.1.D.(iv), this Section 5.1.C may be amended with the Consent of Certain Limited Partners.

Section 5.2 Amounts Withheld

All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 hereof with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners or Assignees pursuant to Section 5.1 above for all purposes under this Agreement.

Section 5.3 Distributions Upon Liquidation

Proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with Section 13.2 hereof.

Section 5.4 Revisions to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article V as it deems necessary to reflect the issuance of such additional Partnership Interests.

ARTICLE VI
ALLOCATIONS

Section 6.1 Allocations For Capital Account Purposes

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Exhibit B hereto) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. Net Income. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E below, Net Income shall be allocated (i) first, to the General Partner to the extent that Net Losses previously allocated to the General Partner pursuant to the last sentence of Section 6.1.B below exceed Net Income previously allocated to the General Partner pursuant to this clause (i) of Section 6.1.A,; (ii) second, to holders of Preference Units until their aggregate allocations of Net Income under this clause (ii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (x) of Section 6.1.B and (y) all distributions made pursuant to clause (i) of Section 5.1.B (provided that the allocation provided for in this clause (ii) shall not apply to the extent that distributions made pursuant to clause (i) of Section 5.1.B are treated as or determined to be guaranteed payments under Section 707(c) of the Code); (iii) third, to holders of Class D Units and Class E Units until their aggregate allocations of Net Income under this clause (iii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (ix) of Section 6.1.B and (y) all distributions made pursuant to clause (ii) of Section 5.1.B; (iv) fourth, to holders of Class D Units and Class E Units until their aggregate allocations of Net Income under this clause (iv) equal the sum of (x) the aggregate Net Losses allocated to them under clause (viii) of Section 6.1.B and (y) all distributions made pursuant to clause (iii) of Section 5.1.B with respect to which there was not a corresponding distribution to holders of Units other than Class D Units and Class E Units pursuant to clauses (vi) or (vii) of Section 5.1.B; (v) fifth, to holders of Class C Units until their aggregate allocations of Net Income under this clause (v) equal the sum of (x) the

aggregate Net Losses allocated to them under clause (vii) of Section 6.1.B and (y) all distributions made pursuant to clause (iv) of Section 5.1.B; (vi) sixth, to holders of Class C Units until their aggregate allocations of Net Income under this clause (vi) equal the sum of (x) the aggregate Net Losses allocated to them under clause (vi) of Section 6.1.B and (y) all distributions made pursuant to clause (v) of Section 5.1.B with respect to which there was not a corresponding distribution to holders of Units other than Class C, D or E Units pursuant to clause (vi) of Section 5.1.B; (vii) seventh, to all holders of Units (other than Preference Units) until the aggregate allocations of Net Income under this clause (vii) equal the sum of (x) aggregate Net Losses allocated under clause (v) of Section 6.1.B, (y) all distributions made pursuant to clauses (vi) or (vii) of Section 5.1.B, and (z) all distributions made pursuant to clauses (iii) or (v) of Section 5.1.B that were not taken into account in clauses (iv) or (vi) of this Section 6.1.A as a result of distributions pursuant to clauses (vi) and (vii) of Section 5.1.B; (viii) eighth, to holders of Class A Units until their aggregate allocations of Net Income under this clause (viii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (iv) of Section 6.1.B and (y) all distributions made pursuant to clause (viii) of Section 5.1.B, with such Net Income to be allocated only to those holders of Class A Units who received distributions under said clause (viii); (ix) ninth, to holders of Class A Units until their aggregate allocations of Net Income under this clause (ix) equal the sum of (x) the aggregate Net Losses allocated to them under clause (iii) of Section 6.1.B and (y) all distributions made pursuant to clause (ix) of Section 5.1.B, with such Net Income to be allocated only to those holders of Class A Units who received distributions under said clause (ix) of Section 5.1.B; (x) tenth, to all holders of Units (other than Preference Units) pro rata in accordance with their Percentage Interests until the aggregate allocations of Net Income under this clause (x) equal the sum of (x) aggregate Net Losses allocated under clause (ii) of Section 6.1.B and (y) all distributions made pursuant to clause (xi) of Section 5.1.B.; and (xi) eleventh, to all holders of Units (other than Class A Preferred Units and any other Units issued by the Partnership from time that, by their terms, are not entitled to participate in distributions under Section 5.1.B(x) in proportion to their respective Percentage Interests.

B. Net Losses. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E below, Net Losses shall be allocated (i) first, to all holders of Units (other than Preference Units) in proportion to their respective Percentage Interests until the aggregate allocations of Net Losses pursuant to this clause (i) equal the aggregate amount of allocations of Net Income pursuant to clause (xi) of Section 6.1.A; (ii) second, to all holders of Units (other than Preference Units)pro rata in accordance with their Percentage Interests until the aggregate allocations of Net Losses under this clause (ii) equal the aggregate amount of Net Income allocated pursuant to clause (x) of Section 6.1.A; (iii) third, to holders of Class A Units until the aggregate allocations of Net Losses pursuant to this clause (iii) equal the aggregate amount of allocations of Net Income pursuant to clause (ix) of Section 6.1.A.; (iv) fourth to holders of Class A Units until the aggregate allocations of Net Losses pursuant to this clause (iii) equal the aggregate amount of allocations of Net Income pursuant to clause (viii) of Section 6.1.A.; (v) fifth, to all holders of Units (other than Preference Units) until the aggregate allocation of Net Losses pursuant to this clause (v) equal the aggregate amount of Net Income allocated pursuant to clause (vii) of Section 6.1.A; (vi) sixth, to holders of Class C Units until the aggregate allocations of Net Losses under this clause (vi) equal the aggregate amount of Net Income allocated pursuant to clause (vi) of Section 6.1.A; (vii) seventh, to holders of Class C Units until the aggregate allocations of Net Losses under this clause (vii) equal the aggregate amount of Net Income allocated pursuant to clause (v) of Section 6.1.A; (viii) eighth, to holders of Class D Units and Class E Units until the aggregate allocations of Net Losses under this clause (viii) equal the aggregate amount of Net Income allocated pursuant to clause (iv) of Section 6.1.A; (ix) ninth, to holders of Class D Units and Class E Units until the aggregate allocations of Net Losses under this clause (ix) equal the aggregate amount of Net Income allocated pursuant to clause (iii) of Section 6.1.A; (x) tenth, to holders of the Preference Units until their aggregate allocations of Net Losses pursuant to this clause (x) equal the aggregate amount of allocations of Net Income pursuant to clause (ii) of Section 6.1.A (provided that the allocation provided for in this clause (x) shall not apply to the extent that distributions made pursuant to clause (i) of Section 5.1.B are treated as or determined to be guaranteed payments for purposes of Section 707(c) of the Code); and (xi) thereafter, to holders of all Units (other than Preference Units) in proportion to their Percentage Interests; provided that, Net Losses shall not be allocated to any Limited Partner pursuant to this Section 6.1.B to the extent that such

allocation would cause such Limited Partner to have an Adjusted Capital Account Deficit (or increase any existing Adjusted Capital Account Deficit) at the end of such taxable year (or portion thereof). All Net Losses in excess of the limitations set forth in this Section 6.1.B shall be allocated to the General Partner.

C. Allocation of Nonrecourse Debt. For purposes of Regulations Section 1.752-3(a), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (i) the amount of Partnership Minimum Gain and (ii) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

D. Recapture Income. Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible after taking into account other required allocations of gain pursuant to Exhibit C hereto, be characterized as Recapture Income in the same proportions and to the same extent as such Partners have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

E. Cancellation of Indebtedness Income. Any cancellation of indebtedness income required to be recognized by the Partnership with respect to the Two Penn Plaza Property in connection with the acquisition of the Two Penn Plaza Property by the Partnership and the restructuring of the outstanding indebtedness with respect thereto shall be allocated solely to holders of Two Penn Plaza Units. In the event that cancellation of indebtedness income is recognized with respect to the property at 330 Madison Avenue as a result of resolving the dispute with the lender under the loan outstanding upon consummation of the Consolidation that is secured by a mortgage on such property, holders of the Partnership Units issued with respect to M 330 Associates, a New York limited partnership, shall be specially allocated cancellation of indebtedness income in an amount equal to their proportionate share of the dollar amount of the discount as a result of the settlement resulting in the recognition of such cancellation of indebtedness income.

Section 6.2 Revisions to Allocations to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article VI as it deems necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to classes of Partnership Interests that are entitled thereto.

ARTICLE VII
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 Management

A. Powers of General Partner. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Sections 7.6.A, 7.6.D and 7.11 below, shall have full power and authority to do all things deemed necessary or desirable by it, on such terms and conditions as the General Partner in its sole discretion deems appropriate, to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including, without limitation:

(1) the making of any expenditures, the lending, subject to Section 7.6.D, or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as are required under Section 5.1.C hereof or will permit the General Partner Entity or the General Partner (as applicable) (as long as the General Partner Entity or the General Partner qualifies as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its shareholders sufficient to permit the General Partner Entity or the General Partner (as applicable) to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations the General Partner deems necessary or desirable for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(3) the acquisition, disposition, sale, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership (including the exercise or grant of any conversion, option, privilege or subscription right or other right available in connection with any assets at any time held by the Partnership) or the merger or other combination of the Partnership with or into another entity, on such terms as the General Partner deems proper in its sole and absolute discretion;

(4) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement, including, without limitation, the financing of the conduct of the operations of the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons, subject to Section 7.6.D, and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which the Partnership has an equity investment and the making of capital contributions to its Subsidiaries;

(5) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any other Person in which the Partnership has made a direct or indirect equity investment;

(6) the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Partnership's assets;

(7) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

(8) the holding, managing, investing and reinvesting of cash and other assets of the Partnership and, in connection therewith, the opening, maintaining and closing of

bank and brokerage accounts and the drawing of checks or other orders for the payment of moneys;

(9) the collection and receipt of revenues and income of the Partnership;

(10) the selection and dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors of the Partnership, and the determination of their compensation and other terms of employment or hiring;

(11) the maintenance of such insurance for the benefit of the Partnership and the Partners;

(12) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures, limited liability companies or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to its Subsidiaries and any other Person in which it has an equity investment from time to time);

(13) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution or abandonment of any claim, cause of action, liability, debt or damages due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(14) the determination of the fair market value of any Partnership property distributed in kind, using such reasonable method of valuation as the General Partner may adopt;

(15) the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any assets or investment held by the Partnership;

(16) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, individually or jointly with any such Subsidiary or other Person;

(17) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have any interest pursuant to contractual or other arrangements with such Person;

(18) the making, executing and delivering of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or other legal instruments or agreements in writing necessary or appropriate in the judgment of the General

Partner for the accomplishment of any of the powers of the General Partner under this Agreement;

(19) the distribution of cash to acquire Partnership Units held by a Limited Partner in connection with a Limited Partner's exercise of its Redemption Right under Section 8.6 hereof;

(20) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment of this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement;

(21) the approval and/or implementation of any merger (including a triangular merger), consolidation or other combination between the Partnership and another person that is not prohibited under this Agreement, whether with or without Consent, the terms of Section 17-211(g) of the Act shall be applicable such that the General Partner shall have the right to effect any amendment to this Agreement or effect the adoption of a new partnership agreement for a limited partnership if it is the surviving or resulting limited partnership on the merger or consolidation (except as may be expressly prohibited under Section 7.11.D., Section 14.1.C, Section 14.1.D or Section 14.1.F); and

(22) the taking of any and all actions necessary or desirable in furtherance of, in connection with or incidental to the foregoing.

B. No Approval by Limited Partners. Except as provided in Section 7.11 below, each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement, the Act or any applicable law, rule or regulation, to the full extent permitted under the Act or other applicable law. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. Insurance. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership, (ii) liability insurance for the Indemnitees hereunder and (iii) such other insurance as the General Partner, in its sole and absolute discretion, determines to be necessary.

D. Working Capital and Other Reserves. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable (both in purpose and amount) from time to time, including upon liquidation of the Partnership pursuant to Section 13.2 hereof.

E. No Obligations to Consider Tax Consequences of Limited Partners. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into

account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions, provided that the General Partner has acted in good faith and not beyond its authority under this Agreement.

Section 7.2 Certificate of Limited Partnership

The Partnership has caused the Certificate to be filed with the Secretary of State of Delaware. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property.

Section 7.3 Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.4 Reimbursement of the General Partner

A. No Compensation. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles V and VI hereof regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. Responsibility for Partnership Expenses. The Partnership shall be responsible for and shall pay all expenses relating to the Partnership's organization, the ownership of its assets and its operations. The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the ownership and operation of, or for the benefit of, the Partnership (including, without limitation, expenses related to the management and administration of any Subsidiaries of the General Partner or the Partnership or Affiliates of the Partnership such as auditing expenses and filing fees); provided that (x), the amount of any such reimbursement shall be reduced by (i) any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it as permitted in Section 7.5.A below and (ii) any amount derived by the General Partner from any investments permitted in Section 7.5.A below and (y) REIT Expenses shall not be treated as Partnership expenses for purposes of this Section 7.4.B. The General Partner shall determine in

good faith the amount of expenses incurred by it related to the ownership and operation of, or for the benefit of, the Partnership. In the event that certain expenses are incurred for the benefit of the Partnership and other entities (including the General Partner), such expenses will be allocated to the Partnership and such other entities in such a manner as the General Partner in its sole and absolute discretion deems fair and reasonable. Such reimbursements shall be in addition to any reimbursement to the General Partner pursuant to Section 10.3.C hereof and as a result of indemnification pursuant to Section 7.7 below. All payments and reimbursements hereunder shall be characterized for federal income tax purposes as expenses of the Partnership incurred on its behalf, and not as expenses of the General Partner.

C. Partnership Interest Issuance Expenses. The General Partner shall also be reimbursed for all expenses it incurs relating to any issuance of additional Partnership Interests, Debt of the Partnership or rights, options, warrants or convertible or exchangeable securities pursuant to Article IV hereof (including, without limitation, all costs, expenses, damages and other payments resulting from or arising in connection with litigation related to any of the foregoing), all of which expenses are considered by the Partners to constitute expenses of, and for the benefit of, the Partnership.

D. Purchases of Shares by the General Partner. In the event that the General Partner exercises its rights under the Declaration of Trust to purchase shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or share purchase program adopted by the General Partner, any employee share purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, the purchase price paid by the General Partner for such Shares and any other expenses incurred by the General Partner in connection with such purchase shall be considered REIT Expenses, and the Partnership shall distribute cash to the General Partner to offset such expenses pursuant to Section 5.1, subject to the conditions that: (i) if such Shares subsequently are to be sold by the General Partner, the General Partner pays to the Partnership any proceeds received by the General Partner for such Shares (provided that a transfer of Shares for Partnership Units pursuant to Section 8.6 hereof would not be considered a sale for such purposes); and (ii) if such Shares are not retransferred by the General Partner within thirty (30) days after the purchase thereof, the General Partner shall cause the Partnership to cancel a number of Partnership Units of the appropriate class (rounded to the nearest whole Partnership Unit) held by the General Partner equal to the product attained by multiplying the number of such Shares by a fraction, the numerator of which is one and the denominator of which is the Conversion Factor.

E. Tax Treatment of Certain Reimbursements. If and to the extent that any reimbursement made pursuant to this Section 7.4 is determined for federal income tax purposes not to constitute a payment of expenses of the Partnership, then such reimbursement shall be treated as a distribution pursuant to clause (i) of Section 5.1.B. hereof.

Section 7.5 Outside Activities of the General Partner

A. General. Without the Consent of the Outside Limited Partners, except as set forth in this Section 7.5.A, the General Partner shall not, directly or indirectly, enter into or conduct any business other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner or Limited Partner and the management of the business of the Partnership and such activities as are incidental to any of the foregoing. Without the Consent of the Outside Limited Partners, the assets of the General Partner shall be limited to Partnership Interests and permitted debt obligations of the Partnership (as contemplated by Section 7.5.F below), so that Shares and Partnership Units are completely fungible except as otherwise specifically provided herein; provided, that the General Partner shall be permitted to hold (i) interests in entities, including Qualified REIT Subsidiaries, that hold no material assets; (ii) interests in Qualified REIT Subsidiaries (or other entities that are not taxed as corporations for federal income tax purposes) that own only interests in the Partnership and/or interests in other Qualified REIT Subsidiaries (or other entities that are not taxed as corporations for federal income tax purposes) that either hold no assets or hold only interests in the

Partnership; (iii) assets and/or interests in entities, including Qualified REIT Subsidiaries, that hold assets, having an aggregate value not greater than five percent (5%) of the total market value of the General Partner Entity (determined by reference to the value of all outstanding equity securities of the General Partner Entity), provided that (X) the General Partner Entity will apply the net income from such assets (other than net income derived as a result of a Qualified REIT Subsidiary's ownership of an interest in the Partnership) to offset REIT Expenses before utilizing the distribution provisions of Section 5.1.B, (Y) the General Partner will contribute all net income generated by such assets and/or interests (other than net income derived as a result of a Qualified REIT Subsidiary's ownership of an interest in the Partnership) to the Operating Partnership (after taking into account REIT Expenses as described in clause (X) above), and (Z) the General Partner will use commercially reasonable efforts to transfer such assets and interests (other than interests in Qualified REIT Subsidiaries and the Partnership) to the Operating Partnership or an entity controlled by the Operating Partnership as soon as such a transfer can be made without causing the General Partner or the Operating Partnership to incur any material expenses in connection therewith; and (iv) such bank accounts or similar instruments or account in its own name as it deems necessary to carry out its responsibilities and purposes as contemplated under this Agreement and its organizational documents; and, provided, further, that the General Partner shall be permitted to acquire, directly or through a Qualified REIT Subsidiary (or other entities that are not taxed as corporations for federal income tax purposes), up to a one percent (1%) interest in any partnership or limited liability company at least ninety-nine percent (99%) of the equity of which is owned directly or indirectly by the Partnership. The General Partner and any of its Affiliates may acquire Limited Partnership Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partnership Interests.

B. Repurchase of Shares. In the event the General Partner exercises its rights under the Declaration of Trust to purchase Shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or share purchase program adopted by the General Partner, any employee share purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, and the General Partner does not resell said Shares within thirty (30) days after the purchase thereof as contemplated in Section 7.4.D(i), then the General Partner shall cause the Partnership to purchase from the General Partner (and eliminate) that number of Partnership Units of the appropriate class equal to the product obtained by multiplying the number of Shares purchased by the General Partner times a fraction, the numerator of which is one and the denominator of which is the Conversion Factor, on the same terms and for the same aggregate price that the General Partner purchased such Shares.

C. Forfeiture of Shares. In the event the Partnership or the General Partner acquires Shares as a result of the forfeiture of such Shares under a restricted or similar share plan, then the General Partner shall cause the Partnership to cancel that number of Partnership Units of the appropriate class equal to the number of Shares so acquired, and, if the Partnership acquired such Shares, it shall transfer such Shares to the General Partner for cancellation.

D. Issuances of Shares. The General Partner shall not grant, award, or issue any additional Shares (other than Shares issued pursuant to Section 8.6 hereof or pursuant to a dividend or distribution (including any share split) of Shares to all of its shareholders), other equity securities of the General Partner, New Securities or Convertible Funding Debt unless (i) the General Partner shall cause, pursuant to Section 4.2.A hereof, the Partnership to issue to the General Partner Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially the same as those of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, and (ii) the General Partner transfers to the Partnership, as an additional Capital Contribution, the proceeds from the grant, award, or issuance of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, or from the exercise of rights contained in such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be. Without limiting the foregoing, the General Partner is expressly authorized to issue additional Shares, other equity securities, New Securities or Convertible

Funding Debt, as the case may be, for less than fair market value, and the General Partner is expressly authorized, pursuant to Section 4.2.A hereof, to cause the Partnership to issue to the General Partner corresponding Partnership Interests, as long as (a) the General Partner concludes in good faith that such issuance is in the interests of the General Partner and the Partnership (for example, and not by way of limitation, the issuance of Shares and corresponding Partnership Units pursuant to a share purchase plan providing for purchases of Shares, either by employees or shareholders, at a discount from fair market value or pursuant to employee share options that have an exercise price that is less than the fair market value of the Shares, either at the time of issuance or at the time of exercise) and (b) the General Partner transfers all proceeds from any such issuance or exercise to the Partnership as an additional Capital Contribution.

E. Stock Option Plan. If at any time or from time to time, the General Partner sells Shares pursuant to any Stock Option Plan, the General Partner shall transfer the net proceeds of the sale of such Shares to the Partnership as an additional Capital Contribution in exchange for an amount of additional Partnership Units equal to the number of Shares so sold divided by the Conversion Factor.

F. Funding Debt. The General Partner may incur a Funding Debt, including, without limitation, a Funding Debt that is convertible into Shares or otherwise constitutes a class of New Securities ("Convertible Funding Debt"), subject to the condition that the General Partner lends to the Partnership the net proceeds of such Funding Debt; provided, that Convertible Funding Debt shall be issued pursuant to Section 7.5.D above; and, provided, further, that the General Partner shall not be obligated to lend the net proceeds of any Funding Debt to the Partnership in a manner that would be inconsistent with the General Partner's ability to remain qualified as a REIT. If the General Partner enters into any Funding Debt, the loan to the Partnership shall be on comparable terms and conditions, including interest rate, repayment schedule and costs and expenses, as are applicable with respect to or incurred in connection with such Funding Debt.

Section 7.6 Transactions with Affiliates

A. Transactions with Certain Affiliates. Except as expressly permitted by this Agreement (other than Section 7.1.A hereof, which shall not be considered authority for a transaction that otherwise would be prohibited by this Section 7.6.A), the Partnership shall not, directly or indirectly, sell, transfer or convey any property to, or purchase any property from, or borrow funds from, or lend funds to, any Partner or any Affiliate of the Partnership or the General Partner or the General Partner Entity that is not also a Subsidiary of the Partnership, except pursuant to a transaction that has been approved by a majority of the disinterested trustees (or directors) of the General Partner or General Partner Entity (as applicable), taking into account the fiduciary duties of the General Partner or General Partner Entity (as applicable) to the Limited Partners.

B. Benefit Plans. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

C. Conflict Avoidance. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and General Partner on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

D. Limitation on Loans to the General Partner. Except with the Consent of the Outside Limited Partners, the General Partner may not cause the Partnership to loan money to the General Partner or to any Subsidiary or Affiliate of the General Partner which is not also a Subsidiary or an entity in which the Partnership owns an equity interest.

Section 7.7 Indemnification

A. General. To the maximum extent permitted by applicable law at the time, the Partnership, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorneys fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from or in connection with any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative incurred by the Indemnitee and relating to the Partnership or the General Partner or the formation or the current (and, in the case of the General Partner's right to indemnification from the Partnership, prior) operations of, or the current (and, in the case of the General Partner's right to indemnification from the Partnership, prior) ownership of property by, either of them as set forth in this Agreement in which any such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established by a final determination of a court of competent jurisdiction that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the Indemnitee actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The obligations of the Partnership under this Section 7.7 shall include reimbursement of the General Partner for any indemnification or advance of expenses by the General Partner pursuant to Title 8, the Declaration of Trust or its Bylaws. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guarantee, contractual obligations for any indebtedness or other obligations or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to). The General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements not inconsistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership and any insurance proceeds from the liability policy covering the General Partner and any Indemnitees, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. Advancement of Expenses. Reasonable expenses expected to be incurred by an Indemnitee shall be paid or reimbursed by the Partnership in advance of the final disposition of any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative made or threatened against an Indemnitee, in the case of any trustee/director or officer who is an Indemnitee upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. No Limitation of Rights. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. Insurance. The Partnership may purchase and maintain insurance on behalf of the Indemnitees and such other Persons as the General Partner shall determine against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities,

regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Benefit Plan Fiduciary. For purposes of this Section 7.7, (i) the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan, (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of this Section 7.7 and (iii) actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be related to the Partnership.

F. No Personal Liability for Limited Partners. In no event may an Indemnitee subject any of the Partners to liability by reason of the indemnification provisions set forth in this Agreement.

G. Interested Transactions. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. Benefit. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7, or any provision hereof, shall be prospective only and shall not in any way affect the obligation of the Partnership to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or related to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. Indemnification Payments Not Distributions. If and to the extent any payments to the General Partner pursuant to this Section 7.7 constitute gross income to the General Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 Liability of the General Partner

A. General. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner and its directors and officers shall not be liable for monetary damages to the Partnership, any Partners or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission if the General Partner acted in good faith.

B. No Obligation to Consider Separate Interests of Limited Partners or Shareholders. The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership and the General Partner's shareholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or Assignees or to such shareholders) in deciding whether to cause the Partnership to take (or decline to take) any actions and that the General Partner shall not be liable for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions, provided that the General Partner has acted in good faith.

C. Actions of Agents. Subject to its obligations and duties as General Partner set forth in Section 7.1.A above, the General Partner may exercise any of the powers granted to it by this Agreement and

perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

D. Effect of Amendment. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Other Matters Concerning the General Partner

A. Reliance on Documents. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

B. Reliance on Advisors. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. Action Through Agents. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Actions to Maintain REIT Status or Avoid Taxation of the General Partner Entity or the General Partner (as applicable). Notwithstanding any other provisions of this Agreement (other than the limitations on the General Partner's authority set forth in Sections 7.5, 7.6.A, 7.6.D, and 7.11) or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner Entity or the General Partner (as applicable) to continue to satisfy the REIT Requirements or (ii) to allow the General Partner Entity or the General Partner (as applicable) to avoid incurring any liability for taxes under Section 857 or 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement (other than the limitations on the General Partner's authority set forth in Sections 7.5, 7.6.A, 7.6.D, and 7.11), any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without consent or approval of any other Partner or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership, to enter into any contracts on behalf of the Partnership and to take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if the General Partner were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person

dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership, and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

Section 7.11 Restrictions on General Partner's Authority

A. Consent Required. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the written Consent of (i) all Partners adversely affected or (ii) such lower percentage of the Limited Partnership Interests as may be specifically provided for under a provision of this Agreement or the Act.

