

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended: March 31, 2014

Or

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

For the transition period from: _____ to _____

Commission File Number: 001-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

22-1657560

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York

(Address of principal executive offices)

10019

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large Accelerated Filer

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

Accelerated Filer

Smaller Reporting Company

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

As of March 31, 2014, 187,411,596 of the registrant's common shares of beneficial interest are outstanding.

PART I.	Financial Information:	Page Number
Item 1.	Financial Statements:	
	Consolidated Balance Sheets (Unaudited) as of March 31, 2014 and December 31, 2013	3
	Consolidated Statements of Income (Unaudited) for the Three Months Ended March 31, 2014 and 2013	4
	Consolidated Statements of Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2014 and 2013	5
	Consolidated Statements of Changes in Equity (Unaudited) for the Three Months Ended March 31, 2014 and 2013	6
	Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2014 and 2013	8
	Notes to Consolidated Financial Statements (Unaudited)	10
	Report of Independent Registered Public Accounting Firm	30
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	58
Item 4.	Controls and Procedures	59
PART II.	Other Information:	
Item 1.	Legal Proceedings	60
Item 1A.	Risk Factors	60
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	60
Item 3.	Defaults Upon Senior Securities	60
Item 4.	Mine Safety Disclosures	60
Item 5.	Other Information	60
Item 6.	Exhibits	60
SIGNATURES		61
EXHIBIT INDEX		62

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

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

ASSETS	March 31, 2014	December 31, 2013
Real estate, at cost:		
Land	\$ 4,058,317	\$ 4,068,306
Buildings and improvements	12,477,661	12,475,556
Development costs and construction in progress	1,410,465	1,353,121
Leasehold improvements and equipment	133,699	132,483
Total	18,080,142	18,029,466
Less accumulated depreciation and amortization	(3,441,223)	(3,381,457)
Real estate, net	14,638,919	14,648,009
Cash and cash equivalents	1,156,727	583,290
Restricted cash	210,184	262,440
Marketable securities	205,042	191,917
Tenant and other receivables, net of allowance for doubtful accounts of \$20,233 and \$21,869	123,486	115,862
Investments in partially owned entities	1,168,996	1,166,443
Investment in Toys "R" Us	75,932	83,224
Real Estate Fund investments	682,002	667,710
Mortgage and mezzanine loans receivable, net of allowance of \$5,824 and \$5,845	42,749	170,972
Receivable arising from the straight-lining of rents, net of allowance of \$3,979 and \$4,355	830,381	817,357
Deferred leasing and financing costs, net of accumulated amortization of \$277,257 and \$264,451	437,056	411,927
Identified intangible assets, net of accumulated amortization of \$290,214 and \$277,998	299,759	311,963
Assets related to discontinued operations	207,575	314,622
Other assets	290,544	351,488
	\$ 20,369,352	\$ 20,097,224
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable	\$ 8,913,358	\$ 8,331,993
Senior unsecured notes	1,343,442	1,350,855
Revolving credit facility debt	88,138	295,870
Accounts payable and accrued expenses	457,858	422,276
Deferred revenue	514,605	529,048
Deferred compensation plan	121,970	116,515
Deferred tax liabilities	1,272	1,280
Liabilities related to discontinued operations	-	13,950
Other liabilities	378,551	437,073
Total liabilities	11,819,194	11,498,860
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 11,564,839 and 11,292,038 units outstanding	1,139,831	1,002,620
Series D cumulative redeemable preferred unit - 1 unit outstanding	1,000