B. Intentionally Omitted.

C. Required Consent of Certain Partners. (i) The General Partner may not, directly or indirectly, cause the Partnership to take any action prohibited by this Section 7.11.C without the requisite approval as provided in this Section 7.11.C.

(1) For a period of twenty (20) years following April 15, 1997, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange or otherwise dispose of the property located at Two Penn Plaza, New York, New York or any indirect interest (including, without limitation, any interest of the Partnership in Two Penn Plaza REIT, Inc., and any interest of Two Penn Plaza REIT, Inc., in Vornado Two Penn Plaza L.L.C., whether, in either case, by liquidation, merger or otherwise) therein (collectively, the "Two Penn Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the Two Penn Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the Two Penn Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Two Penn Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to Two Penn Plaza Associates in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including Partnership Units, if any, held by (I) the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity and (II) the estate of Bernard H. Mendik following his death) (referred to as "Two Penn Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any

indebtedness secured by the Two Penn Plaza Property without the Consent of Partners holding seventy-five percent (75%) of the Two Penn Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the Two Penn Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Two Penn Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the Two Penn Plaza Units, incur indebtedness secured by the Two Penn Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the Two Penn Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the Two Penn Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing. All references in this Section 7.11.C to "commercially reasonable terms" shall be as determined by the General Partner in its sole discretion, exercised in good faith.

(2) For a period of twenty (20) years following April 15, 1997, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange or otherwise dispose of the property located at Eleven Penn Plaza, New York, New York or any indirect interest therein (collectively, the "Eleven Penn Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the Eleven Penn Plaza Property or otherwise, including pursuant to (x) an event described in

Section 1033 of the Code (as determined without reference to the property, if any, into which the Eleven Penn Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Eleven Penn Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to the Eleven Penn Partnerships in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including the Partnership Units, if any, held by (I) General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity and (II) the estate of Bernard H. Mendik following his death) (referred to as "Eleven Penn Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the Eleven Penn Plaza Property without the Consent of Partners who hold seventy-five percent (75%) of the Eleven Penn Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Eleven Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Eleven Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the Eleven Penn Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Eleven Penn Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Eleven Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Eleven Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to

provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the Eleven Penn Plaza Units, incur indebtedness secured by the Eleven Penn Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the Eleven Penn Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the Eleven Penn Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing.

(3) For a period of twenty (20) years following April 15, 1997, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange, or otherwise dispose of the property located at 866 U.N. Plaza, New York, New York or any indirect interest therein (collectively, the "866 U.N. Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the 866 U.N. Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the 866 U.N. Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the 866 U.N. Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition (other than the General Partner or the General Partner Entity or any Subsidiary of either of the General Partner of the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to 866 U.N. Plaza Associates in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including Partnership Units, if any, held by (I) the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity and (II) the estate of Bernard H. Mendik following his death) (referred to as "866 U.N. Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the 866 U.N. Plaza Property without the Consent of Partners holding seventy-five percent (75%) of the 866 U.N. Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the 866 U.N. Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the 866 U.N. Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the 866 U.N. Plaza Property

or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the 866 U.N. Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, of the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the 866 U.N. Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the 866 U.N. Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the 866 U.N. Plaza Units, incur indebtedness secured by the 866 U.N. Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the 866 U.N. Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the 866 U.N. Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing.

(4) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as the case may be (which Property is referred to as the "Exchanged Property"), if such transaction qualifies as a like-kind exchange under Section 1031 of the Code or an involuntary conversion under Section 1033 of the Code (other than an involuntary conversion under Section 1033 of the Code that is described in the second parenthetical to subparagraphs (1), (2) or (3), as the case may be) in which no gain is recognized by the Partnership as long as the following conditions are satisfied: (x) in the case of a Section 1031 like-kind exchange, such exchange is not with a "related party" within the meaning of Section 1031(f)(3) of the Code; (y) the property received in exchange for the Exchanged Property (referred to as the "Replacement Property") is acquired in the same taxable year of the Partnership in which the disposition of the Exchanged Property occurs and is secured by nonrecourse indebtedness in an amount not less than the outstanding principal amount of the nonrecourse indebtedness secured by the Exchanged Property at the time of the exchange, nor greater than the amount that would be permitted under Sections 7.11.C(1), (2), or (3), as the case may be (except that 70% of fair market value shall be determined by reference to the Replacement Property and not the Exchanged Property, with a maturity not earlier than, and a principal amortization rate not more rapid than, the maturity and principal amortization rate of such indebtedness secured by the Exchanged Property, which indebtedness permits (but does not require) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case

may be, who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, in effect immediately prior to the time of the exchange, and (z) the Replacement Property is thereafter treated for all purposes of the restrictions in this Section 7.11.C as the Exchanged Property and the indebtedness secured by such Replacement Property is subject to the same restrictions and agreements as apply with respect to the indebtedness secured by the Exchanged Property.

(5) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as the case may be (which Property is referred to as the "Transferred Property"), if (x) such transaction is one in which no gain is recognized with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property by the Partnership or the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, or the 866 U.N. Plaza Units, as the case may be (other than gain, if any, resulting solely because the share, if any, of indebtedness allocable to a Partnership Unit is reduced or eliminated), provided that (i) the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, is not decreased as a result of the transaction and the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, that is a Nonrecourse Liability or Partner Nonrecourse Debt is not reduced, except as permitted by the relevant provisions of Subparagraph (1), (2) or (3) of this Section 7.11.C, and (ii) the indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, continues to be taken into account in determining the Partners' basis in their Partnership Interests under rules similar to those provided in Section 752 of the Code and (y) the entity to which such Transferred Property is transferred agrees, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, that all of the restrictions of this Section 7.11.C shall apply to the Transferred Property and the indebtedness outstanding with respect thereto in the same manner and to the extent set forth in this Section 7.11.C and such agreement is reflected in the partnership agreement (or other comparable governing instrument) of the entity to which the Transferred Property is transferred.

(6) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves either a merger or consolidation of the Partnership with or into another entity that qualifies as a "partnership" for federal income tax purposes (the "Successor Partnership") or a transfer of all or substantially all of the assets of the Partnership to a Successor Partnership and dissolution of the Partnership in connection therewith (in either case, a "Consolidation Transaction") so long as (x) no gain is recognized with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property by the Partnership or the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, in connection with such Consolidation Transaction (other than gain, if any, resulting solely because the share, if any, of indebtedness allocable to a Partnership Unit is reduced or eliminated, provided that the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, is not decreased as a result of the transaction and the amount of indebtedness secured by the Two Penn Plaza

Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, that is a Nonrecourse Liability or Partner Nonrecourse Debt is not reduced, except as permitted by the relevant provisions of Subparagraph (1), (2) or (3) of this Section 7.11.C, and (y) the Successor Partnership agrees in writing, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, that all of the restrictions of this Section 7.11.C shall apply to the Two Penn Plaza Property, the Eleven Penn Plaza Property and the 866 U.N. Plaza Property and the indebtedness outstanding with respect thereto in the same manner and to the extent set forth in this Section 7.11.C.

(7) Subparagraphs (1), (2) and (3) shall not apply to any transaction not otherwise described in Subparagraph (4), (5) or (6) involving the Two Penn Plaza Property, the Eleven Penn Plaza Property and/or the 866 U.N. Plaza Property if, concurrently with the consummation of such transaction, the Partnership pays to the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units and/or the 866 U.N. Plaza Units, as applicable, in addition to any amounts otherwise distributable under Article V hereof, an amount equal to the lesser of (x) the aggregate federal, state and local income taxes payable by each holder of Two Penn Plaza Units, as applicable, as a result of or in connection with such transactions, or (y) the aggregate federal, state and local income taxes that would have been payable by such holder (or its predecessor in interest) if the relevant property had been sold on April 15, 1997 for its 704(c) Value; provided that the amount referred to in clause (y) shall be reduced to reflect (I) reductions in the Book/Tax Disparity with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property and/or the 866 U.N. Plaza Property, as applicable, and (II) with respect to a holder who acquired Two Penn Plaza Units, Eleven Penn Plaza Units and/or 866 U.N. Plaza Units, as applicable, subsequent to April 15, 1997, the reduction in gain that results from such holder's having a special inside basis under Section 743 of the Code in the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable (by treating the special inside basis as the basis for determining gain on the deemed sale described in clause (y)), but, in either (I) or (II), the gain with respect to which the tax is computed may not be so reduced beneath the "negative basis" associated, as of the Effective Time, with the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as appropriate, plus in the case of either (x) or (y), an amount equal to the aggregate federal, state and local income taxes payable by the recipient thereof as the result of the receipt of the payments provided for in this subparagraph (7) (including for this purpose all taxes on payments hereunder intended to compensate the recipient thereof for taxes owed by the recipient). For purposes of the preceding sentence, (x) all income arising from the transaction that is treated as ordinary income under the applicable provisions of the Code and is allocated to the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units and/or the 866 U.N. Plaza Units, as applicable, shall be treated as subject to federal, state and local income tax at the effective tax rate imposed on ordinary income of New York City residents, determined using the maximum federal, New York State and New York City rates on ordinary income then in effect and (y) all other income arising from the transaction and all payments provided for in this subparagraph (7) shall be treated as subject to federal, state and local income tax at the effective tax rate imposed on long-term capital gains of New York City residents, determined using the maximum federal, New York State and New York City rates on long-term capital gains then in effect.

If at any time prior to the twentieth (20th) anniversary of April 15, 1997, the Partnership pays the amounts described in subparagraph (7) above in respect of any Partnership Units entitled to the benefits of Section 7.11.C(1), (2) or (3), and the amount of such payment is, at the time that it is made, equal to the full amount that would be payable under such Sections with respect to such Partnership Units if the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as applicable, were to have been sold on such date for its market value, then the provisions of Section 7.11.C shall thereafter cease to apply to those Partnership Units.

(ii) Nothing herein shall be deemed to require that the Partnership or the General Partner take any action to avoid or prevent an involuntary disposition of any property, whether pursuant to foreclosure of a mortgage secured by such property or otherwise, including pursuant to a deed in lieu of foreclosure or a proceeding in connection with a Bankruptcy.

(iii) Nothing herein shall prevent the sale, exchange, transfer or other disposition of any property pursuant to the dissolution and liquidation of the Partnership in accordance with Article XIII hereof (other than Section 13.1(v), which shall be subject to this Section 7.11.C).

D. Merger or Consolidation in Which the Partnership is Not the Surviving Entity. In the event that the Partnership is to merge or consolidate with or into any other entity in a transaction in which holders of Partnership Units will receive consideration other than cash or equity securities that are Publicly Traded (an "Equity Merger") and such Equity Merger would be prohibited by Section 7.11.C but for the application of Section 7.11.C(6) (and not Section 7.1.C(4), (5) or (7)), then, unless the Consent of Certain Limited Partners is obtained:

(i) the partnership agreement, limited liability agreement or other operative governing documents (the "Charter Documents") of the entity that is the surviving entity in such Equity Merger must contain provisions that are comparable in all material respects to, or the entity that is the surviving entity in such Equity Merger must otherwise agree in writing, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, and the 866 U.N. Plaza Units, to restrictions that are comparable in all material respects to the provisions of Section 4.2.A, Article V and Article VI (except for differences that would be permitted pursuant to Sections 4.2, 5.1.C, 5.4, 6.2 and 14.1.B(3) if such changes were to be made to this Agreement), Section 7.6.A, Section 7.11.A, this Section 7.11.D, Section 8.6 (and all defined terms set forth in Article I that relate to the Redemption Right), Section 11.2, Section 13.1, Section 13.2.A(3) (except as permitted pursuant to Sections 4.2, 5.4, 6.2 and 14.1.B(3)), Section 14.1.C, Section 14.1.D, and Section 14.2, all as in effect immediately prior to the Equity Merger; and

(ii) the Equity Merger shall not cause a holder of a Partnership Unit to be a general partner or to have liability equivalent to that of a general partner in a partnership or otherwise modify the limited liability of a Limited Partner under this Agreement.

Section 7.12 Loans by Third Parties

The Partnership may incur Debt, or enter into similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any acquisition of property) with any Person upon such terms as the General Partner determines appropriate; provided, that the Partnership shall not incur any Debt that is recourse to the General Partner unless, and then only to the extent that, the General Partner has expressly agreed.

ARTICLE VIII
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 hereof, or under the Act.

Section 8.2 Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 Outside Activities of Limited Partners

Subject to Section 7.5 hereof, and subject to any agreements entered into pursuant to Section 7.6.C hereof and to any other agreements entered into by a Limited Partner or its Affiliates with the Partnership or a Subsidiary, any Limited Partner (other than the General Partner) and any officer, director, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct or indirect competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. None of the Limited Partners (other than the General Partner) nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner to the extent expressly provided herein), and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 Return of Capital

Except pursuant to the right of redemption set forth in Section 8.6 below, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions (except as permitted by Section 4.2.A hereof) or, except to the extent provided by Exhibit C hereto or as permitted by Sections 4.2.A, 5.1.B(i) hereof or otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5 Rights of Limited Partners Relating to the Partnership

A. General. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.D below, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Limited Partner's own expense:

(1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner Entity pursuant to the Exchange Act;

(2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;

(3) to obtain a current list of the name and last known business, residence or mailing address of each Partner; and

(4) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed.

B. Notice of Conversion Factor. The Partnership shall notify each Limited Partner upon request of the then current Conversion Factor and any changes that have been made thereto.

C. Notice of Extraordinary Transaction of the General Partner Entity. The General Partner Entity shall not make any extraordinary distributions of cash or property to its shareholders or effect a merger (including, without limitation, a triangular merger), a sale of all or substantially all of its assets or any other similar extraordinary transaction without notifying the Limited Partners of its intention to make such distribution or effect such merger, sale or other extraordinary transaction at least twenty (20) days prior to the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, at least twenty (20) days before consummation of such merger, sale or other extraordinary transaction). This provision for such notice shall not be deemed (i) to permit any transaction that otherwise is prohibited by this Agreement or requires a Consent of the Partners or (ii) to require a Consent of the Limited Partners to a transaction that does not otherwise require Consent under this Agreement. Each Limited Partner agrees, as a condition to the receipt of the notice pursuant hereto, to keep confidential the information set forth therein until such time as the General Partner Entity has made public disclosure thereof and to use such information during such period of confidentiality solely for purposes of determining whether or not to exercise the Redemption Right; provided, however, that a Limited Partner may disclose such information to its attorney, accountant and/or financial advisor for purposes of obtaining advice with respect to such exercise so long as such attorney, accountant and/or financial advisor agrees to receive and hold such information subject to this confidentiality requirement.

D. Confidentiality. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business or (ii) the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential.

Section 8.6 Redemption Right

A. General. (i) Subject to Section 8.6.C below, on or after the date one (1) year (or, in the case of Partnership Units owned by a Restricted Partner on or before April 15, 1997, two (2) years (subject to the terms of the parenthetical and the proviso in Section 11.3.A(y))) after April 15, 1997 (or, if later than April 15, 1997, the date of the issuance of a Partnership Unit to a Limited Partner pursuant to Article IV hereof) which one-year (or two-year, if applicable) period shall commence upon the issuance of such Partnership Unit regardless of whether such Partnership Unit is designated upon issuance as a Class A Unit, a Class B Unit, a Class C Unit, a Class D Unit, a Class E Unit or otherwise and shall include any class A Unit

issued in exchange for such Partnership Unit pursuant to Section 4.2.D), or on or after such date prior to the expiration of such one-year period or two-year period, as applicable, as the General Partner, in its sole and absolute discretion, designates with respect to any or all Partnership Units then outstanding, the holder of a Partnership Unit (if other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) shall have the right (the "Redemption Right") to require the Partnership to redeem such Partnership Unit on a Specified Redemption Date and at a redemption price equal to and in the form of the Cash Amount to be paid by the Partnership. In addition, at any time commencing on July 15, 1997 and continuing until (but not after) April 15, 1998, any holder of a Class E Unit shall have the right (which shall also be deemed a Redemption Right hereunder) to require the Partnership to redeem such Partnership Unit on a Specified Redemption Date and at a redemption price equal to and in the form of ninety-four percent (94%) of the Cash Amount to be paid by the Partnership. Any such Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the General Partner) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Partner"). A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Partnership Units or, if such Redeeming Partner holds less than one thousand (1,000) Partnership Units, for less than all of the Partnership Units held by such Redeeming Partner.

(ii) The Redeeming Partner shall have no right with respect to any Partnership Units so redeemed to receive any distributions paid after the Specified Redemption Date, unless the record date for such distribution was a date prior to the Specified Redemption Date.

(iii) The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and shall be bound by the exercise of such rights by such Limited Partner's Assignee. In connection with any exercise of the such rights by such Assignee on behalf of such Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

(iv) In the event that the General Partner provides notice to the Limited Partners, pursuant to Section 8.5.C hereof, the Redemption Right shall be exercisable, subject to the one-year limitation contained in Section 8.6(a)(i) (and, for purposes of this clause (iv), the two-year limitation imposed on Restricted Partners under this Section 8.6 shall be shortened to one year after April 15, 1997), during the period commencing on the date on which the General Partner provides such notice and ending on the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, the date that is twenty (20) days after the date the General Partner provides such notice pursuant to Section 8.5.C hereof). In the event that this subparagraph (iv) applies, the Specified Redemption Date shall be the sooner of (1) the tenth (10th) Business Day after the Partnership receives the Redemption Notice or (2) the Business Day immediately preceding the record date to determine shareholders eligible to receive a distribution or vote on approval; provided that if such time determined pursuant to clause (1) or (2) above occurs in less than ten (10) Business Days and the Partnership elects to redeem the subject Partnership Units for cash, the Partnership will have up to ten (10) Business Days from receipt of the Redemption Notice to deliver payment in respect of such Partnership Units.

(v) Notwithstanding the terms of Section 8.6.A(i) or anything else in this Agreement to the contrary, if there shall have been a merger or consolidation of the General Partner, or a sale or all or substantially all of the assets of the General Partner as an entirety, and in either case, in connection therewith, the shareholders of the General Partner are obligated to accept cash and/or debt obligations in full or partial consideration for their Shares, then the portion of the Redemption Amount per Partnership Unit that corresponds to the portion of Value of the total consideration receivable for one Share multiplied by the Conversion Factor (a "Unit Equivalent") that is required to be accepted in cash and/or debt obligations shall thereafter be an amount of cash equal to the sum of (i) the cash payable for a Unit Equivalent on the date of the closing of such merger, consolidation or sale and (ii) the Value on the date of the closing of such merger, consolidation, or sale of the debt obligations to be received with respect to a Unit Equivalent, adjusted as set

forth below (this amount of cash is referred to as the "Required Cash Payment") (the percentage that the Required Cash Payment represents of the total Redemption Amount with respect to a Partnership Unit, determined as of such closing date, is referred to as the "Pro Rata Portion"). The balance of the Redemption Amount per Partnership Unit shall be determined as provided for in the definitions of Conversion Factor, Redemption Amount, Shares Amount, Cash Amount and Value. In the event that the merger, consolidation or sale giving rise to the application of this clause (v) occurs at a time when there shall be any Persons the consent of whom is required pursuant to the definition of "Consent of Certain Limited Partners", then the Required Cash Payment shall be increased by a cash payment to the extent required to provide such Limited Partner, upon the exercise of its Redemption Right with respect to a Partnership Unit, with an Internal Rate of Return on such Required Cash Payment for the period from the date of such merger, consolidation or sale to the date of the redemption of the Partnership Unit, when taken together with the Pro Rata Portion of all distributions received by such Limited Partner with respect to such Partnership Unit from and after the effective date of the merger, consolidation or sale equal to the Treasury Constant Yield. As used herein, the "Treasury Constant Yield" shall mean the arithmetic mean of the rates published as "Treasury Constant Maturities" as of 5:00 p.m., New York time, for the five business days preceding the effective date of the merger, consolidation or sale, as shown on the USD screen of the Telerate service (or if such service is not available, under Section 504 in the weekly statistical release designated H.15(519) (or any successor publication) published by the Board of Governors of the Federal Reserve System, for "On the Run" U.S. Treasury obligations corresponding to the twentieth anniversary of the date hereof). If no such maturity shall so exactly correspond, yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Constant Yield shall be interpolated or extrapolated (as applicable) from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month). As used herein, "Internal Rate of Return" shall mean, with respect to a rate of return of the Constant Treasury Yield, commencing on the effective date of the merger, consolidation or sale, compounded quarterly to the extent not paid on a current basis, taking into account the timing and amounts of this Pro Rata Portion of all distributions by the Partnership to such Partner with respect to such Partnership Unit; for purposes of computing the Internal Rate of Return, distributions to a Partner at any time during a month shall be deemed to be made and received on the day actually made.

B. General Partner Assumption of Right. (i) If a Limited Partner has delivered a Notice of Redemption (other than a Notice of Redemption relating to a Class E Unit given prior to April 15, 1998), the General Partner may, in its sole and absolute discretion (subject to any limitations on ownership and transfer of Shares set forth in the Declaration of Trust), elect to assume directly and satisfy a Redemption Right by paying to the Redeeming Partner either the Cash Amount or the Shares Amount, as the General Partner determines in its sole and absolute discretion (provided that payment of the Redemption Amount in the form of Shares shall be in Shares registered under Section 12 of the Exchange Act and listed for trading on the exchange or national market on which the Shares are Publicly Traded, and provided, further, that in the event that the Shares are not Publicly Traded at the time a Redeeming Partner exercises its Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount), on the Specified Redemption Date, whereupon the General Partner shall acquire the Partnership Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units and such Partnership Units shall automatically convert to Class A Units upon acquisition by the General Partner. Unless the General Partner, in its sole and absolute discretion, shall exercise its right to assume directly and satisfy the Redemption Right, the General Partner shall not have any obligation to the Redeeming Partner or to the Partnership with respect to the Redeeming Partner's exercise of the Redemption Right. In the event the General Partner shall exercise its right to satisfy the Redemption Right in the manner described in the first sentence of this Section 8.6.B and shall fully perform its obligations in connection therewith, the Partnership shall have no right or obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of the Redemption Right, and each of the Redeeming Partner, the Partnership and the General Partner shall, for federal income tax purposes, treat the transaction between the General Partner and the Redeeming Partner as a sale of the Redeeming Partner's Partnership Units to the General Partner. Nothing contained in this Section 8.6.B shall imply any right of the General Partner to

require any Limited Partner to exercise the Redemption Right afforded to such Limited Partner pursuant to Section 8.6.A above.

(ii) In the event that the General Partner determines to pay the Redeeming Partner the Redemption Amount in the form of Shares, the total number of Shares to be paid to the Redeeming Partner in exchange for the Redeeming Partner's Partnership Units shall be the applicable Shares Amount. In the event this amount is not a whole number of Shares, the Redeeming Partner shall be paid (i) that number of Shares which equals the nearest whole number less than such amount plus (ii) an amount of cash which the General Partner determines, in its reasonable discretion, to represent the fair value of the remaining fractional Share which would otherwise be payable to the Redeeming Partner.

(iii) Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of Shares upon exercise of the Redemption Right.

C. Exceptions to Exercise of Redemption Right. Notwithstanding the provisions of Sections 8.6.A and 8.6.B above, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A above if (but only as long as) the delivery of Shares to such Partner on the Specified Redemption Date (i) would be prohibited under the Declaration of Trust, or (ii) as long as the Shares are Publicly Traded, would be prohibited under applicable federal or state securities laws or regulations (assuming the General Partner would in fact assume and satisfy the Redemption Right).

D. No Liens on Partnership Units Delivered for Redemption. Each Limited Partner covenants and agrees with the General Partner that all Partnership Units delivered for redemption shall be delivered to the Partnership or the General Partner, as the case may be, free and clear of all liens, and, notwithstanding anything contained herein to the contrary, neither the General Partner nor the Partnership shall be under any obligation to acquire Partnership Units which are or may be subject to any liens. Each Limited Partner further agrees that, in the event any state or local property transfer tax is payable as a result of the transfer of its Partnership Units to the Partnership or the General Partner, such Limited Partner shall assume and pay such transfer tax.

E. Additional Partnership Interests. In the event that the Partnership issues Partnership Interests to any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such amendments to this Section 8.6 as it determines are necessary to reflect the issuance of such Partnership Interests (including setting forth any restrictions on the exercise of the Redemption Right with respect to such Partnership Interests).

F. Transfer Tax Limitations. Notwithstanding anything herein to the contrary, until the first business day following April 15, 1999, the Partnership and the General Partner shall have the right, in connection with a Limited Partner's exercise of its Redemption Right:

(1) to condition the payment of the redemption price under Section 8.6(A)(i) upon the General Partner's sole satisfaction that any New York Real Estate Transfer Tax and New York City Real Property Transfer Tax payable by reason of such Limited Partner's redemption prior to April 15, 1999 shall have been paid in full or that adequate provision has been made therefor (as determined by the General Partner in its sole discretion); and

(2) if the General Partner elects under Section 8.6.B to pay the Shares Amount, then such Limited Partner shall be obligated, as a condition to the effective exercise of the Redemption Right, to escrow with the General Partner an amount equal to the New York Real Estate Transfer Tax and New York City Real Property Transfer Tax that would have been payable as of the exercise of the Redemption Right, assuming

such Limited Partner transferred the Share Amount received on such date prior to April 15, 1999. Such escrow may be used by the General Partner or the Limited Partner who provided such escrow for the payment of the taxes described in this subparagraph (2) above, provided, in the latter event, the General Partner shall have determined, in its good faith discretion, that such tax will be paid. Such escrow shall be released to the Limited Partner, to the extent not used, after April 15, 1999 if the General Partner shall determine in its sole discretion exercised in good faith that no such transfer tax shall have been due and payable.

Section 8.7 Right of Offset

The General Partner shall have the right to offset any amounts owed to the Partnership or the General Partner by any Limited Partner pursuant to (i) any written agreement between such Limited Partner and the Partnership, the General Partner or an Affiliate of either of them pursuant to which such Limited Partner acquired Partnership Units or (ii) the provisions of Section 5.2, Section 8.6.F or Section 11.7 of this Agreement, against any amounts owed to such Limited Partner by the Partnership or the General Partner hereunder, including the right to cancel or acquire, as applicable, the Units held by such Limited Partner, based on the Cash Amount that would be payable therefor, assuming a redemption as of the date of cancellation or acquisition, as applicable. In exercising the foregoing offset rights, the General partner shall be required to give a Limited Partner, in the case of an offset against a distribution, five (5) days prior written notice (provided, however, that if a distribution is to be made at any time during such five day period the General Partner may retain the distribution payable to any Limited Partner to whom such a written notice has been given to the extent of the amount owed by such limited Partner pending the passage of such period and upon the passage of such period without payment of all amounts owed by the applicable Limited Partner, the General Partner shall be entitled to the right of offset described above, it being understood that if the Limited Partner pays in full the amount owed the General Partner shall promptly release the retained distribution to such Limited Partner) and, in the case of an offset against Partnership Units (through cancellation or acquisition), ten (10) days' prior written notice, in each case of the amount owed (determined as of a date reasonably close to the date of such notice) and the proposed offset and the Limited Partner has not paid the amount owed within such period.

ARTICLE IX
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 below. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, computer disk, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2 Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

Section 9.3 Reports

A. Annual Reports. As soon as practicable, but in no event later than the date on which the General Partner Entity mails its annual report to its shareholders, the General Partner shall cause to be mailed to each Limited Partner an annual report, as of the close of the most recently ended Partnership Year, containing financial statements of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner Entity.

B. Quarterly Reports. If and to the extent that the General Partner Entity mails quarterly reports to its shareholders, as soon as practicable, but in no event later than the date on which such reports are mailed, the General Partner shall cause to be mailed to each Limited Partner a report containing unaudited financial statements, as of the last day of such quarter, of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE X
TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code; provided, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 Tax Matters Partner

A. General. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address, taxpayer identification number and profit interest of each of the Limited Partners and any Assignees; provided, that such information is provided to the Partnership by the Limited Partners.

B. Powers. The tax matters partner is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such

judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a "notice partner" (as defined in Section 6231(a)(8) of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Partnership's principal place of business is located;

(3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 hereof shall be fully applicable to the tax matters partner in its capacity as such.

C. Reimbursement. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm or a law firm to assist the tax matters partner in discharging its duties hereunder, as long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

Section 10.5 Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Section 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a recourse loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus four (4) percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE XI
TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer

A. Definition. The term "transfer," when used in this Article XI with respect to a Partnership Interest or a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign all or any part of its General Partnership Interest to another Person or by which a Limited Partner purports to assign all or any part of its Limited Partnership Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article XI does not include any redemption or repurchase of Partnership Units by the Partnership from a Partner (including the General Partner) or acquisition of Partnership Units from a Limited Partner by the General Partner pursuant to Section 8.6 hereof or otherwise. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and no part of the interest of a Limited Partner may be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. General. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article XI. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article XI shall be null and void.

Section 11.2 Transfers of Partnership Interests of General Partner

A. Except for transfers of Partnership Units to the Partnership as provided in Section 7.5 or Section 8.6 hereof, the General Partner may not transfer any of its Partnership Interest (including both its General Partnership Interest and its Limited Partnership Interest) except in connection with a transaction described in Section 11.2.B below or as otherwise expressly permitted under this Agreement), nor shall the General Partner withdraw as General Partner except in connection with a transaction described in Section 11.2.B below.

B. The General Partner shall not engage in any merger (including a triangular merger), consolidation or other combination with or into another person, sale of all or substantially all of its assets or any reclassification, recapitalization or change of the terms of any outstanding Common Shares (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination as described in the definition of "Conversion Factor") ("Termination Transaction"), unless , in connection therewith, all Limited Partners (other than the General Partner, the General Partner Entity and any entities controlled by either of them) will have the right to elect to receive, or, subject to Section 7.11.C., will receive, for each Partnership Unit an amount of cash, securities, or other property equal to the product of the Conversion Factor and the greatest amount of cash, securities or other property paid to a holder of Shares, if any, corresponding to such Partnership Unit in consideration of one such Share; provided, that if, in connection with the Termination Transaction, a purchase, tender or exchange offer shall have first been made to and accepted by the holders of more than fifty percent (50%) of the outstanding Shares and a holder of Partnership Units did not receive advance written notice (whether from the General Partner, the offeror or otherwise) of the offer and an opportunity to redeem its Partnership Units substantially in accordance with the provisions in Section 8.6, then such holder of Partnership Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities, or other property which such holder would have received had it exercised the Redemption Right and received Shares in exchange for its Partnership Units immediately prior to such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and to the extent required by the terms thereof applicable to all other holders of Shares participating in the purchase, tender or exchange offer, participated in all other phases of such Termination Transaction as well.

Section 11.3 Limited Partners' Rights to Transfer

A. General. Subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, prior to the first anniversary (or, in the case of a Restricted Partner, the second anniversary or, in the case of Bernard H. Mendik or David R. Greenbaum only, such earlier date, if any, on which such individual's employment with the Partnership shall be terminated without Cause, due to a Disability or for Good Reason (as such terms are defined in the case of Mr. Mendik in Exhibit B to the Noncompetition Agreement dated as of April 15, 1997 by and among Vornado Realty Trust, The Mendik Company, L.P. and Bernard H. Mendik, and in the case of Mr. Greenbaum in Section 4(b), Section 4(c), and Section 4(d) of the Employment Agreement dated as of April 15, 1997 by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum)) of April 15, 1998, the Limited Partnership Interest of any Partner may not be transferred in whole or in part, directly, indirectly or beneficially, without the prior written consent of the General Partner, which consent the General Partner may withhold in its sole discretion; provided, however, that it is expressly understood that subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below each Limited Partner will be permitted to make one or more transfers to any Affiliated Transferee of such Limited Partner. Commencing on April 15, 1998 (or (x) in the case of a holder of Class E Units but only with respect to such Class E Units, commencing on July 15, 1997, and (y) in the case of a Restricted Partner, April 15, 1999; provided, however, that the Partnership Units identified on Exhibit H hereto (which Partnership Units are beneficially owned, directly or indirectly, through a Restricted Partner by the Persons named opposite such Partnership Units on Exhibit H) shall not be deemed to be held by a Restricted Partner for purposes of Section 8.6.A and this Section 11.3.A), and subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, a Limited Partner (other than the General Partner or the General Partner Entity or any Subsidiary of either of them) may transfer all or any portion of its Limited Partnership Interest to any person, provided such Limited Partner obtains the prior written consent of the General Partner, which consent may be withheld only

if the General Partner determines in its sole discretion exercised in good faith that such a transfer would cause the Partnership or any or all of the Partners other than the Limited Partner seeking to transfer its rights as a Limited Partner to be subject to tax liability as a result of such transfer. Any purported transfer attempted in violation of the foregoing sentence shall be deemed void ab initio and shall have no force or effect.

B. Incapacitated Limited Partners. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. No Transfers Violating Securities Laws. The General Partner may prohibit any transfer of Partnership Units by a Limited Partner if, in the opinion of legal counsel to the Partnership, such transfer would require filing of a registration statement under the Securities Act or would otherwise violate any federal, or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No Transfers Affecting Tax Status of Partnership. No transfer of Partnership Units by a Limited Partner (including a redemption or exchange pursuant to Section 8.6 hereof) may be made to any Person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes or would result in a termination of the Partnership for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity or pursuant to a transaction not prohibited under Section 11.2 hereof), (ii) in the opinion of legal counsel for the Partnership, it would adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to continue to qualify as a REIT or would subject the General Partner Entity or the General Partner (as applicable) to any additional taxes under Section 857 or Section 4981 of the Code or (iii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

E. No Transfers to Holders of Nonrecourse Liabilities. No pledge or transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability without the consent of the General Partner, in its sole and absolute discretion; provided, that as a condition to such consent the lender will be required to enter into an arrangement with the Partnership and the General Partner to exchange or redeem for the Redemption Amount any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

F. Certain Pledged Interests. Concurrently with the execution and delivery of this Agreement, (i) to secure its obligations under the Indemnification Agreement, dated as of April 15, 1997, among the Partnership, FW/Mendik LLC and others, FW/Mendik LLC, a Limited Partner, is pledging a portion of its limited partnership interest pursuant to a Pledge and Security Agreement, dated as of April 15, 1997, namely, 360,577 Class C Units represented by "Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - C 2"; (ii) to secure its obligations under the letter agreement relating to certain management agreements, dated as of April 15, 1997, between FW/Mendik LLC and the Partnership, FW/Mendik LLC is pledging a portion of its limited partnership interest pursuant to a Pledge and Security Agreement, dated as of the date hereof, namely, 40,386 Class C Units represented by "Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - C 3"; and (iii) to secure their respective obligations under the Agreement for Contribution of Interests in Eleven Penn Plaza Company, dated as of March 11, 1997, by and among The Mendik Company, L.P., Nicardo Corporation, N.V., Rcay, S.A. and

Bernard H. Mendik, Rcay, S.A. and Nicardo Corporation, N.V. are pledging a portion of their limited partnership interests, namely 44,716 and 102,860 Class E Units, respectively, represented by "Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - E 1" and "Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - E 3", respectively.

Section 11.4 Substituted Limited Partners

A. Consent of General Partner. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in its place without the consent of the General Partner to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. Rights of Substituted Limited Partner. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article XI shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be conditioned upon the transferee executing and delivering to the Partnership an acceptance of all the terms and conditions of this Agreement (including, without limitation, the provisions of Section 15.11 hereof and such other documents or instruments as may be required to effect the admission).

C. Amendment and Restatement of Exhibit A. Upon the admission of a Substituted Limited Partner, the General Partner shall amend and restate Exhibit A hereto to reflect the name, address, Capital Account, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address, Capital Account and Percentage Interest of the predecessor of such Substituted Limited Partner.

Section 11.5 Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 above as a Substituted Limited Partner, as described in Section 11.4 above, such transferee shall be considered an Assignee for purposes of this Agreement, subject, however, to Section 11.7 hereof. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain, loss and Recapture Income attributable to the Partnership Units assigned to such transferee, and shall have the rights granted to the Limited Partners under Section 8.6 hereof, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to vote such Partnership Units in any matter presented to the Limited Partners for a vote (such Partnership Units being deemed to have been voted on such matter in the same proportion as all other Partnership Units held by Limited Partners are voted). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article XI to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

Section 11.6 General Provisions

A. Withdrawal of Limited Partner. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article XI or pursuant to redemption of all of its Partnership Units under Section 8.6 hereof.

B. Termination of Status as Limited Partner. Any Limited Partner who shall transfer all of its Partnership Units in a transfer permitted pursuant to this Article XI or pursuant to redemption of all of its Partnership Units under Section 8.6 hereof shall cease to be a Limited Partner.

C. Timing of Transfers. Transfers pursuant to this Article XI may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise agrees.

D. Allocations. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article XI or redeemed or transferred pursuant to Section 8.6 hereof, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly, or a monthly proration period, in which event Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be prorated based upon the applicable method selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions attributable to any Partnership Unit with respect to which the Partnership Record Date is before the date of such transfer, assignment or redemption shall be made to the transferor Partner or the Redeeming Partner, as the case may be, and, in the case of a transfer or assignment other than a redemption, all distributions thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

E. Additional Restrictions. In addition to any other restrictions on transfer herein contained, including without limitation the provisions of this Article XI, in no event may any transfer or assignment of a Partnership Interest by any Partner (including pursuant to Section 8.6 hereof) be made without the express consent of the General Partner, in its sole and absolute discretion, (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for federal or state income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners or pursuant to a transaction not prohibited under Section 11.2 hereof); (v) if in the opinion of counsel to the Partnership, such transfer would cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners or pursuant to a transaction not prohibited under Section 11.2 hereof); (vi) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (vii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.1-101; (viii) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (ix) if such transfer is effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code or such transfer causes the Partnership to become a "publicly traded partnership," as such term is defined in Section 469(k)(2) or Section 7704(b) of the Code; (x) if such transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended; (xi) if the transferee or assignee of such Partnership Interest is unable to make the representations set forth in Section 15.15 hereof or such transfer could otherwise adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to remain qualified as a REIT; or (xii) if in the opinion of legal counsel for the Partnership, such transfer would adversely affect the ability of the General Partner Entity or the General Partner (as applicable)

to continue to qualify as a REIT or subject the General Partner Entity or the General Partner (as applicable) to any additional taxes under Section 857 or Section 4981 of the Code.

F. Avoidance of "Publicly Traded Partnership" Status. The General Partner shall (a) use commercially reasonable efforts (as determined by it in its sole discretion exercised in good faith) to monitor the transfers of interests in the Partnership to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and (ii) whether additional transfers of interests would result in the Partnership being unable to qualify for at least one of the "safe harbors" set forth in Regulations Section 1.7704- 1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "Safe Harbors") and (b) take such steps as it believes are commercially reasonable and appropriate (as determined by it in its sole discretion exercised in good faith) to prevent any trading of interests or any recognition by the Partnership of transfers made on such markets and, except as otherwise provided herein, to insure that at least one of the Safe Harbors is met.

Section 11.7 Payment of Incremental Tax

Notwithstanding anything herein to the contrary, until the business day immediately following the second anniversary of April 15, 1997, no Person shall be admitted as a Substitute Limited Partner and no person shall be considered an Assignee for purposes of this Agreement, and any transaction or other form of conveyance or disposition of any sort whatsoever purporting to transfer an interest in this Agreement or in the Partnership or substitute a limited partner shall be null and void and of no force and effect unless concurrently with such purported transfer the transferor shall establish to the sole satisfaction of the General Partner exercised in good faith that any New York State Transfer Tax and/or New York City Real Estate Transfer Tax payable in connection with the purported transfer by reason of the transferor's failure to hold for a two-year period the Partnership Units issued as of April 15, 1997 shall have been paid. A Limited Partner shall be obligated to pay the transfer taxes described above in this Section 11.7.

ARTICLE XII
ADMISSION OF PARTNERS

Section 12.1 Admission of Successor General Partner

A successor to all of the General Partner's General Partnership Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner's executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

Section 12.2 Admission of Additional Limited Partners

A. General. No Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent shall be given or withheld in the General Partner's sole and absolute discretion. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement, including, without limitation, pursuant to Section 4.1.C hereof, or who exercises an option to receive Partnership Units shall be admitted to the Partnership as an Additional Limited Partner only with the consent of the General Partner and only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 15.11 hereof and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an

Additional Limited Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

B. Allocations to Additional Limited Partners. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Additional Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly or monthly proration method, in which event Net Income, Net Losses, and each item thereof would be prorated based upon the applicable period selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Partners and Assignees including such Additional Limited Partner. All distributions with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

Section 12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership (including an amendment and restatement of Exhibit A hereto) and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 15.11 hereof.

ARTICLE XIII
DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "Liquidating Event") :

(i) the expiration of its term as provided in Section 2.4 hereof;

(ii) an event of withdrawal of the General Partner, as defined in the Act (other than an event of Bankruptcy), unless, within ninety (90) days after the withdrawal a Majority in Interest of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

(iii) an election to dissolve the Partnership made by the General Partner, in its sole and absolute discretion, after December 31, 2046;

(iv) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

(v) the sale of all or substantially all of the assets and properties of the Partnership for cash or for marketable securities (subject to Section 7.11.C); or

(vi) a final and nonappealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and nonappealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to or within ninety days after of the entry of such order or judgment a Majority in Interest of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

Section 13.2 Winding Up

A. General. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include equity or other securities of the General Partner or any other entity) shall be applied and distributed in the following order:

(1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

(2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the Partners; and

(3) The balance, if any, to the Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article XIII.

B. Deferred Liquidation. Notwithstanding the provisions of Section 13.2.A above which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A above, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

Section 13.3 Compliance with Timing Requirements of Regulations

Subject to Section 13.4 below, in the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article XIII to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article XIII may be: (A) distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership (in which case the assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the General Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement); or (B) withheld to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided, that such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

Section 13.4 Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article XIII, in the event the Partnership is deemed liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax purposes and for purposes of maintaining Capital Accounts pursuant to Exhibit B hereto, the Partnership shall be deemed to have distributed its assets in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such assets subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership assets in kind to the Partnership, which shall be deemed to have assumed and taken such assets subject to all such liabilities.

Section 13.5 Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have priority over any other Limited Partner as to the return of its Capital Contributions, distributions, or allocations.

Section 13.6 Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of an election or objection by one or more Partners pursuant to Section 13.1 above, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation

in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

Section 13.7 Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 above, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.8 Reasonable Time for Winding Up

A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 above, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect among the Partners during the period of liquidation.

Section 13.9 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

Section 13.10 Liability of Liquidator

The Liquidator shall be indemnified and held harmless by the Partnership in the same manner and to the same degree as an Indemnitee may be indemnified pursuant to Section 7.11 hereof.

ARTICLE XIV
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

Section 14.1 Amendments

A. General. Amendments to this Agreement may be proposed only by the General Partner. Following such proposal (except an amendment pursuant to Section 14.1.B below), the General Partner shall submit any proposed amendment to the Limited Partners and shall seek the written vote of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written vote, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partner's recommendation with respect to the proposal; provided, however, that in the case of any Consent required under Section 7.11.C or 7.11.D, the General Partner shall be required to give the Limited Partners (other than Mr. Mendik, Mr. Greenbaum or any Mendik Owners with respect thereto) entitled to vote thereon two (2) written requests for a response and in determining the votes cast for or against such Consent the Partnership Units of Limited Partners (other than Mr. Mendik, Mr. Greenbaum or any Mendik Owners with respect thereto) entitled to vote thereon who do not respond in writing to either such request within the time period established by the General Partner shall be deemed to have been voted for or against the proposed Consent in the same proportion as the votes actually received.

B. Amendments Not Requiring Limited Partner Approval. Subject to Section 14.1.C and 14.1.D, the General Partner shall have the power, without the Consent of the Limited Partners, to amend this Agreement as may be required to reflect any changes to this Agreement that the General Partner deems necessary or appropriate in its sole discretion, provided that such change does not adversely affect or eliminate

any right granted to a Limited Partner pursuant to any of the provisions of this Agreement specified in Section 14.1.C or Section 14.1.D as requiring a particular minimum vote. The General Partner shall notify the Limited Partners when any action under this Section 14.1.B is taken in the next regular communication to the Limited Partners.

C. Amendments Requiring Limited Partner Approval (Excluding General Partner). Without the Consent of the Outside Limited Partners, the General Partner shall not amend Section 4.2.A, Section 5.1.C, Section 7.5, Section 7.6, Section 7.8, Section 11.2, Section 13.1, this Section 14.1.C or Section 14.2.

D. Other Amendments Requiring Certain Limited Partner Approval. Notwithstanding anything in this Section 14.1 to the contrary, this Agreement shall not be amended with respect to any Partner adversely affected without the Consent of such Partner adversely affected if such amendment would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest, (ii) modify the limited liability of a Limited Partner, (iii) amend Section 7.11.A, (iv) amend Article V, Article VI, or Section 13.2.A(3) (except as permitted pursuant to Sections 4.2, 5.1.C, 5.4 and 6.2, (v) amend Section 8.6 or any defined terms set forth in Article I that relate to the Redemption Right (except as permitted in Section 8.6.E), or (vi) amend this Section 14.1.D. In addition, any amendment to Section 7.11.C of this Agreement shall require the following consent:

(i) In the event that the amendment to Section 7.11.C affects the Two Penn Plaza Property or the rights of holders of Two Penn Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Two Penn Plaza Units;

(ii) In the event that the amendment to Section 7.11.C affects the Eleven Penn Plaza Property or the rights of holders of Eleven Penn Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Eleven Penn Plaza Units; and

(iii) In the event that the amendment to Section 7.11.C affects the 866 U.N. Plaza Property or the rights of holders of 866 U.N. Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the 866 U.N. Plaza Units.

E. Amendment and Restatement of Exhibit A Not An Amendment. Notwithstanding anything in this Article XIV or elsewhere in this Agreement to the contrary, any amendment and restatement of Exhibit A hereto by the General Partner to reflect events or changes otherwise authorized or permitted by this Agreement, whether pursuant to Section 7.1.A(20) hereof or otherwise, shall not be deemed an amendment of this Agreement and may be done at any time and from time to time, as necessary by the General Partner without the Consent of the Limited Partners.

F. Amendment by Merger. In the event that the Partnership participates in any merger (including a triangular merger), consolidation or combination with another entity in a transaction not otherwise prohibited by this Agreement and as a result of such merger, consolidation or combination this Agreement is to be amended (or a new agreement for a limited partnership or limited liability company, as applicable, is to be adopted for the surviving entity) and any of the Outside Limited Partners (as defined herein in "Consent of Outside Limited Partners") will hold equity interests in the continuing or surviving entity, then any such

amendments to this Agreement (or changes from this Agreement reflected in the new agreement for the surviving entity) shall require the consents provided in Section 14.1.C and Section 14.1.D.

Section 14.2 Meetings of the Partners

A. General. Meetings of the Partners may be called only by the General Partner. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting; provided that a Partner's attendance at any meeting of Partners shall be deemed a waiver of the foregoing notice requirement with respect to such Partner. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1.A above. Except as otherwise expressly provided in this Agreement, the Consent of holders of a majority of the Percentage Interests held by Limited Partners (including Limited Partnership Interests held by the General Partner) shall control.

B. Actions Without a Meeting. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Proxy. Each Limited Partner may authorize any Person or Persons to act for such Limited Partner by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it, such revocation to be effective upon the Partnership's receipt of notice thereof in writing.

D. Conduct of Meeting. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

ARTICLE XV
GENERAL PROVISIONS

Section 15.1 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A hereto or such other address as the Partners shall notify the General Partner in writing.

Section 15.2 Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any

provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 15.3 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.4 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.5 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.6 Creditors; Other Third Parties

Other than as expressly set forth herein with regard to any Indemnitee, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor or other third party having dealings with the Partnership.

Section 15.7 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.8 Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 Applicable Law

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

Section 15.10 Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.11 Power of Attorney

A. General. Each Limited Partner and each Assignee who accepts Partnership Units (or any rights, benefits or privileges associated therewith) is deemed to irrevocably constitute and appoint the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or any Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property, (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms, (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation, (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article XI, XII or XIII hereof or the Capital Contribution of any Partner and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained in this Section 15.11 shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article XIV hereof or as may be otherwise expressly provided for in this Agreement.

B. Irrevocable Nature. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner or any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or

the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 15.12 Entire Agreement

This Agreement and all Exhibits attached hereto (which Exhibits are incorporated herein by reference as if fully set forth herein) contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any prior written oral understandings or agreements among them with respect thereto.

Section 15.13 No Rights as Shareholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of the Partnership Units any rights whatsoever as shareholders of the General Partner Entity or the General Partner (if different), including, without limitation, any right to receive dividends or other distributions made to shareholders of the General Partner Entity or the General Partner (if different) or to vote or to consent or receive notice as shareholders in respect to any meeting of shareholders for the election of directors of the General Partner Entity or the General Partner (if different) or any other matter.

Section 15.14 Limitation to Preserve REIT Status

To the extent that any amount paid or credited to the General Partner or its officers, directors, employees or agents pursuant to Section 7.4 or Section 7.7 hereof would constitute gross income to the General Partner Entity or the General Partner (if it is to be qualified as a REIT) for purposes of Section 856(c)(2) or 856(c)(3) of the Code (a "General Partner Payment") then, notwithstanding any other provision of this Agreement, the amount of such General Partner Payments for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 5% of the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) total gross income (but not including the amount of any General Partner Payments) for the fiscal year over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner Entity or the General Partner (if it is to be qualified as a REIT) from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any General Partner Payments); or

(ii) an amount equal to the excess, if any of (a) 25% of the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) total gross income (but not including the amount of any General Partner Payments) for the fiscal year over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner Entity or the General Partner (if it is to be qualified as a REIT) from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (but not including the amount of any General Partner Payments);

provided, however, that General Partner Payments in excess of the amounts set forth in subparagraphs (i) and (ii) above may be made if the General Partner Entity or the General Partner (if it is to be qualified as a REIT), as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts would not adversely affect the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) ability to qualify as a REIT. To the extent General Partner Payments may not be made in a year due to the foregoing limitations, such General Partner Payments shall carry over and be treated as arising in the following year, provided, however, that such amounts shall not carry over for more than five years, and if not paid within such five year period, shall expire; provided, further, that (i) as General Partner Payments are made, such payments shall be applied first to carry over amounts outstanding, if any, and (ii) with respect to carry over amounts for more than one Partnership Year, such payments shall be applied to the earliest Partnership Year first.

IN WITNESS WHEREOF, the General Partner has executed this Agreement as of the date first written above.

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

AMENDMENT
TO
SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.

Dated as of December 16, 1997

THIS AMENDMENT to the Second Amended and Restated Agreement of Limited Partnership (the "Agreement") of Vornado Realty L.P., a Delaware limited partnership (the "Partnership"), dated as of December 16, 1997, is hereby adopted by Vornado Realty Trust, a Maryland real estate investment trust (defined therein as the "General Partner"), as the general partner of the Partnership. For ease of reference, capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Agreement.

WHEREAS, the Partnership was formed under the name "Mendik Real Estate Group, L.P." on October 2, 1996, and, on October 2, 1996, the Partnership adopted an Agreement of Limited Partnership;

WHEREAS, on November 7, 1996, the general partner of the Partnership changed the Partnership's name to "The Mendik Company, L.P." and, in connection therewith, caused a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership to be filed in the office of the Delaware Secretary of State on November 8, 1996;

WHEREAS, as of April 15, 1997, the General Partner, certain of affiliates of the General Partner, FW/Mendik REIT, L.L.C., a Delaware limited liability company, and The Mendik Company, Inc., a Maryland corporation, recapitalized the Partnership and, in connection therewith, entered into a First Amended and Restated Agreement of Limited Partnership, dated as of April 15, 1997 (the "Prior Agreement"), and in connection therewith filed a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership in the office of the Delaware Secretary of State, which filing was made on April 15, 1997;

WHEREAS, effective as of October 20, 1997, the General Partner caused the Partnership issue and distribute to each Person who was a Limited Partner on October 15, 1997, an additional Common Partnership Unit for each Common Partnership Unit (and in

the same Class) that was owned by such Person on October 15, 1997 and, in connection therewith, the General Partner amended and restated the Prior Agreement in the form of the Agreement.

WHEREAS, as of the date of this Amendment the General Partner is acquiring, by merger and otherwise, certain assets and businesses previously owned by Arbor Property Trust and, in connection with that acquisition, is issuing 39,315 Series A Convertible Preferred Shares of Beneficial Interest, no par value, to the shareholders of Arbor Property Trust in exchange for common shares of beneficial interest, without par value, of Arbor Property Trust;

WHEREAS, Section 7.5.D of the Agreement provides in relevant part that the General Partner shall not issue additional Shares unless (i) the General Partner shall cause, pursuant to Section 4.2.A thereof, the Partnership to issue to the General Partner Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially the same as those of such additional Shares, and (ii) the General Partner transfers to the Partnership, as an Additional Capital Contribution, the proceeds from the issuance of such additional Shares;

WHEREAS, concurrently with the closing of the Arbor transaction the General Partner is causing the Partnership to issue to the General Partner 39,315 additional Series A Preferred Units, which Units will satisfy the requirements of Section 7.5.D of the Agreement as they relate to the Series A Convertible Preferred Shares of Beneficial Interest, no par value, referred to above;

WHEREAS, the General Partner has determined that it is in the best interest of the Partnership to amend Exhibit G to the Agreement to reflect the issuance of the above-referenced additional Series A Preferred Units;

WHEREAS, Section 14.1.B of the Agreement grants the General Partner power and authority to amend the Agreement without the consent of any of the Partnership's limited partners if the amendment does not adversely affect or eliminate any right granted to a limited partner pursuant to any of the provisions of the Agreement specified in Section 14.1.C or Section 14.1.D of the Agreement as requiring a particular minimum vote; and

WHEREAS, the amendment effected hereby does not adversely affect or eliminate any of the limited partner rights specified in Section 14.1.C or Section 14.1.D of the Agreement;

NOW, THEREFORE, the General Partner hereby amends the Agreement as follows:

1. The text of Section 2.A. of Exhibit G to the Agreement is hereby deleted in its entirety and replaced with the following:

"Number. As of the close of business on December 16, 1997, the total number of Series A Preferred Units issued and outstanding was 5,789,315. The General Partner may issue additional Series A Preferred Units from time to time in accordance with the terms of the Agreement and in connection with any such additional issuance the General Partner shall revise Exhibit A to the Agreement to reflect the total number of Series A Preferred Units then issued and outstanding."

2. Except as expressly amended hereby, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the General Partner has executed this Amendment as of the date first written above.

VORNADO REALTY TRUST

By:_____
Joseph Macnow
Executive Vice President of Finance and Administration

EXECUTION COPY

Exhibit 10.29

AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

dated as of February ___, 1998

among

VORNADO REALTY L.P.
as Borrower,

VORNADO REALTY TRUST,
as General Partner,

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

THE OTHER BANKS SIGNATORY HERETO, each as a Bank,

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

CITICORP REAL ESTATE, INC.,
as Syndication Agent,

THE CHASE MANHATTAN BANK,
as Syndication Agent,

and

NATIONSBANK,
as Documentation Agent

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Agreement") dated as of February ___, 1998 among VORNADO REALTY L.P., a limited partnership organized and existing under the laws of the State of Delaware ("Borrower"), VORNADO REALTY TRUST, a real estate investment trust organized and existing under the laws of the State of Maryland and the sole general partner of Borrower ("General Partner"), UNION BANK OF SWITZERLAND (New York Branch), as agent for the Banks (in such capacity, together with its successors in such capacity, "Administrative Agent"), CITICORP REAL ESTATE, INC., as Syndication Agent, THE CHASE MANHATTAN BANK, as Syndication Agent, NATIONSBANK, as Documentation Agent, UNION BANK OF SWITZERLAND (New York Branch) (in its individual capacity and not as Administrative Agent, "UBS") and the lenders signatory hereto (UBS, said other lenders signatory hereto and the lenders who from time to time become Banks pursuant to Section 3.07 or 12.05 and, if applicable, any of the foregoing lenders' Designated Lender, each a "Bank" and collectively, the "Banks").

Borrower, General Partner, UBS and the Administrative Agent entered into a Revolving Credit Agreement dated as of July 17, 1997 (the "Prior Credit Agreement"), which provided for a revolving line of credit in the amount of up to Six Hundred Million Dollars ($600,000,000) in favor of Borrower. The Prior Credit Agreement was amended by certain letter agreements. In addition, pursuant to the terms and provisions of the Prior Credit Agreement, certain of the lenders who are identified on the signature pages hereof have become "Banks" thereunder and pursuant hereto the remainder of such lenders shall become "Banks" hereunder.

Borrower, has now requested certain additional amendments to the Prior Credit Agreement (as heretofore modified as set forth above) to, among other things, increase the amount of the credit provided thereby to up to One Billion Dollars ($1,000,000,000). The Administrative Agent and the Banks have agreed to Borrower's request pursuant to the terms and conditions of this Amended and Restated Revolving Loan Agreement, which supersedes the Prior Credit Agreement (as previously modified) in its entirety. General Partner is fully liable for the obligations of Borrower under this Agreement by virtue of its status as the sole general partner of Borrower.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and conditions hereinafter set forth, the Prior Credit Agreement (as previously modified) is hereby amended and restated in its entirety and Borrower, General Partner, the Administrative Agent and each of the Banks agree as follows:

ARTICLE I

DEFINITIONS; ETC.

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

"Additional Costs" has the meaning specified in Section 3.01.

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

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

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

"Agreement" means this Revolving Credit Agreement.

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

"Applicable Margin" means, with respect to Base Rate Loans and LIBOR Loans, the respective rates per annum determined, at any time, based on Borrower's Credit Rating at the time, in accordance with the following table, subject to possible adjustment in accordance with the definition of "Borrower's Credit Rating" set forth in this Section 1.01. Any change in Borrower's Credit Rating causing it to move to a different range on the table shall effect an immediate change in the Applicable Margin.

Borrower's Credit Rating (S&P/Moody's/Duff & Phelps/Fitch Ratings)	Applicable Margin for Base Rate Loans (% per annum)	Applicable Margin for LIBOR Loans (% per annum)
A-/A3/A-/A- or higher	0.00	0.70
BBB+/Baal/BBB+/BBB+	0.00	0.80
BBB/Baa2/BBB/BBB	0.00	0.90
BBB-/Baa3/BBB-/BBB-	0.00	1.00
Below BBB-/Baa3/BBB-/BBB- or unrated	0.00	1.25

"Assignee" has the meaning specified in Section 12.05.

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

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

"Available Total Loan Commitment" has the meaning specified in Section 2.01(b).

"Bank" and "Banks" have the respective meanings specified in the preamble; provided, however, that the term "Bank" shall exclude each Designated Lender when used in reference to a Ratable Loan, the Loan Commitments or terms relating to the Ratable Loans and the Loan Commitments.

"Bank Parties" means Administrative Agent and the Banks.

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

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

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

"Bid Borrowing Limit" means 50% of the Total Loan Commitment.

"Bid Rate Loan" has the meaning specified in Section 2.01(c).

"Bid Rate Loan Note" has the meaning specified in Section 2.08.

"Bid Rate Quote" means an offer by a Bank to make a Bid Rate Loan in accordance with Section 2.02.

"Bid Rate Quote Request" has the meaning specified in Section 2.02(a).

"Borrower" has the meaning specified in the preamble.

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

"Borrower's Credit Rating" means, except as provided hereafter in this definition, the lower of the S&P and Moody's ratings (if these are the only two (2) ratings) or the lower of the two (2) highest ratings (if one (1) of these two highest ratings is from either S&P or Moody's and if, in addition to S&P and Moody's, there exist ratings by either or both of Duff & Phelps and Fitch; provided, however, if Duff & Phelps and Fitch are the two (2) highest ratings, then the "Borrower's Credit Rating" shall be the higher of S&P and Moody's ratings) assigned from time to time by, respectively, S&P, Moody's, Duff & Phelps and Fitch to Borrower's cumulative preferred stock, as increased by one-half rating grade for purposes of this definition (for example, if the applicable cumulative preferred stock rating is Baa3, Borrower's Credit Rating would be Baa2; if the applicable cumulative preferred stock rating is BBB, Borrower's Credit Rating would be BBB+). Unless such stock is rated by at least two (2) of the rating agencies identified above, at least one (1) of which must be either S&P or Moody's, "Borrower's Credit Rating" shall be considered unrated for purposes of determining both the Applicable Margin and Commitment Fee Rate. At such time and for so long as Borrower's unsecured and unsubordinated long-term indebtedness is rated by at least two (2) of the rating agencies identified above, then during such times the two preceding sentences shall no longer be applicable and "Borrower's Credit Rating" shall mean the lower of the S&P and Moody's ratings (if these are the only two (2) ratings) or the lower of the two (2) highest ratings (if one (1) of these two highest ratings is from either S&P or Moody's and if, in addition to S&P and Moody's, there exist ratings by either or both of Duff & Phelps and Fitch; provided, however, if Duff & Phelps and Fitch are the two (2) highest ratings, then the "Borrower's Credit Rating" shall be the higher of S&P and Moody's ratings) assigned from time to time by, respectively, S&P, Moody's, Duff & Phelps and Fitch to Borrower's unsecured and unsubordinated long-term indebtedness. For so long as Borrower's unsecured and unsubordinated long-term indebtedness is rated as provided in the preceding sentence, unless such indebtedness of Borrower is rated by either S&P or Moody's, "Borrower's Credit Rating" shall be considered unrated for purposes of determining both the Applicable Margin and Commitment Fee Rate. If at any time Borrower's unsecured and unsubordinated long-term indebtedness is no longer rated by at least two (2) of the rating agencies identified above, then the first two sentences of this definition shall again be applicable.

"Capitalization Value" means, at any time, the sum of (1) Combined EBITDA, for the most recently ended calendar quarter, annualized (i.e., multiplied by four (4)) (except that for purposes of this definition, the aggregate contribution to Combined EBITDA from leasing commissions and management and development fees shall not exceed 5% of Combined EBITDA), capitalized at a rate of 9.25% per annum, (2) Borrower's beneficial share of unrestricted cash and marketable securities of Borrower and its Consolidated Businesses and UJVs, at such time, as reflected in VRT's Consolidated Financial Statements, and (3) without duplication, the cost basis of properties of Borrower under construction as certified by Borrower, such certificate to be accompanied by all appropriate documentation supporting such figure.

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

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

"Code" means the Internal Revenue Code of 1986.

"Combined EBITDA" means, for any period of time, (1) revenues less operating costs before Interest Expense, income taxes, depreciation and amortization and extraordinary items (including, without limitation, non-recurring items such as gains or losses from asset sales) for Borrower and its beneficial interest in its Consolidated Businesses, plus (2) Borrower's beneficial interest in revenues less operating costs before Interest Expense, income taxes, depreciation and amortization and extraordinary items (including, without limitation, non-recurring items such as gains or losses from asset sales) applicable to each of the UJVs (to the extent not included above), in accordance with GAAP, in all cases as reflected in the VRT Consolidated Financial Statements.

"Commitment Fee Rate" means the rate per annum determined, at any time, based on Borrower's Credit Rating, in accordance with the following table. Any change in Borrower's Credit Rating which causes it to move into a different range on the table shall effect an immediate change in the Commitment Fee Rate.

Borrower's Credit Rating (S&P/Moody's/Duff & Phelps/Fitch Ratings)	Commitment Fee Rate (% per annum)
A-/A3/A-/A- or higher	0.15
BBB+/Baa1/BBB+/BBB+	0.15
BBB/Baa2/BBB/BBB	0.20
BBB-/Baa3/BBB-/BBB-	0.20
Below BBB-/Baa3/BBB-/BBB- or unrated	0.25

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

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

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

or better by S&P or Baa3 or better by Moody's. "Other Party's Share" means such other party's fractional share of the obligation under the UJV in question.

"Continue", "Continuation" and "Continued" refer to the continuation pursuant to Section 2.11 of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next Interest Period.

"Convert", "Conversion" and "Converted" refer to a conversion pursuant to Section 2.11 of a Base Rate Loan into a LIBOR Loan or a LIBOR Loan into a Base Rate Loan, each of which may be accompanied by the transfer by a Bank (at its sole discretion) of all or a portion of its Ratable Loan from one Applicable Lending Office to another.

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

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

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

"Designated Lender" means a special purpose corporation that (i) shall have become a party to this Agreement pursuant to Section 12.16 and (ii) is not otherwise a Bank.

"Designating Lender" has the meaning specified in Section 12.16.

"Designation Agreement" means an agreement in substantially the form of EXHIBIT H, entered into by a Bank and a Designated Lender and accepted by Administrative Agent.

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

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

"Duff & Phelps" means Duff & Phelps Credit Rating Company.

"Elect", "Election" and "Elected" refer to elections, if any, by Borrower pursuant to Section 2.11 to have all or a portion of an advance of the Ratable Loans be outstanding as LIBOR Loans.

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

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

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

"Equity Value" means, at any time, Capitalization Value less the Total Outstanding Indebtedness.

"ERISA" means the Employee Retirement Income Security Act of 1974, including the rules and regulations promulgated thereunder.

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

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

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

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

"Fitch" means Fitch Investors Service, L.P.

"Fixed Charges" means, for any period of time, (1) Interest Expense plus (2) preferred dividend expense and regularly scheduled principal amortization of Borrower and that attributable to Borrower's beneficial interest in its Consolidated Businesses and UJV's.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.15 (except for changes concurred in by Borrower's Accountants).

"General Partner" has the meaning specified in the preamble.

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

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

"Guaranty" means the guaranty(ies) of all or part of Borrower's obligations to be executed by General Partner.

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

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

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

"Interest Period" means, (1) with respect to any LIBOR Loan, the period commencing on the date the same is advanced, converted from a Base Rate Loan or Continued, as the case may be, and ending, as Borrower may select pursuant to Section 2.05, on the numerically corresponding day in the first, second or third calendar month thereafter, provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month; and (2) with respect to any Bid Rate Loan, the period commencing on the date the same is advanced and ending, as Borrower may select pursuant to Section 2.02, on the numerically corresponding day in the first, second or third calendar month thereafter, provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month.

"Invitation for Bid Rate Quotes" has the meaning specified in Section 2.02(b).

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

"Letter of Credit" has the meaning specified in Section 2.16(a).

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

"LIBOR Bid Margin" has the meaning specified in Section 2.02(c)(2).

"LIBOR Bid Rate" means the rate per annum equal to the sum of (1) the LIBOR Interest Rate for the Bid Rate Loan and Interest Period in question and (2) the LIBOR Bid Margin.

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

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

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

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

"Loan" means, with respect to each Bank, its Ratable Loan and Bid Rate Loan(s), collectively.

"Loan Commitment" means, with respect to each Bank, the obligation to make a Ratable Loan in the principal amount set forth below, as such amount may be reduced from time to time in accordance with the provisions of Section 2.15 (upon the execution of an Assignment and Assumption Agreement, the definition of Loan Commitment shall be revised to reflect the assignment being effected pursuant to such Assignment and Assumption Agreement):

Bank	Loan Commitment
UBS	$ 111,250,000.00
Citicorp Real Estate, Inc.	$ 111,250,000.00
The Chase Manhattan Bank	$ 111,250,000.00
NationsBank	$ 111,250,000.00
Bank of Boston	$ 60,000,000.00
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft (New York Branch)	$ 60,000,000.00
Commerzbank AG, New York Branch	$ 60,000,000.00
PNC Bank, National Association	$ 60,000,000.00
Fleet Bank, National Association	$ 60,000,000.00
Dresdner Bank AG, New York Branch and Grand Cayman Branch	$ 50,000,000.00
The Bank of New York	$ 40,000,000.00
Bayerische Landesbank Cayman Islands Branch	$ 25,000,000.00
Societe Generale, Southwest Agency	$ 25,000,000.00
The Sumitomo Bank, Limited	$ 25,000,000.00
Summit Bank	$ 25,000,000.00
Kredietbank, N.V.	$ 20,000,000.00
Credit Lyonnais New York Branch	$ 15,000,000.00
DG Bank Deutsche Genossenschaftbank, Cayman Island Branch	$ 15,000,000.00
The Sumitomo Trust & Banking Co., Ltd.	$ 15,000,000.00
Total	$1,000,000,000.00

"Loan Documents" means this Agreement, the Notes, the Guaranty, the Authorization Letter and the Solvency Certificate.

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

"Material Affiliates" means the Affiliates of Borrower listed on EXHIBIT F.

"Maturity Date" means July 16, 2000.

"Maximum Loan Amount" means, from time to time, the Total Loan Commitment less Secured Indebtedness which is recourse to Borrower.

"Moody's" means Moody's Investors Service, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

"Ratable Loan" has the meaning specified in Section 2.01(b).

"Ratable Loan Note" has the meaning specified in Section 2.08.

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

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

"Regulatory Change" means, with respect to any Bank, any change after the date of this Agreement in United States federal, state, municipal or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Bank of or under any United States, federal, state, municipal or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

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

"Required Banks" means at any time the Banks having Pro Rata Shares aggregating at least 66 2/3%; provided, however, that during the existence of an Event of Default, the "Required Banks" shall be the Banks holding at least 66 2/3% of the then aggregate unpaid principal amount of the Loans.

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

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

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

"Solvent" means, when used with respect to any Person, that (1) the fair value of the property of such Person, on a going concern basis, is greater than the total amount of liabilities (including, without limitation, contingent liabilities) of such Person; (2) the present fair saleable value of the assets of such Person, on a going concern basis, is not less than the amount

that will be required to pay the probable liabilities of such Person on its debts as they become absolute and matured; (3) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; (4) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged; and (5) such Person has sufficient resources, provided that such resources are prudently utilized, to satisfy all of such Person's obligations. Contingent liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies.

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

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

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

"UJVs" means the unconsolidated joint ventures in which Borrower owns a beneficial interest and which are accounted for under the equity method in the VRT Consolidated Financial Statements. Alexander's, Inc. shall not be deemed to be a UJV.

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

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

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

"Unsecured Debt Yield" means, at any time, the ratio, expressed as a percentage, of (1) Unencumbered Combined EBITDA for the most recently ended calendar quarter, annualized (i.e., multiplied by four (4)) to (2) Unsecured Indebtedness.

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

"Unsecured Interest Expense" means that portion of Interest Expense attributable to Unsecured Indebtedness.

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

"VRT Principals" means the trustees, officers and directors of Borrower (other than General Partner) or General Partner at any applicable time.

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

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

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

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

ARTICLE II

THE LOANS

SECTION 2.01. Ratable Loans; Bid Rate Loans; Purpose. (a) Subject to the terms and conditions of this Agreement, the Banks agree to make loans to Borrower as provided in this Article II.

(b) Each of the Banks severally agrees to make a loan to Borrower (each such loan by a Bank, a "Ratable Loan") in an amount up to its Loan Commitment pursuant to which the Bank shall from time to time advance and re-advance to Borrower an amount equal to its Pro Rata Share of the excess (the "Available Total Loan Commitment") of the Maximum Loan Amount over the sum of (1) all previous advances (including Bid Rate Loans) made by the Banks which remain unpaid and (2) the outstanding amount of all Letters of Credit. Within the limits set forth herein, Borrower may borrow from time to time under this paragraph (b) and prepay from time to time pursuant to Section 2.09 (subject, however, to the restrictions on prepayment set forth in said Section), and thereafter re-borrow pursuant to this paragraph (b). The Ratable Loans may be outstanding as: (1) Base Rate Loans; (2) LIBOR Loans; or (3) a combination of the foregoing, as Borrower shall elect and notify Administrative Agent in accordance with Section 2.13. The LIBOR Loan, Bid Rate Loan and Base Rate Loan of each Bank shall be maintained at such Bank's Applicable Lending Office.

(c) In addition to Ratable Loans pursuant to paragraph (b) above, so long as Borrower's Credit Rating is BBB- or better by S&P and Baa3 or better by Moody's, one or more Banks may, at Borrower's request and in their sole discretion, make non-ratable loans which shall bear interest at the LIBOR Bid Rate in accordance with Section 2.02 (such loans being referred to in this Agreement as "Bid Rate Loans"). Borrower may borrow Bid Rate Loans from time to time pursuant to this paragraph (c) in an amount up to the Available Total Loan Commitment at the time of the borrowing (taking into account any repayments of the Loans made simultaneously therewith) and shall repay such Bid Rate Loans as required by Section 2.08, and it may thereafter re-borrow pursuant to this paragraph (c) or paragraph (b) above; provided, however, that the aggregate outstanding principal amount of Bid Rate Loans at any particular time shall not exceed the Bid Borrowing Limit.

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

(e) Borrower shall use the proceeds of the Loans for general capital and working capital purposes of Borrower and its Consolidated Businesses and UJVs, including costs incurred in connection with real estate acquisitions and/or developments. In no event shall proceeds of the Loans be used for any illegal purpose or for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U, or in connection with any hostile acquisition.

SECTION 2.02. Bid Rate Loans. (a) When Borrower has the Borrower's Credit Rating required by Section 2.01(c) and wishes to request offers from the Banks to make Bid Rate Loans, it shall transmit to Administrative Agent by facsimile a request (a "Bid Rate Quote Request") substantially in the form of EXHIBIT G-1 so as to be received not later than 10:30 a.m. (New York time) on the fifth Banking Day prior to the date for funding of the Bid Rate Loan(s) proposed therein, specifying:

(1) the proposed date of funding of the Bid Rate Loan(s), which shall be a Banking Day;

(2) the aggregate amount of the Bid Rate Loans requested, which shall be Twenty Five Million Dollars ($25,000,000) or a larger integral multiple of One Million Dollars ($1,000,000); and

(3) the duration of the Interest Period(s) applicable thereto, subject to the provisions of the definition of "Interest Period" in Section 1.01.

Borrower may request offers to make Bid Rate Loans for more than one (1) Interest Period in a single Bid Rate Quote Request. No Bid Rate Quote Request may be submitted by Borrower sooner than thirty (30) days after the submission of any other Bid Rate Quote Request.

(b) Promptly upon receipt of a Bid Rate Quote Request, Administrative Agent shall send to the Banks by facsimile an invitation (an "Invitation for Bid Rate Quotes") substantially in the form of EXHIBIT G-2, which shall constitute an invitation by Borrower to the Banks to submit Bid Rate Quotes offering to make Bid Rate Loans to which such Bid Rate Quote Request relates in accordance with this Section.

(c) (1) Each Bank may submit a Bid Rate Quote containing an offer or offers to make Bid Rate Loans in response to any Invitation for Bid Rate Quotes. Each Bid Rate Quote must comply with the requirements of this paragraph (c) and must be submitted to Administrative Agent by facsimile not later than 2:00 p.m. (New York time) on the fourth Banking Day prior to the proposed date of the Bid Rate Loan(s); provided that Bid Rate Quotes submitted by UBS (or any Affiliate of Administrative Agent) in its capacity as a Bank may be submitted, and may only be submitted, if UBS or such Affiliate notifies Borrower of the terms of the offer or offers contained therein not later than one (1) hour prior to the deadline for the other Banks. Any Bid Rate Quote so made shall (subject to Borrower's satisfaction of the conditions precedent set forth in this Agreement to its entitlement to an advance) be irrevocable except with the written consent of Administrative Agent given on the instructions of Borrower. Bid Rate Loans to be funded pursuant to a Bid Rate Quote may, as provided in Section 12.16, be funded by a Bank's Designated Lender. A Bank making a Bid Rate Quote shall specify in its Bid Rate Quote whether the related Bid Rate Loans are intended to be funded by such Bank's Designated Lender, as provided in Section 12.16.

(2) Each Bid Rate Quote shall be in substantially the form of EXHIBIT G-3 and shall in any case specify:

(i) the proposed date of funding of the Bid Rate Loan(s);

(ii) the principal amount of the Bid Rate Loan(s) for which each such offer is being made, which principal amount (w) may be greater than or less than the Loan Commitment of the quoting Bank, (x) must be in the aggregate Twenty Five Million Dollars ($25,000,000) or a larger integral multiple of One Million Dollars ($1,000,000), (y) may not exceed the principal amount of Bid Rate Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Bid Rate Loans for which offers being made by such quoting Bank may be accepted;

(iii) the margin above or below the applicable LIBOR Interest Rate (the "LIBOR Bid Margin") offered for each such Bid Rate Loan, expressed as a percentage per annum (specified to the nearest 1/1,000th of 1%) to be added to (or subtracted from) the applicable LIBOR Interest Rate;

(iv) the applicable Interest Period; and

(v) the identity of the quoting Bank.

A Bid Rate Quote may set forth up to three (3) separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Bid Rate Quotes.

(3) Any Bid Rate Quote shall be disregarded if it:

(i) is not substantially in conformity with EXHIBIT G-3 or does not specify all of the information required by sub-paragraph (c)(2) above;

(ii) contains qualifying, conditional or similar language (except for an aggregate limitation as provided in sub-paragraph (c)(2)(ii) above);

(iii) proposes terms other than or in addition to those set forth in the applicable Invitation for Bid Rate Quotes; or

(iv) arrives after the time set forth in sub-paragraph (c)(1) above.

(d) Administrative Agent shall on the Banking Day of receipt thereof notify Borrower in writing of the terms of (x) any Bid Rate Quote submitted by a Bank that is in accordance with paragraph (c) and (y) any Bid Rate Quote that amends, modifies or is otherwise inconsistent with a previous Bid Rate Quote submitted by such Bank with respect to the same Bid Rate Quote Request. Any such subsequent Bid Rate Quote shall be disregarded by Administrative Agent unless such subsequent Bid Rate Quote is submitted solely to correct a manifest error in such former Bid Rate Quote. Administrative Agent's notice to Borrower shall specify (A) the aggregate principal amount of Bid Rate Loans for which offers have been received for each Interest Period specified in the related Bid Rate Quote Request, (B) the respective principal amounts and LIBOR Bid Margins so offered and (C) if applicable,

limitations on the aggregate principal amount of Bid Rate Loans for which offers in any single Bid Rate Quote may be accepted.

(e) Not later than 4:00 p.m. (New York time) on the fourth Banking Day prior to the proposed date of funding of the Bid Rate Loan, Borrower shall notify Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to paragraph (d). A notice of acceptance shall be substantially in the form of EXHIBIT G-4 and shall specify the aggregate principal amount of offers for each Interest Period that are accepted. Borrower may accept any Bid Rate Quote in whole or in part; provided that:

(i) the principal amount of each Bid Rate Loan may not exceed the applicable amount set forth in the related Bid Rate Quote Request or be less than Five Million Dollars ($5,000,000) and shall be an integral multiple of One Hundred Thousand Dollars ($100,000);

(ii) acceptance of offers with respect to a particular Interest Period may only be made on the basis of ascending LIBOR Bid Margins offered for such Interest Period from the lowest effective cost; and

(iii) Borrower may not accept any offer that is described in sub-paragraph (c)(3) or that otherwise fails to comply with the requirements of this Agreement.

(f) If offers are made by two (2) or more Banks with the same LIBOR Bid Margins, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Bid Rate Loans in respect of which such offers are accepted shall be allocated by Administrative Agent among such Banks as nearly as possible (in multiples of One Hundred Thousand Dollars ($100,000), as Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Administrative Agent shall promptly (and in any event within one (1) Banking Day after such offers are accepted) notify Borrower and each such Bank in writing of any such allocation of Bid Rate Loans. Determinations by Administrative Agent of the allocation of Bid Rate Loans shall be conclusive in the absence of manifest error.

(g) In the event that Borrower accepts the offer(s) contained in one (1) or more Bid Rate Quotes in accordance with paragraph (e), the Bank(s) making such offer(s) shall make a Bid Rate Loan in the accepted amount (as allocated, if necessary, pursuant to paragraph (f)) on the date specified therefor, in accordance with the procedures specified in Section 2.04.

(h) Notwithstanding anything to the contrary contained herein, each Bank shall be required to fund its Pro Rata Share of the Available Total Loan Commitment in accordance with Section 2.01(b) despite the fact that any Bank's Loan Commitment may have been or may be exceeded as a result of such Bank's making Bid Rate Loans.

(i) A Bank who is notified that it has been selected to make a Bid Rate Loan as provided above may designate its Designated Lender (if any) to fund such Bid Rate Loan on its behalf, as described in Section 12.16. Any Designated Lender which funds a Bid Rate Loan

shall on and after the time of such funding become the obligee under such Bid Rate Loan and be entitled to receive payment thereof when due. No Bank shall be relieved of its obligation to fund a Bid Rate Loan, and no Designated Lender shall assume such obligation, prior to the time the applicable Bid Rate Loan is funded.

SECTION 2.03. Advances, Generally. The Initial Advance shall be in the minimum amount of One Million Dollars ($1,000,000) and in integral multiples of One Hundred Thousand Dollars ($100,000) above such amount and shall be made upon satisfaction of the conditions set forth in Section 4.01. Subsequent advances shall be made no more frequently than weekly thereafter, upon satisfaction of the conditions set forth in Section 4.02. The amount of each advance subsequent to the Initial Advance shall be in the minimum amount of One Million Dollars ($1,000,000) (unless less than One Million Dollars ($1,000,000) is available for disbursement pursuant to the terms hereof at the time of any subsequent advance, in which case the amount of such subsequent advance shall be equal to such remaining availability) and in integral multiples of One Hundred Thousand Dollars ($100,000) above such amount. Additional restrictions on the amounts and timing of, and conditions to the making of, advances of Bid Rate Loans are set forth in Section 2.02.

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

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

(i) Total Outstanding Indebtedness and Unsecured Indebtedness shall be adjusted by adding thereto, respectively, all indebtedness and unsecured indebtedness that is incurred by Borrower in connection with the advance;

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

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

SECTION 2.04. Procedures for Advances. In the case of advances of Ratable Loans, Borrower shall submit to Administrative Agent a request for each advance, stating the amount requested and the expected purpose for which such advance is to be used, no later than 10:00 a.m. (New York time) on the date, in the case of advances of Base Rate Loans, which is one (1) Banking Day, and, in the case of advances of LIBOR Loans, which is three (3) Banking Days, prior to the date the advance is to be made. In the case of advances of Bid Rate Loans, Borrower shall submit a Bid Rate Quote Request at the time specified in Section 2.02, accompanied by a statement of the expected purpose for which such advance is to be used. Administrative Agent, upon its receipt and approval of the request for advance, will so notify the Banks either by telephone or by facsimile. Not later than 10:00 a.m. (New York time) on the date of each advance, each Bank (in the case of Ratable Loans) or the applicable Bank(s) (in the case of Bid Rate Loans) shall, through its Applicable Lending Office and subject to the conditions of this Agreement, make the amount to be advanced by it on such day available to Administrative Agent, at Administrative Agent's Office and in immediately available funds for the account of Borrower. The amount so received by Administrative Agent shall, subject to the conditions of this Agreement, be made available to Borrower, in immediately available funds, by Administrative Agent's crediting account number 2017537183 of Borrower maintained at Fleet Bank.

SECTION 2.05. Interest Periods; Renewals. In the case of the LIBOR Loans, Borrower shall select an Interest Period of any duration in accordance with the definition of Interest Period in Section 1.01, subject to the following limitations: (1) no Interest Period may extend beyond the Maturity Date; (2) if an Interest Period would end on a day which is not a Banking Day, such Interest Period shall be extended to the next Banking Day, unless such Banking Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Banking Day; and (3) only eight (8) discrete segments of a Bank's Ratable Loan bearing interest at a LIBOR Interest Rate for a designated Interest Period pursuant to a particular Election, Conversion or Continuation, may be outstanding at any one time (each such segment of each Bank's Ratable Loan corresponding to a proportionate segment of each of the other Banks' Ratable Loans).

Upon notice to Administrative Agent as provided in Section 2.13, Borrower may Continue any LIBOR Loan on the last day of the Interest Period of the same or different duration in accordance with the limitations provided above.

SECTION 2.06. Interest. Borrower shall pay interest to Administrative Agent for the account of the applicable Bank on the outstanding and unpaid principal amount of the Loans, at a rate per annum as follows: (1) for Base Rate Loans at a rate equal to the Base Rate plus the Applicable Margin; (2) for LIBOR Loans at a rate equal to the applicable LIBOR Interest Rate plus the Applicable Margin; and (3) for Bid Rate Loans at a rate equal to the applicable LIBOR Bid Rate. Any principal amount not paid when due (when scheduled, at acceleration or otherwise) shall bear interest thereafter, payable on demand, at the Default Rate.

The interest rate on Base Rate Loans shall change when the Base Rate changes. Interest on Base Rate Loans, LIBOR Loans and Bid Rate Loans shall not exceed the maximum amount permitted under applicable law. Interest shall be calculated for the actual number of

days elapsed on the basis of, in the case of Base Rate Loans, LIBOR Loans and Bid Rate Loans, three hundred sixty (360) days.

Accrued interest shall be due and payable in arrears, (x) in the case of both Base Rate Loans and LIBOR Loans, on the first Banking Day of each calendar month and (y) in the case of Bid Rate Loans, at the expiration of the Interest Period applicable thereto; provided, however, that interest accruing at the Default Rate shall be due and payable on demand.

SECTION 2.07. Fees. Borrower shall, during the term of the Loans, pay to Administrative Agent for the account of each Bank a commitment fee computed (1) during periods when Borrower's Credit Rating is below BBB- by S&P or below Baa3 by Moody's or unrated, on the daily unused Loan Commitment of such Bank and (2) during periods when Borrower's Credit Rating is BBB- or higher by S&P and Baa3 or higher by Moody's, on the daily Loan Commitment of such Bank, in either such case at a rate per annum equal to the daily Commitment Fee Rate, calculated on the basis of a year of three hundred sixty (360) days for the actual number of days elapsed. The accrued commitment fee shall be due and payable in arrears on the first day of October, January, April and July of each year, commencing on the first such date after the Closing Date, and upon the Maturity Date (as the case may be accelerated) or earlier termination of the Loan Commitments.

SECTION 2.08. Notes. The Ratable Loan made by each Bank under this Agreement shall be evidenced by, and repaid with interest in accordance with, a promissory note of Borrower in the form of EXHIBIT B duly completed and executed by Borrower, in the principal amount equal to such Bank's Loan Commitment, payable to such Bank for the account of its Applicable Lending Office (each such note, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time, including any substitute note pursuant to Section 3.07 or 12.05, a "Ratable Loan Note"). The Bid Rate Loans of the Banks shall be evidenced by a single global promissory note of Borrower in the form of EXHIBIT C, duly completed and executed by Borrower, in the principal amount of Five Hundred Million Dollars ($500,000,000), payable to Administrative Agent for the account of the respective Banks making Bid Rate Loans (such note, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time, the "Bid Rate Loan Note"). A particular Bank's Ratable Loan Note, together with its interest, if any, in the Bid Rate Loan Note, are referred to collectively in this Agreement as such Bank's "Note"; all such Ratable Loan Notes and interests are referred to collectively in this Agreement as the "Notes". The Ratable Loan Notes shall mature, and all outstanding principal and accrued interest and other sums thereunder shall be paid in full, on the Maturity Date, as the same may be accelerated. The outstanding principal amount of each Bid Rate Loan evidenced by the Bid Rate Loan Note, and all accrued interest and other sums with respect thereto, shall become due and payable to the Bank making such Bid Rate Loan at the earlier of the expiration of the Interest Period applicable thereto or the Maturity Date, as the same may be accelerated.

Each Bank is hereby authorized by Borrower to endorse on the schedule attached to the Ratable Loan Note held by it, the amount of each advance, and each payment of principal received by such Bank for the account of its Applicable Lending Office(s) on account of its Ratable Loan, which endorsement shall, in the absence of manifest error, be conclusive as to the

outstanding balance of the Ratable Loan made by such Bank. Administrative Agent is hereby authorized by Borrower to endorse on the schedule attached to the Bid Rate Loan Note the amount of each Bid Rate Loan, the name of the Bank making the same, the date of the advance thereof, the interest rate applicable thereto and the expiration of the Interest Period applicable thereto (i.e., the maturity date thereof). The failure by Administrative Agent or any Bank to make such notations with respect to the Loans or each advance or payment shall not limit or otherwise affect the obligations of Borrower under this Agreement or the Notes.

SECTION 2.09. Prepayments. Without prepayment premium or penalty but subject to Section 3.05, Borrower may, upon at least one (1) Banking Day's notice to Administrative Agent in the case of the Base Rate Loans, and at least three (3) Banking Days' notice to Administrative Agent in the case of LIBOR Loans, prepay the Ratable Loans in whole or, with respect to Base Rate Loans only, in part, provided that (1) any partial prepayment under this Section shall be in integral multiples of One Million Dollars ($1,000,000); and (2) each prepayment under this Section shall include, at Administrative Agent's option, all interest accrued on the amount of principal prepaid to (but excluding) the date of prepayment.

SECTION 2.10. Method of Payment. Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 a.m. (New York time) on the date when due in Dollars to Administrative Agent at Administrative Agent's Office in immediately available funds. Administrative Agent will thereafter, on the day of its receipt of each such payment, cause to be distributed to each Bank (1) such Bank's appropriate share (based upon the respective outstanding principal amounts and interest due under the Notes of the Banks) of the payments of principal and interest in like funds for the account of such Bank's Applicable Lending Office; and (2) fees payable to such Bank in accordance with the terms of this Agreement. Borrower hereby authorizes Administrative Agent and the Banks, if and to the extent payment by Borrower is not made when due under this Agreement or under the Notes, to charge from time to time against any account Borrower maintains with Administrative Agent or any Bank any amount so due to Administrative Agent and/or the Banks.

Except to the extent provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other than a Banking Day, such payment shall be made on the next succeeding Banking Day, and such extension of time shall in such case be included in the computation of the payment of interest and other fees, as the case may be.

SECTION 2.11. Elections, Conversions or Continuation of Loans. Subject to the provisions of Article III and Sections 2.05 and 2.12, Borrower shall have the right to Elect to have all or a portion of any advance of the Ratable Loans be LIBOR Loans, to Convert Base Rate Loans into LIBOR Loans, to Convert LIBOR Loans into Base Rate Loans, or to Continue LIBOR Loans as LIBOR Loans, at any time or from time to time, provided that: (1) Borrower shall give Administrative Agent notice of each such Election, Conversion or Continuation as provided in Section 2.13; and (2) a LIBOR Loan may be Continued only on the last day of the applicable Interest Period for such LIBOR Loan. Except as otherwise provided in this Agreement, each Election, Continuation and Conversion shall be applicable to each Bank's Ratable Loan in accordance with its Pro Rata Share.

SECTION 2.12. Minimum Amounts. With respect to the Ratable Loans as a whole, each Election and each Conversion shall be in an amount at least equal to Three Million Dollars ($3,000,000) and in integral multiples of One Hundred Thousand Dollars ($100,000).

SECTION 2.13. Certain Notices Regarding Elections, Conversions and Continuations of Loans. Notices by Borrower to Administrative Agent of Elections, Conversions and Continuations of LIBOR Loans shall be irrevocable and shall be effective only if received by Administrative Agent not later than 10:00 a.m. (New York time) on the number of Banking Days prior to the date of the relevant Election, Conversion or Continuation specified below:

Notice	Number of Banking Days Prior
Conversions into Base Rate Loans	one (1)
Elections of, Conversions into or Continuations as, LIBOR Loans	three (3)

Promptly following its receipt of any such notice, Administrative Agent shall so advise the Banks either by telephone or by facsimile. Each such notice of Election shall specify the portion of the amount of the advance that is to be LIBOR Loans (subject to Section 2.12) and the duration of the Interest Period applicable thereto (subject to Section 2.05); each such notice of Conversion shall specify the LIBOR Loans or Base Rate Loans to be Converted; and each such notice of Conversion or Continuation shall specify the date of Conversion or Continuation (which shall be a Banking Day), the amount thereof (subject to Section 2.12) and the duration of the Interest Period applicable thereto (subject to Section 2.05). In the event that Borrower fails to Elect to have any portion of an advance of the Ratable Loans be LIBOR Loans, the entire amount of such advance shall constitute Base Rate Loans. In the event that Borrower fails to Continue LIBOR Loans within the time period and as otherwise provided in this Section, such LIBOR Loans will be automatically Converted into Base Rate Loans on the last day of the then current applicable Interest Period for such LIBOR Loans.

SECTION 2.14. Late Payment Premium. Borrower shall pay to Administrative Agent for the account of the Banks a late payment premium in the amount of 4% of any payments of principal or interest under the Loans made more than ten (10) days after the due date thereof, which shall be due with any such late payment.

SECTION 2.15. Changes of Commitments. (a) At any time, Borrower shall have the right, without premium or penalty, to terminate any unused Loan Commitments existing as of the date of such termination, in whole or in part, from time to time, provided that: (1) Borrower shall give notice of each such termination to Administrative Agent no later then 10:00 a.m. (New York time) on the date which is fifteen (15) Banking Days prior to the effectiveness of such termination; (2) the Loan Commitments of each of the Banks must be terminated ratably and simultaneously with those of the other Banks; and (3) each partial termination of the Loan

Commitments as a whole (and corresponding reduction of the Total Loan Commitment) shall be in an integral multiple of One Million Dollars ($1,000,000).

(b) The Loan Commitments, to the extent terminated, may not be reinstated.

SECTION 2.16. Letters of Credit. (a) Borrower, by notice to Administrative Agent, may request, in lieu of advances of proceeds of the Ratable Loans, that Administrative Agent issue unconditional, irrevocable standby letters of credit (each, a "Letter of Credit") for the account of Borrower, payable by sight drafts, for such beneficiaries and with such other terms as Borrower shall specify. Promptly upon issuance of a Letter of Credit, Administrative Agent shall notify each of the Banks by telephone or by facsimile.

(b) The amount of any such Letter of Credit shall be limited to the lesser of (1) Two Hundred Fifty Million Dollars ($250,000,000) less the amount of all other Letters of Credit then issued and outstanding or (2) the Available Total Loan Commitment, it being understood that the amount of each Letter of Credit issued and outstanding shall effect a reduction, by an equal amount, of the Available Total Loan Commitment as provided in Section 2.01(b) (such reduction to be allocated to each Bank's Ratable Loan ratably in accordance with the Banks' respective Pro Rata Shares).

(c) The amount of each Letter of Credit shall be further subject to the conditions and limitations applicable to amounts of advances set forth in Section 2.03 and the procedures for the issuance of each Letter of Credit shall be the same as the procedures applicable to the making of advances as set forth in the first sentence of Section 2.04.

(d) Administrative Agent's issuance of each Letter of Credit shall be subject to Borrower's satisfaction of all conditions precedent to its entitlement to an advance of proceeds of the Loans.

(e) Each Letter of Credit shall expire no later than the earlier of (x) one (1) month prior to the Maturity Date or (y) one (1) year after the date of its issuance.

(f) In connection with, and as a further condition to the issuance of, each Letter of Credit, Borrower shall execute and deliver to Administrative Agent an application for the Letter of Credit on Administrative Agent's standard form therefor, together with such other documents, opinions and assurances as Administrative Agent shall reasonably require.

(g) In connection with each Letter of Credit, Borrower hereby covenants to pay to Administrative Agent the following fees, each payable quarterly in arrears (on the first Banking Day of each calendar quarter following the issuance of the Letter of Credit): (i) a fee, payable to Administrative Agent for the account of the Banks, computed daily on the amount of the Letter of Credit issued and outstanding at a rate per annum equal to the "Banks' L/C Fee Rate" (as hereinafter defined) and (ii) a fee, payable to Administrative Agent for its own account, computed daily on the amount of the Letter of Credit issued and outstanding at a rate per annum of 0.125%. For purposes of this Agreement, the "Banks' L/C Fee Rate" shall mean, at any time, a rate per annum equal to the Applicable Margin for LIBOR Loans less 0.125% per annum. It is

understood and agreed that the last installment of the fees provided for in this paragraph (g) with respect to any particular Letter of Credit shall be due and payable on the first day of the calendar quarter following the return, undrawn, or cancellation, of such Letter of Credit.

(h) The parties hereto acknowledge and agree that, immediately upon notice from Administrative Agent of any drawing under a Letter of Credit, each Bank shall, notwithstanding the existence of a Default or Event of Default or the non-satisfaction of any conditions precedent to the making of an advance of the Loans, advance proceeds of its Ratable Loan, in an amount equal to its Pro Rata Share of such drawing, which advance shall be made to Administrative Agent to reimburse Administrative Agent, for its own account, for such drawing. Each of the Banks further acknowledges that its obligation to fund its Pro Rata Share of drawings under Letters of Credit as aforesaid shall survive the Banks' termination of this Agreement or enforcement of remedies hereunder or under the other Loan Documents.

(i) Borrower agrees, upon the occurrence of an Event of Default and at the request of Administrative Agent, (x) to deposit with Administrative Agent cash collateral in the amount of all the outstanding Letters of Credit, which cash collateral shall be held by Administrative Agent as security for Borrower's obligations in connection with the Letters of Credit and (y) to execute and deliver to Administrative Agent such documents as Administrative Agent requests to confirm and perfect the assignment of such cash collateral to Administrative Agent.

ARTICLE III

YIELD PROTECTION; ILLEGALITY; ETC.

SECTION 3.01. Additional Costs. Borrower shall pay directly to each Bank from time to time on demand such amounts as such Bank may reasonably determine to be necessary to compensate it for any increased costs which such Bank determines are attributable to its making or maintaining a LIBOR Loan or a Bid Rate Loan, or its obligation to make or maintain a LIBOR Loan or a Bid Rate Loan, or its obligation to Convert a Base Rate Loan to a LIBOR Loan hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of its LIBOR Loan or Bid Rate Loan(s) or such obligations (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), in each case resulting from any Regulatory Change which:

(1) changes the basis of taxation of any amounts payable to such Bank under this Agreement or the Notes in respect of any such LIBOR Loan or Bid Rate Loan (other than (i) changes in the rate of general corporate, franchise, branch profit, net income or other income tax imposed on such Bank or its Applicable Lending Office or (ii) a tax described in Section 10.13); or

(2) (other than to the extent the LIBOR Reserve Requirement is taken into account in determining the LIBOR Rate at the commencement of the applicable Interest Period) imposes or modifies any reserve, special deposit, deposit insurance or

assessment, minimum capital, capital ratio or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any LIBOR Loan or Bid Rate Loan or any deposits referred to in the definition of "LIBOR Interest Rate" in Section 1.01), or any commitment of such Bank (including such Bank's Loan Commitment hereunder); or

(3) imposes any other condition (unrelated to the basis of taxation referred to in paragraph (1) above) affecting this Agreement or the Notes (or any of such extensions of credit or liabilities).

Without limiting the effect of the provisions of the first paragraph of this Section, in the event that, by reason of any Regulatory Change, any Bank either (1) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits of other liabilities of such Bank which includes deposits by reference to which the LIBOR Interest Rate is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes loans based on the LIBOR Interest Rate or (2) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Bank so elects by notice to Borrower (with a copy to Administrative Agent), the obligation of such Bank to permit Elections of, to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended (in which case the provisions of Section 3.04 shall be applicable) until such Regulatory Change ceases to be in effect.

Determinations and allocations by a Bank for purposes of this Section of the effect of any Regulatory Change pursuant to the first or second paragraph of this Section, on its costs or rate of return of making or maintaining its Loan or portions thereof or on amounts receivable by it in respect of its Loan or portions thereof, and the amounts required to compensate such Bank under this Section, shall be included in a calculation of such amounts given to Borrower and shall be conclusive absent manifest error.

SECTION 3.02. Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of the LIBOR Interest Rate for any Interest Period:

(1) Administrative Agent reasonably determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of "LIBOR Interest Rate" in Section 1.01 are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for the LIBOR Loans or Bid Rate Loans as provided in this Agreement; or

(2) a Bank reasonably determines (which determination shall be conclusive) and promptly notifies Administrative Agent that the relevant rates of interest referred to in the definition of "LIBOR Interest Rate" in Section 1.01 upon the basis of which the rate of interest for LIBOR Loans or Bid Rate Loans for such Interest Period is to be determined do not adequately cover the cost to such Bank of making or maintaining such LIBOR Loan or Bid Rate Loan for such Interest Period;

then Administrative Agent shall give Borrower prompt notice thereof, and so long as such condition remains in effect, the Banks (or, in the case of the circumstances described in clause (2) above, the affected Bank) shall be under no obligation to permit Elections of LIBOR Loans, to Convert Base Rate Loans into LIBOR Loans or to Continue LIBOR Loans and Borrower shall, on the last day(s) of the then current Interest Period(s) for the affected outstanding LIBOR Loans or Bid Rate Loans, either (x) prepay the affected LIBOR Loans or Bid Rate Loans or (y) Convert the affected LIBOR Loans into Base Rate Loans in accordance with Section 2.11 or convert the rate of interest under the affected Bid Rate Loans to the rate applicable to Base Rate Loans by following the same procedures as are applicable for Conversions into Base Rate Loans set forth in Section 2.11.

SECTION 3.03. Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to honor its obligation to make or maintain a LIBOR Loan or Bid Rate Loan hereunder, to allow Elections of a LIBOR Loan or to Convert a Base Rate Loan into a LIBOR Loan, then such Bank shall promptly notify Administrative Agent and Borrower thereof and such Bank's obligation to make or maintain a LIBOR Loan or Bid Rate Loan, or to permit Elections of, to Continue, or to Convert its Base Rate Loan into, a LIBOR Loan shall be suspended (in which case the provisions of Section 3.04 shall be applicable) until such time as such Bank may again make and maintain a LIBOR Loan or Bid Rate Loan.

SECTION 3.04. Treatment of Affected Loans. If the obligations of any Bank to make or maintain a LIBOR Loan or a Bid Rate Loan, or to permit an Election of a LIBOR Loan, to Continue its LIBOR Loan, or to Convert its Base Rate Loan into a LIBOR Loan, are suspended pursuant to Sections 3.01 or 3.03 (each LIBOR Loan or Bid Rate Loan so affected being herein called an "Affected Loan"), such Bank's Affected Loan shall be automatically Converted into a Base Rate Loan (or, in the case of an Affected Loan that is a Bid Rate Loan, the interest rate thereon shall be converted to the rate applicable to Base Rate Loans) on the last day of the then current Interest Period for the Affected Loan (or, in the case of a Conversion or conversion required by Sections 3.01 or 3.03, on such earlier date as such Bank may specify to Borrower).

To the extent that such Bank's Affected Loan has been so Converted (or the interest rate thereon so converted), all payments and prepayments of principal which would otherwise be applied to such Bank's Affected Loan shall be applied instead to its Base Rate Loan (or to its Bid Rate Loan bearing interest at the converted rate) and such Bank shall have no obligation to Convert its Base Rate Loan into a LIBOR Loan.

SECTION 3.05. Certain Compensation. Other than in connection with a Conversion of an Affected Loan, Borrower shall pay to Administrative Agent for the account of the applicable Bank, upon the request of such Bank through Administrative Agent which request includes a calculation of the amount(s) due, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense which such Bank reasonably determines is attributable to:

(1) any payment or prepayment of a LIBOR Loan or Bid Rate Loan made by such Bank, or any Conversion of a LIBOR Loan (or conversion of the rate of interest on a Bid Rate Loan) made by such Bank, in any such case on a date other than the last day of an applicable Interest Period, whether by reason of acceleration or otherwise; or

(2) any failure by Borrower for any reason to Convert or Continue a LIBOR Loan to be Converted or Continued by such Bank on the date specified therefor in the relevant notice under Section 2.13; or

(3) any failure by Borrower to borrow (or to qualify for a borrowing of) a LIBOR Loan or Bid Rate Loan which would otherwise be made hereunder on the date specified in the relevant Election notice under Section 2.13 or Bid Rate Quote acceptance under Section 2.02(e) given or submitted by Borrower.

Without limiting the foregoing, such compensation shall include an amount equal to the present value (using as the discount rate an interest rate equal to the rate determined under (2) below) of the excess, if any, of (1) the amount of interest (less the Applicable Margin) which otherwise would have accrued on the principal amount so paid, prepaid, Converted or Continued (or not Converted, Continued or borrowed) for the period from the date of such payment, prepayment, Conversion or Continuation (or failure to Convert, Continue or borrow) to the last day of the then current applicable Interest Period (or, in the case of a failure to Convert, Continue or borrow, to the last day of the applicable Interest Period which would have commenced on the date specified therefor in the relevant notice) at the applicable rate of interest for the LIBOR Loan or Bid Rate Loan provided for herein, over (2) the amount of interest (as reasonably determined by such Bank) based upon the interest rate which such Bank would have bid in the London interbank market for Dollar deposits, for amounts comparable to such principal amount and maturities comparable to such period. A determination of any Bank as to the amounts payable pursuant to this Section shall be conclusive absent manifest error.

SECTION 3.06. Capital Adequacy. If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction. A certificate of any Bank claiming compensation under this Section, setting forth in reasonable detail the basis therefor, shall be conclusive absent manifest error.

SECTION 3.07. Substitution of Banks. If any Bank (an "Affected Bank") (i) makes demand upon Borrower for (or if Borrower is otherwise required to pay) Additional Costs pursuant to Section 3.01 or (ii) is unable to make or maintain a LIBOR Loan or Bid Rate Loan as a result of a condition described in Section 3.03 or clause (2) of Section 3.02, Borrower may, within ninety (90) days of receipt of such demand or notice (or the occurrence of such other event causing Borrower to be required to pay Additional Costs or causing said Section 3.03 or clause (2) of Section 3.02 to be applicable), as the case may be, give written notice (a "Replacement Notice") to Administrative Agent and to each Bank of Borrower's intention either (x) to prepay in full the Affected Bank's Note and to terminate the Affected Bank's entire Loan Commitment or (y) to replace the Affected Bank with another financial institution (the "Replacement Bank") designated in such Replacement Notice.

In the event Borrower opts to give the notice provided for in clause (x) above, and if the Affected Bank shall not agree within thirty (30) days of its receipt thereof to waive the payment of the Additional Costs in question or the effect of the circumstances described in Section 3.03 or clause (2) of Section 3.02, then, so long as no Default or Event of Default shall exist, Borrower may (notwithstanding the provisions of clause (2) of Section 2.15(a)) terminate the Affected Bank's entire Loan Commitment, provided that in connection therewith it pays to the Affected Bank all outstanding principal and accrued and unpaid interest under the Affected Bank's Note, together with all other amounts, if any, due from Borrower to the Affected Bank, including all amounts properly demanded and unreimbursed under Sections 3.01 and 3.05.

In the event Borrower opts to give the notice provided for in clause (y) above, and if (i) Administrative Agent shall, within thirty (30) days of its receipt of the Replacement Notice, notify Borrower and each Bank in writing that the Replacement Bank is reasonably satisfactory to Administrative Agent and (ii) the Affected Bank shall not, prior to the end of such thirty (30)-day period, agree to waive the payment of the Additional Costs in question or the effect of the circumstances described in Section 3.03 or clause (2) of Section 3.02, then the Affected Bank shall, so long as no Default or Event of Default shall exist, assign its Note and all of its rights and obligations under this Agreement to the Replacement Bank, and the Replacement Bank shall assume all of the Affected Bank's rights and obligations, pursuant to an agreement, substantially in the form of an Assignment and Assumption Agreement, executed by the Affected Bank and the Replacement Bank. In connection with such assignment and assumption, the Replacement Bank shall pay to the Affected Bank an amount equal to the outstanding principal amount under the Affected Bank's Note plus all interest accrued thereon, plus all other amounts, if any (other than the Additional Costs in question), then due and payable to the Affected Bank; provided, however, that prior to or simultaneously with any such assignment and assumption, Borrower shall have paid to such Affected Bank all amounts properly demanded and unreimbursed under Sections 3.01 and 3.05. Upon the effective date of such assignment and assumption, the Replacement Bank shall become a Bank Party to this Agreement and shall have all the rights and obligations of a Bank as set forth in such Assignment and Assumption Agreement, and the Affected Bank shall be released from its obligations hereunder, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this Section, a substitute Ratable Loan Note shall be issued to the Replacement Bank by Borrower, in exchange for the return of the Affected Bank's Ratable Loan Note. The obligations evidenced by such substitute note shall constitute "Obligations" for all purposes of this Agreement and the

other Loan Documents. If the Replacement Bank is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 10.13. Each Replacement Bank shall be deemed to have made the representations contained in, and shall be bound by the provisions of, Section 10.13.

Borrower, Administrative Agent and the Banks shall execute such modifications to the Loan Documents as shall be reasonably required in connection with and to effectuate the foregoing.

ARTICLE IV

CONDITIONS PRECEDENT

SECTION 4.01. Conditions Precedent to the Loans. The obligations of the Banks hereunder and the obligation of each Bank to make the Initial Advance are subject to the condition precedent that Administrative Agent shall have received on or before the Closing Date (other than with respect to paragraph 13 below, which shall be required prior to the Initial Advance) each of the following documents, and each of the following requirements shall have been fulfilled:

(1) Fees and Expenses. The payment of all fees and expenses owed to or incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of legal counsel);

(2) Note. The Ratable Loan Note for each Bank and the Bid Rate Loan Note for Administrative Agent, each duly executed by Borrower;

(3) Financial Statements. (i) Audited VRT Consolidated Financial Statements as of and for the year ended December 31, 1996 and (ii) unaudited VRT Consolidated Financial Statements, certified by the chief financial officer, as and for the quarter ended September 30, 1997, acceptable to the Banks;

(4) Certificates of Limited Partnership/Incorporation. A copy of the Certificate of Limited Partnership for Borrower and a copy of the articles of incorporation of General Partner, each certified by the appropriate Secretary of State or equivalent state official;

(5) Agreements of Limited Partnership/Bylaws. A copy of the Agreement of Limited Partnership for Borrower and a copy of the by-laws of General Partner, including all amendments thereto, each certified by the Secretary or an Assistant Secretary of General Partner as being in full force and effect on the Closing Date;

(6) Good Standing Certificates. A certified copy of a certificate from the Secretary of State or equivalent state official of the states where Borrower and General Partner are organized, dated as of the most recent practicable date, showing the good standing or partnership qualification of (i) Borrower and (ii) General Partner;

(7) Foreign Qualification Certificates. A certified copy of a certificate from the Secretary of State or equivalent state official of the state where Borrower and General Partner maintain their principal place of business, dated as of the most recent practicable date, showing the qualification to transact business in such state as a foreign limited partnership or foreign corporation, as the case may be, for (i) Borrower and (ii) General Partner;

(8) Resolutions. A copy of a resolution or resolutions adopted by the Board of Directors of General Partner, certified by the Secretary or an Assistant Secretary of General Partner as being in full force and effect on the Closing Date, authorizing the Loans provided for herein and the execution, delivery and performance of the Loan Documents to be executed and delivered by General Partner hereunder on behalf of itself and Borrower;

(9) Incumbency Certificate. A certificate, signed by the Secretary or an Assistant Secretary of General Partner and dated the Closing Date, as to the incumbency, and containing the specimen signature or signatures, of the Persons authorized to execute and deliver the Loan Documents to be executed and delivered by it and Borrower hereunder;

(10) Solvency Certificate. A Solvency Certificate, duly executed, from Borrower;

(11) Opinion of Counsel for Borrower. Favorable opinions, dated the Closing Date, from counsels for Borrower and General Partner, as to such matters as Administrative Agent may reasonably request;

(12) Authorization Letter. The Authorization Letter, duly executed by Borrower;

(13) Guaranty. The Guaranty duly executed by General Partner;

(14) Request for Advance. A request for an advance in accordance with Section 2.04;

(15) Certificate. The following statements shall be true and Administrative Agent shall have received a certificate dated the Closing Date signed by a duly authorized signatory of Borrower stating, to the best of the certifying party's knowledge, the following:

(a) All representations and warranties contained in this Agreement and in each of the other Loan Documents are true and correct on and as of the Closing Date as though made on and as of such date, and

(b) No Default or Event of Default has occurred and is continuing, or could result from the transactions contemplated by this Agreement and the other Loan Documents;

(16) Compliance Certificate. A certificate of the sort required by paragraph (3) of Section 6.09; and

(17) Insurance. Evidence of the insurance described in Section 5.17.

SECTION 4.02. Conditions Precedent to Advances After the Initial Advance. The obligation of each Bank to make advances of the Loans subsequent to the Initial Advance shall be subject to satisfaction of the following conditions precedent:

(1) No Default or Event of Default shall have occurred and be continuing as of the date of the advance;

(2) Each of the representations and warranties contained in this Agreement and in each of the other Loan Documents shall be true and correct as of the date of the advance; and

(3) Administrative Agent shall have received a request for an advance in accordance with Section 2.04.

SECTION 4.03. Deemed Representations. Each request by Borrower for, and acceptance by Borrower of, an advance of proceeds of the Loans shall constitute a representation and warranty by Borrower and General Partner that, as of both the date of such request and the date of the advance (1) no Default or Event of Default has occurred and is continuing, and (2) each representation or warranty contained in this Agreement or the other Loan Documents is true and correct.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Borrower (and General Partner, if expressly included in Sections contained in this Article) represents and warrants to Administrative Agent and each Bank as follows:

SECTION 5.01. Existence. Borrower is a limited partnership duly organized and existing under the laws of the State of Delaware, with its principal place of business in the State of New Jersey, and is duly qualified as a foreign limited partnership, properly licensed, in good standing and has all requisite authority to conduct its business in each jurisdiction in which

it owns properties or conducts business except where the failure to be so qualified or to obtain such authority would not constitute a Material Adverse Change. Each of its Consolidated Businesses is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite authority to conduct its business in each jurisdiction in which it owns property or conducts business, except where the failure to be so qualified or to obtain such authority would not constitute a Material Adverse Change. General Partner is a real estate investment trust duly organized and existing under the laws of the State of Maryland, with its principal place of business in the State of New Jersey, is duly qualified as a foreign corporation and properly licensed and in good standing in each jurisdiction where the failure to qualify or be licensed would constitute a Material Adverse Change with respect to General Partner. The stock of General Partner is listed on the New York Stock Exchange.

SECTION 5.02. Corporate/Partnership Powers. The execution, delivery and performance of the Loan Documents required to be delivered by Borrower hereunder are within its partnership authority and the corporate power of General Partner, have been duly authorized by all requisite action, and are not in conflict with the terms of any organizational instruments of such entity, or any instrument or agreement to which Borrower or General Partner is a party or by which Borrower, General Partner or any of their respective assets may be bound or affected.

SECTION 5.03. Power of Officers. The officers of General Partner executing the Loan Documents required to be delivered by it on its own behalf or that of Borrower hereunder have been duly elected or appointed and were fully authorized to execute the same at the time each such Loan Document was executed.

SECTION 5.04. Power and Authority; No Conflicts; Compliance With Laws. The execution and delivery of, and the performance of the obligations required to be performed by Borrower and General Partner under, the Loan Documents do not and will not (a) violate any provision of, or require any filing, registration, consent or approval under, any Law (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to either of them, (b) result in a breach of or constitute a default under or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which either of them may be a party or by which either of them or their properties may be bound or affected except for consents which have been obtained, (c) result in, or require, the creation or imposition of any Lien, upon or with respect to any of its properties now owned or hereafter acquired, or (d) cause either of them to be in default under any such Law, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument; to the best of their knowledge, Borrower and General Partner are in compliance with all Laws applicable to them and their properties where the failure to be in compliance would cause a Material Adverse Change to occur.

SECTION 5.05. Legally Enforceable Agreements. Each Loan Document is a legal, valid and binding obligation of Borrower and/or General Partner, as the case may be, enforceable in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

SECTION 5.06. Litigation. Except as disclosed in General Partner's SEC Reports existing as of the date hereof, there are no actions, suits or proceedings pending or, to its knowledge, threatened against Borrower, General Partner or any of their Affiliates before any court or arbitrator or any Governmental Authority reasonably likely to have a material effect on Borrower's ability to repay the Loans.

SECTION 5.07. Good Title to Properties. Borrower and each of its Affiliates have good, marketable and legal title to all of the properties and assets each of them purports to own (including, without limitation, those reflected in the December 31, 1996 financial statements referred to in Section 5.15) and only with exceptions which do not materially detract from the value of such property or assets or the use thereof in Borrower's and such Affiliate's business, and except to the extent that any such properties and assets have been encumbered or disposed of since the date of such financial statements without violating any of the covenants contained in Article VII or elsewhere in this Agreement. Borrower and its Material Affiliates enjoy peaceful and undisturbed possession of all leased property necessary in any material respect in the conduct of their respective businesses. All such leases are valid and subsisting and are in full force and effect.

SECTION 5.08. Taxes. Borrower and General Partner have filed all tax returns (federal, state and local) required to be filed and have paid all taxes, assessments and governmental charges and levies due and payable without the imposition of a penalty, including interest and penalties, except to the extent they are the subject of a Good Faith Contest.

SECTION 5.09. ERISA. Borrower and General Partner are in compliance in all material respects with all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred with respect to any Plan; no notice of intent to terminate a Plan has been filed nor has any Plan been terminated within the past five (5) years; no circumstance exists which constitutes grounds under Section 4042 of ERISA entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; Borrower, General Partner and the ERISA Affiliates have not completely or partially withdrawn under Sections 4201 or 4204 of ERISA from a Multiemployer Plan; Borrower, General Partner and the ERISA Affiliates have met the minimum funding requirements of Section 412 of the Code and Section 302 of ERISA of each with respect to the Plans of each and there is no Unfunded Current Liability with respect to any Plan established or maintained by each; and Borrower, General Partner and the ERISA Affiliates have not incurred any liability to the PBGC under ERISA (other than for the payment of premiums under Section 4007 of ERISA). No part of the funds to be used by Borrower in satisfaction of its obligations under this Agreement constitute "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the U.S. Department of Labor in rules, regulations, releases, bulletins or as interpreted under applicable case law.

SECTION 5.10. No Default on Outstanding Judgments or Orders. Borrower and General Partner have satisfied all judgments which are not being appealed and are not in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any

court, arbitrator or federal, state, municipal or other Governmental Authority, commission, board, bureau, agency or instrumentality, domestic or foreign.

SECTION 5.11. No Defaults on Other Agreements. Except as disclosed to the Bank Parties in writing or as disclosed in General Partner's SEC Reports, Borrower or General Partner, to the best of their knowledge, are not a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any partnership, trust or other restriction which is likely to result in a Material Adverse Change. To the best of their knowledge, neither Borrower nor General Partner is in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument which is likely to result in a Material Adverse Change.

SECTION 5.12. Government Regulation. Neither Borrower nor General Partner is subject to regulation under the Investment Company Act of 1940 or any statute or regulation limiting any such Person's ability to incur indebtedness for money borrowed as contemplated hereby.

SECTION 5.13. Environmental Protection. To Borrower's knowledge, except as disclosed in General Partner's SEC Reports existing as of the date hereof, none of Borrower's or its Affiliates' properties contains any Hazardous Materials that, under any Environmental Law currently in effect, (1) would impose liability on Borrower or General Partner that is likely to result in a Material Adverse Change, or (2) is likely to result in the imposition of a Lien on any assets of Borrower, General Partner or any Material Affiliates that is likely to result in a Material Adverse Change. To Borrower's knowledge, neither it, General Partner nor any Material Affiliates are in violation of, or subject to any existing, pending or threatened investigation or proceeding by any Governmental Authority under any Environmental Law that is likely to result in a Material Adverse Change.

SECTION 5.14. Solvency. Borrower and General Partner are, and upon consummation of the transactions contemplated by this Agreement, the other Loan Documents and any other documents, instruments or agreements relating thereto, will be, Solvent.

SECTION 5.15. Financial Statements. The VRT Consolidated Financial Statements most recently delivered to the Banks pursuant to the terms of this Agreement are in all material respects complete and correct and fairly present the financial condition of the subjects thereof as of the dates of and for the periods covered by such statements, all in accordance with GAAP. There has been no Material Adverse Change since the date of such most recently delivered VRT Consolidated Financial Statements.

SECTION 5.16. Valid Existence of Affiliates. Each Material Affiliate is an entity duly organized and existing in good standing under the laws of the jurisdiction of its formation. As to each Material Affiliate, its correct name, the jurisdiction of its formation, Borrower's direct or indirect percentage of beneficial interest therein, and the type of business in which it is primarily engaged, are set forth on said EXHIBIT F. Borrower and each of its Material Affiliates have the power to own their respective properties and to carry on their respective businesses now being conducted. Each Material Affiliate is duly qualified as a

foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the respective businesses conducted by it or its respective properties, owned or held under lease, make such qualification necessary and where the failure to be so qualified would have the effect of a Material Adverse Change on Borrower and its Consolidated Businesses taken as a whole.

SECTION 5.17. Insurance. Borrower and each of its Affiliates has in force paid insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated and reasonably acceptable to Administrative Agent.

SECTION 5.18. Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower to Administrative Agent or any Bank in connection with the negotiation of this Agreement or the consummation of the transactions contemplated hereby, or required herein to be furnished by or on behalf of Borrower (other than projections which are made by Borrower in good faith), contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading. There is no fact which Borrower has not disclosed to Administrative Agent and the Banks in writing or which is not included in General Partner's SEC Reports which materially affects adversely nor, so far as Borrower can now foresee, will materially affect adversely the business or financial condition of Borrower or the ability of Borrower to perform this Agreement and the other Loan Documents.

ARTICLE VI

AFFIRMATIVE COVENANTS

So long as any of the Notes shall remain unpaid or the Loan Commitments remain in effect, or any other amount is owing by Borrower to any Bank hereunder or under any other Loan Document, Borrower and General Partner shall each:

SECTION 6.01. Maintenance of Existence. Preserve and maintain its legal existence and, if applicable, good standing in the jurisdiction of organization and, if applicable, qualify and remain qualified as a foreign entity in each jurisdiction in which such qualification is required, except to the extent that failure to so qualify is not likely to result in a Material Adverse Change.

SECTION 6.02. Maintenance of Records. Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP, reflecting all of its financial transactions.

SECTION 6.03. Maintenance of Insurance. At all times, maintain and keep in force, and cause each of its Material Affiliates to maintain and keep in force, insurance with financially sound and reputable insurance companies or associations in such amounts and

covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

SECTION 6.04. Compliance with Laws; Payment of Taxes. Comply in all material respects with all Laws applicable to it or to any of its properties or any part thereof, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it, General Partner or upon any of their property, except to the extent they are the subject of a Good Faith Contest.

SECTION 6.05. Right of Inspection. At any reasonable time and from time to time upon reasonable notice, permit Administrative Agent or any Bank or any agent or representative thereof (provided that, at Borrower's request, Administrative Agent or such Bank, agent or representative must be accompanied by a representative of Borrower), to examine and make copies and abstracts from the records and books of account of, and visit the properties of, Borrower and to discuss the affairs, finances and accounts of Borrower with the independent accountants of Borrower.

SECTION 6.06. Compliance With Environmental Laws. Comply in all material respects with all applicable Environmental Laws and immediately pay or cause to be paid all costs and expenses incurred in connection with such compliance, except to the extent there is a Good Faith Contest.

SECTION 6.07. Payment of Costs. Pay all costs and expenses required for the satisfaction of the conditions of this Agreement.

SECTION 6.08. Maintenance of Properties. Do all things reasonably necessary to maintain, preserve, protect and keep its and its Affiliates' properties in good repair, working order and condition.

SECTION 6.09. Reporting and Miscellaneous Document Requirements. Furnish directly to each of the Banks:

(1) Annual Financial Statements. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, the VRT Consolidated Financial Statements as of the end of and for such Fiscal Year, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year and audited by Borrower's Accountants;

(2) Quarterly Financial Statements. As soon as available and in any event within forty-five (45) days after the end of each calendar quarter (other than the last quarter of the Fiscal Year), the unaudited VRT Consolidated Financial Statements as of the end of and for such calendar quarter, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year;

(3) Certificate of No Default and Financial Compliance. Within fifty (50) days after the end of each of the first three quarters of each Fiscal Year and within ninety-five (95) days after the end of each Fiscal Year, a certificate of the chief financial officer or treasurer of General Partner (a) stating that, to the best of his or her knowledge, no Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, specifying the nature thereof and the action which is proposed to be taken with respect thereto; (b) stating that the covenants contained in Sections 7.02 and 7.03 and in Article VIII have been complied with (or specifying those that have not been complied with) and including computations demonstrating such compliance (or non-compliance); (c) setting forth the details by property (or by pool of properties where the pool of properties secures a particular loan) of all items comprising Total Outstanding Indebtedness (including amount, maturity, interest rate and amortization requirements), Capitalization Value, Secured Indebtedness, Combined EBITDA, Unencumbered Combined EBITDA, Interest Expense, Unsecured Interest Expense and Unsecured Indebtedness; and (d) only at the end of each Fiscal Year stating Borrower's taxable income;

(4) Certificate of Borrower's Accountants. Simultaneously with the delivery of the annual financial statements required by paragraph (1) of this Section, (a) a statement of Borrower's Accountants who audited such financial statements comparing the computations set forth in the financial compliance certificate required by paragraphs (3)(b) and (d) of this Section to the audited financial statements required by paragraph (1) of this Section and (b) when the audited financial statements required by paragraph (1) of this Section have a qualified auditor's opinion, a statement of Borrower's Accountants who audited such financial statements of whether any Default or Event of Default has occurred and is continuing;

(5) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits, and proceedings before any court or arbitrator, affecting Borrower or General Partner which, if determined adversely to Borrower or General Partner is likely to result in a Material Adverse Change and which would be required to be reported in Borrower's or General Partner's SEC Reports;

(6) Notices of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a material Default or any Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken with respect thereto;

(7) Sales or Acquisitions of Assets. Promptly after the occurrence thereof, written notice of any Disposition or acquisition of assets (other than acquisitions or Dispositions of investments such as certificates of deposit, Treasury securities and money market deposits in the ordinary course of Borrower's cash management) in excess of Fifty Million Dollars ($50,000,000) together with, in the case of any acquisition of such an asset, copies of the agreements governing the acquisition and historical financial information and Borrower's projections with respect to the property acquired;

(8) Material Adverse Change. As soon as is practicable and in any event within five (5) days after knowledge of the occurrence of any event or circumstance which is likely to result in or has resulted in a Material Adverse Change and which would be required to be reported in General Partner's SEC Reports, written notice thereof;

(9) Bankruptcy of Tenants. Promptly after becoming aware of the same, written notice of the bankruptcy, insolvency or cessation of operations of any tenant in any property of Borrower or in which Borrower has an interest to which four percent (4%) or more of aggregate minimum rent payable to Borrower directly or through its Consolidated Businesses or UJVs is attributable;

(10) Offices. Thirty (30) days' prior written notice of any change in the chief executive office or principal place of business of Borrower;

(11) Environmental and Other Notices. As soon as possible and in any event within thirty (30) days after receipt, copies of all Environmental Notices received by Borrower which are not received in the ordinary course of business and which relate to a previously undisclosed situation which is likely to result in a Material Adverse Change;

(12) Insurance Coverage. Promptly, such information concerning Borrower's insurance coverage as Administrative Agent may reasonably request;

(13) Proxy Statements, Etc. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which Borrower or its Material Affiliates sends to its shareholders, and copies of all regular, periodic and special reports, and all registration statements which Borrower or its Material Affiliates files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or with any national securities exchange;

(14) Rent Rolls. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, a rent roll, tenant sales report and operating statement for each property directly or indirectly owned in whole or in part by Borrower;

(15) Capital Expenditures. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, a schedule of such Fiscal Year's capital expenditures and a budget for the next Fiscal Year's planned capital expenditures for each property directly or indirectly owned in whole or in part by Borrower;

(16) Change in Borrower's Credit Rating. Within two (2) Banking Days after any change in Borrower's Credit Rating, written notice of such change; and

(17) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower or any properties of Borrower as Administrative Agent may from time to time reasonably request.

SECTION 6.10. Management. At all times, cause Borrower or its Affiliates to provide property management and leasing services for at least seventy-five percent (75%) of the total square footage of the properties then owned, directly or indirectly, in whole or in part by Borrower.

ARTICLE VII

NEGATIVE COVENANTS

So long as any of the Notes shall remain unpaid, or the Loan Commitments remain in effect, or any other amount is owing by Borrower to Administrative Agent or any Bank hereunder or under any other Loan Document, Borrower shall not do any or all of the following:

SECTION 7.01. Mergers Etc. Merge or consolidate with (except where Borrower is the surviving entity), or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) (or enter into any agreement to do any of the foregoing).

SECTION 7.02. Investments. Make any loan or advance to any Person or purchase or otherwise acquire any capital stock, assets, obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person (any such transaction, an "Investment") if such Investment constitutes the acquisition of a minority interest in a Person (a "Minority Interest") and the amount of such Investment, together with the value of all other Minority Interests acquired after the Closing Date contributing to Equity Value, would exceed fifteen percent (15%) of Capitalization Value. A fifty percent (50%) beneficial interest in a Person, in connection with which the holder thereof exercises joint control over such Person with the holder(s) of the other fifty percent (50%) beneficial interest, shall constitute a "Minority Interest" for purposes of this Section.

SECTION 7.03. Sale of Assets. Effect a Disposition of any of its now owned or hereafter acquired assets (other than "margin stock" as defined in Regulation U), including assets in which Borrower owns a beneficial interest through its ownership of interests in joint ventures, aggregating more than twenty five percent (25%) of Capitalization Value.

ARTICLE VIII

FINANCIAL COVENANTS

So long as any of the Notes shall remain unpaid, or the Loan Commitments remain in effect, or any other amount is owing by Borrower to Administrative Agent or any Bank under this Agreement or under any other Loan Document, Borrower shall not permit or suffer:

SECTION 8.01. Equity Value. At any time, Equity Value to be less than One Billion Five Hundred Million Dollars ($1,500,000,000).

SECTION 8.02. Relationship of Total Outstanding Indebtedness to Capitalization Value. At any time, Total Outstanding Indebtedness to exceed sixty percent (60%) of Capitalization Value.

SECTION 8.03. Secured Indebtedness. At any time, Secured Indebtedness which is recourse to Borrower such that the Maximum Loan Amount is less than the sum of (1) the aggregate principal amount outstanding under all Ratable Loans and Bid Rate Loans and (2) the outstanding amount of all Letters of Credit.

SECTION 8.04. Relationship of Combined EBITDA to Interest Expense. At any time, the ratio of (1) Combined EBITDA to (2) Interest Expense, each for the most recently ended calendar quarter, to be less than 2.00 to 1.00.

SECTION 8.05. Relationship of Combined EBITDA to Total Outstanding Indebtedness. At any time, the ratio (expressed as a percentage) of (1) Combined EBITDA for the most recently ended calendar quarter, annualized (i.e., multiplied by four (4), to (2) Total Outstanding Indebtedness as of the end of such quarter, to be less than fifteen percent (15%).

SECTION 8.06. Unsecured Debt Yield. At any time, Unsecured Debt Yield to be less than twelve percent (12%).

SECTION 8.07. Relationship of Combined EBITDA to Fixed Charges. At any time, the ratio of Combined EBITDA to Fixed Charges, each for the most recently ended calendar quarter, to be less than 1.80 to 1.00.

SECTION 8.08. Relationship of Unencumbered Combined EBITDA to Unsecured Interest Expense. At any time, the ratio of Unencumbered Combined EBITDA to Unsecured Interest Expense, each for the most recently ended calendar quarter, to be less than 1.50 to 1.00.

ARTICLE IX

EVENTS OF DEFAULT

SECTION 9.01. Events of Default. Any of the following events shall be an "Event of Default":

(1) If Borrower shall: fail to pay the principal of any Notes as and when due; or fail to pay interest accruing on any Notes as and when due and such failure to pay shall continue unremedied for five (5) days after the due date of such amount; or fail to pay any fee or any other amount due under this Agreement or any other Loan Document as and when due and such failure to pay shall continue unremedied for two (2) days after notice by Administrative Agent of such failure to pay; or

(2) If any representation or warranty made by Borrower or General Partner in this Agreement or in any other Loan Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with a Loan Document shall prove to have been incorrect in any material respect on or as of the date made; or

(3) If Borrower shall fail (a) to perform or observe any term, covenant or agreement contained in Article VII or Article VIII; or (b) to perform or observe any term, covenant or agreement contained in this Agreement (other than obligations specifically referred to elsewhere in this Section 9.01) and such failure shall remain unremedied for thirty (30) consecutive calendar days after notice thereof; provided, however, that if any such default under clause (b) above cannot by its nature be cured within such thirty (30) day grace period and so long as Borrower shall have commenced cure within such thirty (30) day grace period and shall, at all times thereafter, diligently prosecute the same to completion, Borrower shall have an additional period to cure such default; in no event, however, is the foregoing intended to effect an extension of the Maturity Date; or

(4) If Borrower or General Partner shall fail (a) to pay any Debt (other than the payment obligations described in paragraph (1) of this Section) in an amount equal to or greater than Ten Million Dollars ($10,000,000) when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) after the expiration of any applicable grace period, or (b) to perform or observe any material term, covenant, or condition under any agreement or instrument relating to any such Debt, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, after the giving of notice or the lapse of time, or both (other than in cases where, in the judgment of the Required Banks, meaningful discussions likely to result in (i) a waiver or cure of the failure to perform or observe, or (ii) otherwise averting such acceleration are in progress between Borrower and the obligee of such Debt), the maturity of such Debt, or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled or otherwise required prepayment), prior to the stated maturity thereof; or

(5) If any of Borrower, General Partner or any Affiliate of Borrower to which One Hundred Million Dollars ($100,000,000) or more of Capitalization Value is attributable, shall: (a) generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (b) make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (c) commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed or unstayed for a period of sixty (60) days or more; or (e) be the subject of any proceeding under which all or a substantial part of its assets may be subject to seizure, forfeiture or divestiture; or (f) by any act or omission indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (g) suffer any such custodianship, receivership or trusteeship for all or any substantial part of its property, to continue undischarged for a period of sixty (60) days or more; or

(6) If one or more judgments, decrees or orders for the payment of money in excess of Ten Million Dollars ($10,000,000) in the aggregate shall be rendered against Borrower or General Partner, and any such judgments, decrees or orders shall continue unsatisfied and in effect for a period of thirty (30) consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

(7) If any of the following events shall occur or exist with respect to Borrower, General Partner, or any ERISA Affiliate: (a) any Prohibited Transaction involving any Plan; (b) any Reportable Event with respect to any Plan: (c) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (d) any event or circumstance which might constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; or (e) complete or partial withdrawal under Section 4201 or 4204 of ERISA from a Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan; and in each case above, if such event or conditions, if any, could in the opinion of any Bank subject Borrower, General Partner or any ERISA Affiliate to any tax, penalty, or other liability to a Plan, Multiemployer Plan, the PBGC or otherwise (or any combination thereof) which in the aggregate exceeds or may exceed Fifty Thousand Dollars ($50,000); or

(8) If at any time General Partner is not a qualified real estate investment trust under Sections 856 through 860 of the Code or is not listed on the New York Stock Exchange; or

(9) If at any time Borrower or General Partner constitutes plan assets for ERISA purposes (within the meaning of C.F.R. ss.2510.3-101).

SECTION 9.02. Remedies. If any Event of Default shall occur and be continuing, Administrative Agent shall, upon request of the Required Banks, by notice to Borrower, (1) declare the unpaid balance of the Notes, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon such balance, all such interest, and all such amounts due under this Agreement shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower; and/or (2) exercise any remedies provided in any of the Loan Documents or by law.

ARTICLE X

ADMINISTRATIVE AGENT; RELATIONS AMONG BANKS

SECTION 10.01. Appointment, Powers and Immunities of Administrative Agent. Each Bank hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Loan Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Loan Document, together with such other powers as are reasonably incidental thereto. Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Loan Document or required by law, and shall not by reason of this Agreement be a fiduciary or trustee for any Bank except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds (nor shall Administrative Agent have any fiduciary duty to Borrower nor shall any Bank have any fiduciary duty to Borrower or to any other Bank). Administrative Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Loan Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any Lien securing the Obligations or for any failure by Borrower to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct. Borrower shall pay any fee agreed to by Borrower and Administrative Agent with respect to Administrative Agent's services hereunder. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent agrees with the Banks that Administrative Agent shall perform its obligations under this Agreement in good faith according to the same standard of care as that customarily exercised by it in administering its own revolving credit loans.

SECTION 10.02. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Bank as the holder of the Loan made by it for all purposes hereof and shall not be required to deal with any Person who has acquired a participation in any Loan or participation from a Bank. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and any other holder of all or any portion of any Loan or participation.

SECTION 10.03. Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or Event of Default unless Administrative Agent has received notice from a Bank or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to the Banks. Administrative Agent, following consultation with the Banks, shall (subject to Section 10.07) take such action with respect to such Default or Event of Default which is continuing as shall be directed by the Required Banks; provided that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Banks; and provided further that Administrative Agent shall not send a Notice of Default or acceleration to Borrower without the approval of the Required Banks. In no event shall Administrative Agent be required to take any such action which it determines to be contrary to law.

SECTION 10.04. Rights of Administrative Agent as a Bank. With respect to its Loan Commitment and the Loan provided by it, Administrative Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as Administrative Agent, and the term "Bank" or "Banks" shall include Administrative Agent in its capacity as a Bank. Administrative Agent and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with Borrower (and any Affiliates of Borrower) as if it were not acting as Administrative Agent.

SECTION 10.05. Indemnification of Administrative Agent. Each Bank agrees to indemnify Administrative Agent (to the extent not reimbursed under Section 12.04 or under the applicable provisions of any other Loan Document, but without limiting the obligations of Borrower under Section 12.04 or such provisions), for its Pro Rata Share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Administrative Agent in any way relating to or arising out of this Agreement,

any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 12.04) or under the applicable provisions of any other Loan Document or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided that no Bank shall be liable for (1) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified, (2) any loss of principal or interest with respect to Administrative Agent's Loan or (3) any loss suffered by Administrative Agent in connection with a swap or other interest rate hedging arrangement entered into with Borrower.

SECTION 10.06. Non-Reliance on Administrative Agent and Other Banks. Each Bank agrees that it has, independently and without reliance on Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrower and the decision to enter into this Agreement and that it will, independently and without reliance upon Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Loan Document. Administrative Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or to inspect the properties or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of Borrower (or any Affiliate of Borrower) which may come into the possession of Administrative Agent or any of its Affiliates. Administrative Agent shall not be required to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein, for record or give notice of this Agreement, any other Loan Document or any document or instrument referred to herein or therein, to anyone.

SECTION 10.07. Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of the Banks under Section 10.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

SECTION 10.08. Resignation or Removal of Administrative Agent. Administrative Agent shall have the right to resign at any time. Administrative Agent may be removed at any time with cause by the Required Banks, provided that Borrower and the other Banks shall be promptly notified thereof. Upon any such removal or resignation, the Required Banks shall have the right to appoint a successor Administrative Agent which successor Administrative Agent, so long as it is reasonably acceptable to the Required Banks, shall be that Bank then having the greatest Loan Commitment. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within thirty (30) days after the Required Banks' removal of the retiring Administrative Agent, then the

retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be one of the Banks. The Required Banks or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Banks. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's removal hereunder as Administrative Agent, the provisions of this Article X shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

SECTION 10.09. Amendments Concerning Agency Function. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Loan Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

SECTION 10.10. Liability of Administrative Agent. Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Bank to perform its obligations hereunder or to any Bank on account of the failure of Borrower to perform its obligations hereunder or under any other Loan Document.

SECTION 10.11. Transfer of Agency Function. Without the consent of Borrower or any Bank, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and the Banks thereof.

SECTION 10.12. Non-Receipt of Funds by Administrative Agent. Unless Administrative Agent shall have received notice from a Bank or Borrower (either one as appropriate being the "Payor") prior to the date on which such Bank is to make payment hereunder to Administrative Agent of the proceeds of a Loan or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the customary rate set by Administrative Agent for the correction of errors among Banks for three (3) Banking Days and thereafter at the Base Rate.

SECTION 10.13. Withholding Taxes. Each Bank represents at all times during the term of this Agreement that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent and Borrower such forms, certifications, statements and other documents as Administrative Agent or Borrower may request from time to time to evidence such Bank's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent or Borrower to comply with any applicable Laws or regulations relating thereto. Without limiting the effect of the foregoing, if any Bank is not created or organized under the laws of the United States of America or any state thereof, such Bank will furnish to Administrative Agent and Borrower a United States Internal Revenue Service Form 4224 in respect of all payments to be made to such Bank by Borrower or Administrative Agent under this Agreement or any other Loan Document or a United States Internal Revenue Service Form 1001 establishing such Bank's complete exemption from United States withholding tax in respect of payments to be made to such Bank by Borrower or Administrative Agent under this Agreement or any other Loan Document, or such other forms, certifications, statements or documents, duly executed and completed by such Bank as evidence of such Bank's exemption from the withholding of U.S. tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Bank in respect of any Loan or participation or such Bank's Loan Commitment or obligation to purchase participations until such Bank shall have furnished to Administrative Agent and Borrower the requested form, certification, statement or document.

SECTION 10.14. Minimum Commitment by UBS. Subsequent to the Closing Date, UBS hereby agrees to maintain a Loan Commitment in an amount no less than Seventy Five Million Dollars ($75,000,000) for so long as (1) no Event of Default exists under this Agreement and (2) UBS remains as Administrative Agent, and further agrees to hold and not to participate or assign any of such amount other than an assignment to a Federal Reserve Bank or to the Parent or a majority-owned subsidiary of UBS.

SECTION 10.15. Pro Rata Treatment. Except to the extent otherwise provided, (1) each advance of proceeds of the Ratable Loans shall be made by the Banks, (2) each reduction of the amount of the Total Loan Commitment under Section 2.15 shall be applied to the Loan Commitments of the Banks and (3) each payment of the commitment fee accruing under Section 2.07(a) shall be made for the account of the Banks, ratably according to the amounts of their respective Loan Commitments.

SECTION 10.16. Sharing of Payments Among Banks. If a Bank shall obtain payment of any principal of or interest on any Loan made by it through the exercise of any right of setoff, banker's lien, counterclaim, or by any other means (including direct payment), and such payment results in such Bank receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to the Banks, then such Bank shall promptly purchase for cash from the other Banks participations in the Loans made by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable to the end that all the Banks shall share ratably the benefit of such payment. To such end the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Borrower agrees that any Bank so purchasing a participation in the Loans made by other Banks

may exercise all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness of Borrower.

SECTION 10.17. Possession of Documents. Each Bank shall keep possession of its own Ratable Loan Note. Administrative Agent shall hold all the other Loan Documents and related documents in its possession and maintain separate records and accounts with respect thereto, and shall permit the Banks and their representatives access at all reasonable times to inspect such Loan Documents, related documents, records and accounts.

ARTICLE XI

NATURE OF OBLIGATIONS

SECTION 11.01. Absolute and Unconditional Obligations. Borrower and General Partner acknowledge and agree that their obligations and liabilities under this Agreement and under the other Loan Documents shall be absolute and unconditional irrespective of: (1) any lack of validity or enforceability of any of the Obligations, any Loan Documents, or any agreement or instrument relating thereto; (2) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from any Loan Documents or any other documents or instruments executed in connection with or related to the Obligations; (3) any exchange or release of any collateral, if any, or of any other Person from all or any of the Obligations; or (4) any other circumstances which might otherwise constitute a defense available to, or a discharge of, Borrower, General Partner or any other Person in respect of the Obligations.

The obligations and liabilities of Borrower and General Partner under this Agreement and other Loan Documents shall not be conditioned or contingent upon the pursuit by any Bank or any other Person at any time of any right or remedy against Borrower, General Partner or any other Person which may be or become liable in respect of all or any part of the Obligations or against any collateral or security or guarantee therefor or right of setoff with respect thereto.

SECTION 11.02. Non-Recourse to VRT Principals. This Agreement and the obligations hereunder and under the Loan Documents are fully recourse to Borrower and General Partner. Notwithstanding anything to the contrary contained in this Agreement, in any of the other Loan Documents, or in any other instruments, certificates, documents or agreements executed in connection with the Loans (all of the foregoing, for purposes of this Section, hereinafter referred to, individually and collectively, as the "Relevant Documents"), no recourse under or upon any Obligation, representation, warranty, promise or other matter whatsoever shall be had against any of the VRT Principals, and each Bank expressly waives and releases, on behalf of itself and its successors and assigns, all right to assert any liability whatsoever under or with respect to the Relevant Documents against, or to satisfy any claim or obligation arising thereunder against, any of the VRT Principals or out of any assets of the VRT Principals,

provided, however, that nothing in this Section shall be deemed to: (1) release Borrower or General Partner from any personal liability pursuant to, or from any of its respective obligations under, the Relevant Documents, or from personal liability for its fraudulent actions or fraudulent omissions; (2) release any VRT Principals from personal liability for its or his own fraudulent actions or fraudulent omissions; (3) constitute a waiver of any obligation evidenced or secured by, or contained in, the Relevant Documents or affect in any way the validity or enforceability of the Relevant Documents; or (4) limit the right of Administrative Agent and/or the Banks to proceed against or realize upon any collateral hereafter given for the Loans or any and all of the assets of Borrower or General Partner (notwithstanding the fact that the VRT Principals have an ownership interest in Borrower or General Partner and, thereby, an interest in the assets of Borrower or General Partner) or to name Borrower or General Partner (or, to the extent that the same are required by applicable law or are determined by a court to be necessary parties in connection with an action or suit against Borrower, General Partner or any collateral hereafter given for the Loans, any of the VRT Principals) as a party defendant in, and to enforce against any collateral hereafter given for the Loans and/or assets of Borrower or General Partner any judgment obtained by Administrative Agent and/or the Banks with respect to, any action or suit under the Relevant Documents so long as no judgment shall be taken (except to the extent taking a judgment is required by applicable law or determined by a court to be necessary to preserve Administrative Agent's and/or Banks' rights against any collateral hereafter given for the Loans or Borrower or General Partner, but not otherwise) or shall be enforced against the VRT Principals or their assets.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. Binding Effect of Request for Advance. Borrower agrees that, by its acceptance of any advance of proceeds of the Loans under this Agreement, it shall be bound in all respects by the request for advance submitted on its behalf in connection therewith with the same force and effect as if Borrower had itself executed and submitted the request for advance and whether or not the request for advance is executed and/or submitted by an authorized person.

SECTION 12.02. Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Loan Document nor consent to any material departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Banks and, solely for purposes of its acknowledgment thereof, Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks do any of the following: (1) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any Loan Document; (2) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees due hereunder or under any Loan Document; (3) change the definition of Required Banks; (4) amend this Section or any other provision requiring the consent of all the Banks; (5) waive any default under paragraph (5) of

Section 9.01; (6) increase the Total Loan Commitment; or (7) release the Guaranty. Any advance of proceeds of the Loans made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Administrative Agent and the Banks, shall not constitute a waiver of the requirement that all conditions, including the non-performed conditions, shall be required with respect to all future advances. No failure on the part of Administrative Agent or any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. All communications from Administrative Agent to the Banks requesting the Banks' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Bank, (ii) shall be accompanied by a description of the matter or thing as to which such determination, approval, consent or disapproval is requested and (iii) shall include Administrative Agent's recommended course of action or determination in respect thereof. Each Bank shall reply promptly, but in any event within fifteen (15) Banking Days (or five (5) Banking Days with respect to any decision to accelerate or stop acceleration of the Loan) after receipt of the request therefor by Administrative Agent (the "Bank Reply Period"). Unless a Bank shall give written notice to Administrative Agent that it objects to the recommendation or determination of Administrative Agent (together with a written explanation of the reasons behind such objection) within the Bank Reply Period, such Bank shall be deemed to have approved or consented to such recommendation or determination.

SECTION 12.03. Usury. Anything herein to the contrary notwithstanding, the obligations of Borrower under this Agreement and the Notes shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to a Bank limiting rates of interest which may be charged or collected by such Bank.

SECTION 12.04. Expenses; Indemnification. Borrower agrees to reimburse Administrative Agent on demand for all costs, expenses, and charges (including, without limitation, all reasonable fees and charges of engineers, appraisers and external legal counsel) incurred by Administrative Agent in connection with the Loans and to reimburse each of the Banks for reasonable legal costs, expenses and charges incurred by each of the Banks in connection with the performance or enforcement of this Agreement, the Notes, or any other Loan Documents; provided, however, that Borrower is not responsible for costs, expenses and charges incurred by the Bank Parties in connection with the administration or syndication of the Loans (other than any administration fee payable to Administrative Agent). Borrower agrees to indemnify Administrative Agent and each Bank and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of (x) any claims by brokers due to acts or omissions by Borrower, or (y) any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of the Loans, including without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

The obligations of Borrower under this Section shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loans.

SECTION 12.05. Assignment; Participation. This Agreement shall be binding upon, and shall inure to the benefit of, Borrower, Administrative Agent, the Banks and their respective successors and permitted assigns. Borrower may not assign or transfer its rights or obligations hereunder.

Any Bank or its Designated Lender may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Loan (the "Participations"). In the event of any such grant by a Bank of a participating interest to a Participant, whether or not Borrower or Administrative Agent was given notice, such Bank shall remain responsible for the performance of its obligations hereunder, and Borrower and Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations hereunder. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Loan Document including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clauses (1) through (7) of Section 12.02 without the consent of the Participant.

Subject to the provisions of Section 10.14, any Bank may at any time assign to any bank or other institution with the acknowledgment of Administrative Agent and the consent of UBS and, provided there exists no Event of Default, of Borrower, which consents shall not be unreasonably withheld or delayed (such assignee, a "Consented Assignee"), or to one or more banks or other institutions which are majority owned subsidiaries of a Bank or to the Parent of a Bank (each Consented Assignee or subsidiary bank or institution, an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and its Note, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and the assigning Bank, provided that, in each case, after giving effect to such assignment the Assignee's Loan Commitment and, in the case of a partial assignment, the assigning Bank's Loan Commitment, each will be equal to or greater than Fifteen Million Dollars ($15,000,000). Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the Bank of an amount equal to the purchase price agreed between the Bank and such Assignee and (iii) payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of Two Thousand Five Hundred Dollars ($2,500), such Assignee shall be a Bank Party to this Agreement and shall have all the rights and obligations of a Bank as set forth in such Assignment and Assumption Agreement, and the assigning Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph, substitute Ratable Loan Notes shall be issued to the assigning Bank (in the case of a partial assignment) and Assignee by Borrower, in exchange for

the return of the original Ratable Loan Note of the assigning Bank. The obligations evidenced by such substitute notes shall constitute "Obligations" for all purposes of this Agreement and the other Loan Documents. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 10.13. Each Assignee shall be deemed to have made the representations contained in, and shall be bound by the provisions of, Section 10.13.

Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

Borrower recognizes that in connection with a Bank's selling of Participations or making of assignments, any or all documentation, financial statements and other data, or copies thereof, relevant to Borrower or the Loans may be exhibited to and retained by any such Participant or assignee or prospective Participant or assignee. In connection with a Bank's delivery of any financial statements and appraisals to any such Participant or assignee or prospective Participant or assignee, such Bank shall also indicate that the same are delivered on a confidential basis. Borrower agrees to provide all assistance reasonably requested by a Bank to enable such Bank to sell Participations or make assignments of its Loan as permitted by this Section. Each Bank agrees to provide Borrower with notice of all Participations sold by such Bank.

SECTION 12.06. Documentation Satisfactory. All documentation required from or to be submitted on behalf of Borrower in connection with this Agreement and the documents relating hereto shall be subject to the prior approval of, and be satisfactory in form and substance to, Administrative Agent, its counsel and, where specifically provided herein, the Banks. In addition, the persons or parties responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and its counsel and the Banks.

SECTION 12.07. Notices. Unless the party to be notified otherwise notifies the other parties in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be given to Administrative Agent by telephone, confirmed by writing, and to the Banks and to Borrower and General Partner by ordinary mail or overnight courier or telecopy, receipt confirmed, addressed to such party at its address on the signature page of this Agreement. Notices shall be effective: (1) if by telephone, at the time of such telephone conversation, (2) if given by mail, three (3) days after mailing; (3) if given by overnight courier, upon receipt; and (4) if given by telecopy, upon receipt.

SECTION 12.08. Setoff. To the extent permitted or not expressly prohibited by applicable law, Borrower and General Partner agree that, in addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of Borrower or General Partner at any of such Bank's offices, in

Dollars or in any other currency, against any amount payable by Borrower or General Partner to such Bank under this Agreement or such Bank's Note, or any other Loan Document which is not paid when due (regardless of whether such balances are then due to Borrower or General Partner), in which case it shall promptly notify Borrower, General Partner and Administrative Agent thereof; provided that such Bank's failure to give such notice shall not affect the validity thereof. Payments by Borrower or General Partner hereunder or under the other Loan Documents shall be made without setoff or counterclaim.

SECTION 12.09. Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

SECTION 12.10. Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

SECTION 12.11. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

SECTION 12.12. Integration. The Loan Documents set forth the entire agreement among the parties hereto relating to the transactions contemplated thereby (except with respect to agreements relating solely to compensation, consideration and the coordinated syndication of the Loan) and supersede any prior oral or written statements or agreements with respect to such transactions.

SECTION 12.13. Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York.

SECTION 12.14. Waivers. To the extent permitted or not expressly prohibited by applicable law, in connection with the obligations and liabilities as aforesaid, Borrower and General Partner hereby waive: (1) promptness and diligence; (2) notice of any actions taken by any Bank Party under this Agreement, any other Loan Document or any other agreement or instrument relating thereto except to the extent otherwise provided herein; (3) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving Borrower or General Partner of their obligations hereunder; (4) any requirement that any Bank Party protect, secure, perfect or insure any Lien on any collateral or exhaust any right or take any action against Borrower, General Partner or any other Person or any collateral; (5) any right or claim of right to cause a marshalling of the assets of Borrower or General Partner; and (6) all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the

Federal Bankruptcy Code) or otherwise by reason of payment by Borrower or General Partner, either jointly or severally, pursuant to this Agreement or other Loan Documents.

SECTION 12.15. Jurisdiction; Immunities. Borrower, General Partner, Administrative Agent and each Bank hereby irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in New York City over any action or proceeding arising out of or relating to this Agreement, the Notes or any other Loan Document. Borrower, General Partner, Administrative Agent, and each Bank irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York State or United States Federal court. Borrower, General Partner, Administrative Agent, and each Bank irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to Borrower, General Partner, Administrative Agent or each Bank, as the case may be, at the addresses specified herein. Borrower, General Partner, Administrative Agent and each Bank agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Borrower, General Partner, Administrative Agent and each Bank further waive any objection to venue in the State of New York and any objection to an action or proceeding in the State of New York on the basis of forum non conveniens. Borrower, General Partner, Administrative Agent and each Bank agree that any action or proceeding brought against Borrower, General Partner, Administrative Agent or any Bank, as the case may be, shall be brought only in a New York State court sitting in New York City or a United States Federal court sitting in New York City, to the extent permitted or not expressly prohibited by applicable law.

Nothing in this Section shall affect the right of Borrower, General Partner, Administrative Agent or any Bank to serve legal process in any other manner permitted by law.

To the extent that Borrower, General Partner, Administrative Agent or any Bank have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Borrower, General Partner, Administrative Agent and each Bank hereby irrevocably waive such immunity in respect of its obligations under this Agreement, the Notes and any other Loan Document.

BORROWER, GENERAL PARTNER, ADMINISTRATIVE AGENT AND EACH BANK WAIVE ANY RIGHT EACH SUCH PARTY MAY HAVE TO JURY TRIAL IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT WITH RESPECT TO THIS AGREEMENT, THE NOTES OR THE LOAN. IN ADDITION, BORROWER AND GENERAL PARTNER HEREBY WAIVE, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS WITH RESPECT TO THE NOTES, ANY RIGHT BORROWER OR GENERAL PARTNER MAY HAVE TO (1) TO THE EXTENT PERMITTED OR NOT EXPRESSLY PROHIBITED BY APPLICABLE LAW, INTERPOSE ANY COUNTERCLAIM THEREIN (OTHER THAN A COUNTERCLAIM THAT IF NOT BROUGHT IN THE SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS COULD NOT BE BROUGHT IN A SEPARATE SUIT, ACTION OR PROCEEDING OR WOULD BE

SUBJECT TO DISMISSAL OR SIMILAR DISPOSITION FOR FAILURE TO HAVE BEEN ASSERTED IN SUCH SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS) OR (2) TO THE EXTENT PERMITTED OR NOT EXPRESSLY PROHIBITED BY APPLICABLE LAW, HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING HEREIN CONTAINED SHALL PREVENT OR PROHIBIT BORROWER OR GENERAL PARTNER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR THE BANKS WITH RESPECT TO ANY ASSERTED CLAIM.

SECTION 12.16. Designated Lender. Any Bank (other than a Bank which is such solely because it is a Designated Lender) (each, a "Designating Lender") may at any time designate one (1) Designated Lender to fund Bid Rate Loans on behalf of such Designating Lender subject to the terms of this Section and the provisions in Section 12.05 shall not apply to such designation. No Bank may designate more than one (1) Designated Lender. The parties to each such designation shall execute and deliver to Administrative Agent for its acceptance a Designation Agreement. Upon such receipt of an appropriately completed Designation Agreement executed by a Designating Lender and a designee representing that it is a Designated Lender, Administrative Agent will accept such Designation Agreement and give prompt notice thereto to Borrower, whereupon, (i) from and after the "Effective Date" specified in the Designation Agreement, the Designated Lender shall become a party to this Agreement with a right to make Bid Rate Loans on behalf of its Designating Lender pursuant to Section 2.02 after Borrower has accepted the Bid Rate Quote of the Designating Lender and (ii) the Designated Lender shall not be required to make payments with respect to any obligations in this Agreement except to the extent of excess cash flow of such Designated Lender which is not otherwise required to repay obligations of such Designated Lender which are then due and payable; provided, however, that regardless of such designation and assumption by the Designated Lender, the Designating Lender shall be and remain obligated to Borrower, Administrative Agent and the Banks for each and every of the obligations of the Designating Lender and its related Designated Lender with respect to this Agreement, including, without limitation, any indemnification obligations under Section 10.05. Each Designating Lender shall serve as the administrative agent of its Designated Lender and shall on behalf of, and to the exclusion of, the Designated Lender: (i) receive any and all payments made for the benefit of the Designated Lender and (ii) give and receive all communications and notices and take all actions hereunder, including, without limitation, votes, approvals, waivers and consents under or relating to this Agreement and the other Loan Documents. Any such notice, communication, vote, approval, waiver or consent shall be signed by the Designating Lender as administrative agent for the Designated Lender and shall not be signed by the Designated Lender on its own behalf, but shall be binding on the Designated Lender to the same extent as if actually signed by the Designated Lender. Borrower, Administrative Agent and the Banks may rely thereon without any requirement that the Designated Lender sign or acknowledge the same. No Designated Lender may assign or transfer all or any portion of its interest hereunder or under any other Loan Document, other than assignments to the Designating Lender which originally designated such Designated Lender.

SECTION 12.17. No Bankruptcy Proceedings. Each of Borrower, the Banks and Administrative Agent hereby agrees that it will not institute against any Designated Lender or join any other Person in instituting against any Designated Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any federal or state bankruptcy or similar law, for one (1) year and one (1) day after the payment in full of the latest maturing commercial paper note issued by such Designated Lender.

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

VORNADO REALTY L.P.,
a Delaware limited partnership

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

By_____
Name: Joseph Macnow
Title: Executive Vice President

VORNADO REALTY TRUST,
a Maryland real estate investment trust

By_____
Name: Joseph Macnow
Title: Executive Vice President

Address for Notices for both:

Park 80 West
Plaza II
Saddle Brook, New Jersey 07663

Attention: Steven Roth, Chairman and
Joseph Macnow, Executive Vice
President

Telephone: (201) 587-1000
Telecopy: (201) 587-0600

with copies to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004

Attention: Alan Sinsheimer, Esq.

Telephone: (212) 558-4000
Telecopy: (212) 558-3588

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

By_____
Name: Joseph Bassil
Title: Director

By_____
Name: Albert Rabil, III
Title: Managing Director

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

299 Park Avenue
38th Floor
New York, New York 10171-0026

Attention: Real Estate Finance and Mara Martez

Telephone: (212) 821-3872
Telecopy: (212) 821-3943

with copies to:

Dewey Ballantine LLP
1301 Avenue of the Americas
New York, New York 10019

Attention: George C. Weiss

Telephone: (212) 259-7320
Telecopy: (212) 259-6333

FLEET BANK, NATIONAL ASSOCIATION
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Fleet Bank, National Association
1133 Avenue of the Americas
40th Floor
New York, New York 10036

Attention: Mr. Stephen M. Soled

Telephone: (212) 703-1933
Telecopy: (212) 703-1807

BAYERISCHE LANDESBANK CAYMAN
ISLANDS BRANCH
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Bayerische Landesbank Cayman Islands Branch
560 Lexington Avenue
New York, New York 10022

Attention: Mr. John Wain

Telephone: (212) 310-9829
Telecopy: (212) 310-9868

SOCIETE GENERALE, SOUTHWEST AGENCY
(as Bank)

By_____
Name:
Title:

Applicable Lending Office for Base Rate Loan and LIBOR Loan:

Societe General, New York
1221 Avenue of the Americas
New York, New York 10020

Address for Notices for Base Rate Loan and LIBOR Loan:

Societe Generale, Southwest Agency
2001 Ross Avenue
Suite 4900
Dallas, Texas 75201

Attention: Mr. Jeffrey A. Etter

Telephone: (214) 979-2746
Telecopy: (214) 979-2727

PNC BANK, NATIONAL ASSOCIATION
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

PNC Bank, National Association
345 Park Avenue
29th Floor
New York, New York 10154

Attention: Mr. Dan Sefcik

Telephone: (212) 409-3715
Telecopy: (212) 409-3737

CREDIT LYONNAIS NEW YORK BRANCH
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Credit Lyonnais New York Branch
1301 Avenue of the Americas
New York, New York 10019

Attention: Mr. Matt O'Hara

Telephone: (212) 261-7820
Telecopy: (212) 261-7890

KREDIETBANK, N.V.
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Kredietbank N.V.
125 West 55th Street
New York, New York 10019

Attention: Mr. Frank Payne

Telephone: (212) 541-0723
Telecopy: (212) 541-0793

DRESDNER BANK AG, NEW YORK BRANCH
AND GRAND CAYMAN BRANCH
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Applicable Lending Office for Base Rate Loan and LIBOR Loan:

Dresdner Bank AG, New York
Branch and Grand Cayman Branch

Address for Notices for Base Rate Loan and LIBOR Loan:

75 Wall Street
25th Floor
New York, New York 10005

Attention: Mr. Michael Seton

Telephone: (212) 429-3277
Telecopy: (212) 429-2781

COMMERZBANK AG, NEW YORK BRANCH
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Commerzbank AG
New York Branch
2 World Financial Center
New York, New York 10281

Attention: David Schwarz/Christine Finkel

Telephone: (212) 266-7632/7375
Telecopy: (212) 266-7530

DG BANK DEUTSCHE
GENOSSENSCHAFTBANK,
CAYMAN ISLAND BRANCH
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

DG Bank Deutsche Genossenschaftbank,
Cayman Island Branch
609 Fifth Avenue
New York, New York 10017

Attention: Ms. Linda J. O'Connell

Telephone: (212) 745-1586
Telecopy: (212) 745-1556

THE BANK OF NEW YORK
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

The Bank of New York
One Wall Street
21st Floor
New York, New York 10286

Attention: Ms. Maria Kastanis

Telephone: (212) 635-7519
Telecopy: (212) 809-9526

CITICORP REAL ESTATE, INC.
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

399 Park Avenue
3rd Floor/Zone 2
New York, New York 10043

Attention: Mr. G. Mark Brown

Telephone: (212) 559-8270
Telecopy: (212) 793-5602

THE SUMITOMO BANK, LIMITED
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

The Sumitomo Bank, Limited
277 Park Avenue
6th Floor
New York, New York 10172

Attention: Mr. Anthony Mugno

Telephone: (212) 224-4170
Telecopy: (212) 224-4887

THE SUMITOMO TRUST & BANKING
CO., LTD.
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

The Sumitomo Trust & Banking Co., Ltd.
New York Branch
527 Madison Avenue
New York, New York 10022

Attention: Ms. Annette Colletti

Telephone: (212) 326-0740
Telecopy: (212) 418-4848

and

The Sumitomo Trust & Banking Co., Ltd.
New York Branch
527 Madison Avenue
New York, New York 10022

Attention: Naoya Takeuchi

Telephone: (212) 418-4803
Telecopy: (212) 418-4848

SUMMIT BANK
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Summit Bank
Commercial Real Estate Department
750 Walnut Avenue
Cranford, New Jersey 07106

Attention: Mr. Greg Haines

Telephone: (908) 709-6079
Telecopy: (908) 709-6440

BAYERISCHE HYPOTHEKEN- UND
WECHSEL-BANK AKTIENGESELLSCHAFT
(New York Branch)
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

Financial Square
32 Old Slip
32nd Floor
New York, New York 10005

Attention: Mr. Peter Hannigan

Telephone: (212) 440-0757
Telecopy: (212) 440-0824

THE CHASE MANHATTAN BANK
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

380 Madison Avenue
10th Floor
New York, New York 10017

Attention: Ms. Sharon Harris

Telephone: (212) 622-3208
Telecopy: (212) 622-3397

NATIONSBANK
(as Bank)

By_____
Name:
Title:

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

NationsBank
8300 Greensboro Drive
Suite 300
McLean, Virginia 22102

Attention: Mr. Terence Hatton and
Ms. Eleanor Mitchell Wharton

Telephone: (703) 761-8149
Telecopy: (703) 761-8179

BANK OF BOSTON
(as Bank)

By_____
Name:
Title:

Address for Notices and Applicable Lending Office
for Base Rate Loan and LIBOR Loan:

100 Federal Street
(01-32-05)
Boston, Massachusetts 02110

Attention: Ms. Cathy Camarda

Telephone: (617) 434-2297
Telecopy: (617) 434-1337

EXHIBIT 12

VORNADO REALTY TRUST

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES AND
COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDEND REQUIREMENTS

	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1993
Income from continuing operations before income taxes	$ 45,474	$61,364	$53,008	$41,240	$25,386
Fixed charges	59,104	17,214	17,333	16,229	31,892
Income from continuing operations before income taxes and fixed charges	$104,578	$78,578	$70,341	$57,469	$57,278
Fixed charges:					
Interest and debt expense	42,888	$16,726	$16,426	$14,209	$31,155
Preferred stock dividends	15,549	--	--	--	--
1/3 of rent expense -- interest factor	667	488	465	438	455
	59,104	17,214	16,891	14,647	31,610
Capitalized interest	--	--	442	1,582	282
	$ 59,104	$17,214	$17,333	$16,229	$31,892
Ratio of earnings to fixed charges	1.76	4.56	4.06	3.54	1.80

Note: For purposes of this calculation, earnings before fixed charges consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense on all indebtedness (including amortization of deferred debt issuance costs) preferred stock dividends and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one third of operating lease rentals).

Rent Expense	$ 2,001	$ 1,465	$ 1,395	$ 1,313	$ 1,366

EXHIBIT 21

VORNADO REALTY TRUST
SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
150 East 58th Street L.L.C.	New York
1740 Broadway Associates L.P.	Delaware
20 Broad Lender L.L.C.	New York
201 East 66th Street Corp.	New York
201 East 66th Street L.L.C.	New York
330 Madison Company	New York
40 East 14 Realty Associates L.L.C.	New York
401 Commercial Son, L.L.C.	Delaware
401 Commercial, L.P.	Delaware
401 General Partner, L.L.C.	Delaware
401 Hotel General Partner, L.L.C.	Delaware
401 Hotel, L.P.	Delaware
570 Lexington Associates, L.P.	New York
570 Lexington Company, L.P.	New York
825 Seventh Avenue Holding L.L.C.	New York
866 U.N. Plaza Associates L.L.C.	New York
909 Third Avenue Assignee L.L.C.	New York
Americold Corporation	Oregon
Americold Services Corporation	Delaware
Amherst Holding L.L.C.	New York
Amherst Industries L.L.C.	New York
Arbor Property, L.P.	Delaware
Atlanta Parent, Inc.	Delaware
Atlantic City Holding L.L.C.	New Jersey
B&B Park Avenue L.P.	Delaware
Bensalem Holding Company L.L.C.	Pennsylvania
Bensalem Holding Company L.P.	Pennsylvania
Bethlehem Holding Company L.L.C.	Pennsylvania
Bethlehem Holding Company L.P.	Pennsylvania
Bethlehem Properties Holding Company L.L.C.	Pennsylvania
Bethlehem Properties Holding Company L.P.	Pennsylvania
Bordentown Holding L.L.C.	New Jersey
Brentwood Development L.L.C.	New York
Bridgeland Warehouses L.L.C.	New Jersey
Camden Holding L.L.C.	New Jersey
Charles E. Smith Commercial Realty L.P.	Delaware
Chicopee Holding L.L.C.	Massachusetts
Clementon Holding L.L.C.	New Jersey
Cumberland Holding L.L.C.	New Jersey
Darby Development Corp.	Florida
Delran Holding L.L.C.	New Jersey
Dover Holding L.L.C.	New Jersey
DSAC L.L.C.	Texas
DUN L.L.C.	Maryland
Durham Leasing L.L.C.	New Jersey
EH L.L.C.	Maryland

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
Eleven Penn Plaza L.L.C.	New York
Evesham Holding L.L.C.	New Jersey
Gallery Market Holding Company L.L.C.	Pennsylvania
Gallery Market Holding Company L.P.	Pennsylvania
Gallery Market Properties Holding Company L.L.C.	Pennsylvania
Gallery Market Properties Holding Company L.P.	Pennsylvania
GBSPI L.L.C.	Maryland
Green Acres Mall, L.L.C.	Delaware
Hackbridge L.L.C.	New Jersey
Hanover Holding L.L.C.	New Jersey
Hanover Industries L.L.C.	New Jersey
Hanover Leasing L.L.C.	New Jersey
Hanover Public Warehousing L.L.C.	New Jersey
Henrietta Holding L.L.C.	New York
HHC L.L.C.	Maryland
Jersey City Leasing L.L.C.	New Jersey
Kearny Holding L.L.C.	New Jersey
Kearny Leasing L.L.C.	New Jersey
Lancaster Leasing Company L.L.C.	Pennsylvania
Lancaster Leasing Company L.P.	Pennsylvania
Landthorp Enterprises L.L.C.	Delaware
Lawnside Holding L.L.C.	New Jersey
Lawnwhite Holding L.L.C.	New Jersey
Lewisville Centre L.P.	Texas
Lewisville TC L.L.C.	Texas
Littleton Holding L.L.C.	New Jersey
Lodi Industries L.L.C.	New Jersey
Lodi Leasing L.L.C.	New Jersey
M 330 Associates, L.P.	New York
M 393 Associates L.L.C.	New York
Manalapan Industries L.L.C.	New Jersey
Marple Holding Company L.L.C.	Pennsylvania
Marple Holding Company L.P.	Pennsylvania
Mart Franchise Center, Inc.	Illinois
Mart Franchise Venture, L.L.C.	Delaware
Menands Holding L.L.C.	New York
Mendik Management Company Inc.	New York
Merchandise Mart Enterprises, Inc.	Delaware
Merchandise Mart Properties, Inc.	Illinois
Merchandise Mart Properties, Inc. (DE)	Delaware
Mesquite - Texas Crossing L.P.	Texas
Mesquite TC L.L.C.	Texas
Middletown Holding L.L.C.	New Jersey
Montclair Holding L.L.C.	New Jersey
Morris Plains Leasing L.L.C.	New Jersey
MRC Management L.L.C.	New York
National Hydrant L.L.C.	New York
New Hanover L.L.C.	New Jersey
New Woodbridge L.L.C.	New Jersey
Newington Connecticut Holding L.L.C.	Connecticut
Ninety Park Lender LLC	New York
Ninety Park Lender QRS, Inc.	Delaware

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
Ninety Park Manager LLC	New York
Ninety Park Option LLC	New York
Ninety Park Property LLC	New York
No. Plainfield Holding L.L.C.	New Jersey
North Bergen Stores L.L.C.	New Jersey
One Penn Plaza LLC	New York
Philadelphia Holding Company L.L.C.	Pennsylvania
Philadelphia Holding Company L.P.	Pennsylvania
Phillipsburg Holding L.L.C.	New Jersey
Pike Holding Company L.L.C.	Pennsylvania
Pike Holding Company L.P.	Pennsylvania
Portland Parent, Inc.	Delaware
Rahway Leasing L.L.C.	New Jersey
Rochester Holding L.L.C.	New York
Skillman Abrams Crossing L.P.	Texas
Springfield Holding L.L.C.	Massachusetts
Star Universal L.L.C.	New Jersey
T53 Condominium L.L.C.	New York
T.G. Hanover L.L.C.	New Jersey
TGSI L.L.C.	Maryland
The Second Lawnside L.L.C.	New Jersey
The Second Rochester Holding L.L.C.	New York
Trees Acquisition Subsidiary, Inc.	Delaware
Turnersville Holding L.L.C.	New Jersey
Two Guys From Harrison Holding Co. L.P.	Pennsylvania
Two Guys From Harrison Holding Co. LLC	Pennsylvania
Two Guys From Harrison L.L.C.	New Jersey
Two Guys From Harrison N.Y. L.L.C.	New York
Two Guys Mass. L.L.C.	Massachusetts
Two Guys-Connecticut Holding L.L.C.	Connecticut
Two Park Company	New York
Two Penn Plaza REIT, Inc.	New York
Unado L.L.C.	New Jersey
Upper Moreland Holding Company L.L.C.	Pennsylvania
Upper Moreland Holding Company L.P.	Pennsylvania
URS Logistics, Inc.	Delaware
VFC Connecticut Holding L.L.C.	Delaware
VFC Massachusetts Holding L.L.C.	Delaware
VFC New Jersey Holding L.L.C.	Delaware
Vornado - Westport L.L.C.	Connecticut
Vornado 1740 Broadway L.L.C.	New York
Vornado 401 Commercial L.L.C.	New York
Vornado 401 Hotel, Inc.	New York
Vornado 570 Lexington L.L.C.	New York
Vornado 63rd Street, Inc.	New York
Vornado 640 Fifth Avenue L.L.C.	New York
Vornado 90 Park Avenue L.L.C.	New York
Vornado 90 Park QRS, Inc.	New York
Vornado B&B L.L.C.	New York
Vornado Center Building L.L.C.	New York
Vornado CESCR Holdings L.L.C.	Delaware
Vornado CESCR II L.L.C.	Delaware

NAME OF SUBSIDIARY	STATE OF ORGANIZATION
Vornado CESCR L.L.C.	Delaware
Vornado Crescent Atlanta Partnership	Delaware
Vornado Crescent Holding L.P.	Delaware
Vornado Crescent Portland Partnership	Delaware
Vornado Finance GP L.L.C.	Delaware
Vornado Finance L.P.	Delaware
Vornado Finance SPE, Inc.	Delaware
Vornado Green Acres Acquisition L.L.C.	Delaware
Vornado Green Acres Delaware L.L.C.	Delaware
Vornado Green Acres Funding L.L.C.	Delaware
Vornado Green Acres Holdings L.L.C.	Delaware
Vornado Investment Corporation	New York
Vornado Investments L.L.C.	Delaware
Vornado Lending L.L.C.	New Jersey
Vornado M 330 L.L.C.	New York
Vornado M 393 L.L.C.	New York
Vornado M 393 QRS, Inc.	New York
Vornado Management Corp.	New Jersey
Vornado Montehiedra OP L.P.	Delaware
Vornado Montehiedra Acquisition L.L.C.	Delaware
Vornado Montehiedra Acquisition L.P.	Delaware
Vornado Montehiedra Holding II L.P.	Delaware
Vornado Montehiedra Holding L.L.C.	Delaware
Vornado Montehiedra Holding L.P.	Delaware
Vornado Montehiedra Inc.	Delaware
Vornado Montehiedra OP L.L.C.	Delaware
Vornado New York RR One L.L.C.	New York
Vornado Realty L.L.C.	Delaware
Vornado Realty L.P.	Delaware
Vornado RR Midtown L.L.C.	New York
Vornado Two Penn Plaza L.L.C.	New York
VR Retail Holdings LLC	New York
VRT Massachusetts Holding L.L.C.	Delaware
VRT New Jersey Holding L.L.C.	Delaware
Watchung Holding L.L.C.	New Jersey
West Windsor Holding L.L.C.	New Jersey
Whitehorse Lawnside L.L.C.	New Jersey
York Holding Company L.L.C.	Pennsylvania
York Holding Company L.P.	Pennsylvania

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 4 to Registration Statement No. 333-40787 and Amendment No. 2 to Registration Statement No. 333-29013 both on Form S-3 of Vornado Realty Trust and Vornado Realty L.P. and Registration Statement Nos. 333-29011 and 333-09159 both on Form S-8 of Vornado Realty Trust of our report dated March 25, 1998, appearing in this Annual Report on Form 10-K of Vornado Realty Trust for the year ended December 31, 1997.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 25, 1998

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This schedule contains summary financial information extracted from the Company's audited financial statements for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

1,000

YEAR	
DEC-31-1997	
JAN-01-1997	
DEC-31-1997	
	355,954
	34,469
	16,663
	658
	0
	0
	1,564,093
	173,434
	2,524,089
	0
	956,654
	0
	279,884
	2,887
	1,030,991
2,524,089	
	0
	209,131
	0
	74,745
	59,480
	0
	42,888
	61,023
	0
	61,023
	0
	0
	0
	45,474
	.83
	.79

5

This schedule contains summary financial information extracted from the Company's financial statements for the periods shown below and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS	6-MOS	3-MOS	YEAR	YEAR
DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1995
JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1995
SEP-30-1996	JUN-30-1996	MAR-31-1996	DEC-31-1996	DEC-31-1995
21,769	16,748	25,672	89,696	19,127
31,004	31,654	29,356	27,549	70,997
8,274	9,725	8,847	9,786	7,086
516	550	587	575	578
0	0	0	0	0
0	0	0	0	0
93,934	393,506	383,975	397,298	382,476
48,155	145,225	142,328	151,049	139,495
73,886	472,459	471,742	565,204	491,496
0	0	0	0	0
42,572	243,000	243,178	232,387	233,353
0	0	0	0	0
0	0	0	0	0
981	972	971	1,044	970
99,986	195,520	195,112	275,213	193,304
73,886	472,459	471,742	565,204	491,496
0	0	0	0	0
86,918	57,855	28,610	116,887	108,718
0	0	0	0	0
26,944	18,059	8,914	36,412	32,282
12,550	8,240	4,024	18,839	17,477
0	0	0	0	0
12,623	8,415	4,223	16,726	16,426
45,981	31,042	15,922	61,364	53,008
0	0	0	0	0
45,981	31,042	15,922	61,364	53,008
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
45,981	31,042	15,922	61,364	53,008
.95	.64	.33	1.26	1.13
.95	.64	.33	1.25	1.12

5

This schedule contains summary financial information extracted from the Company's unaudited financial statements for the periods shown below and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS	6-MOS	3-MOS
DEC-31-1997	DEC-31-1997	DEC-31-1997
JAN-01-1997	JAN-01-1997	JAN-01-1997
SEP-30-1997	JUN-30-1997	MAR-01-1997
58,367	199,826	92,427
31,277	31,225	28,239
15,331	15,171	9,861
917	631	641
0	0	0
0	0	0
1,231,386	1,047,477	397,663
166,072	159,450	154,016
1,551,506	1,646,296	561,485
0	0	0
772,156	862,883	232,197
0	0	0
277,168	276,599	0
2,116	1,062	1,044
255,618	261,680	268,218
1,551,506	1,646,296	561,485
0	0	0
141,827	79,959	29,297
0	0	0
48,557	26,658	8,507
41,995	25,675	11,061
0	0	0
30,972	17,350	4,078
39,104	23,478	9,690
0	0	0
39,104	23,478	9,690
0	0	0
0	0	0
0	0	0
29,008	18,623	9,690
.56	.36	.19
.54	.35	.18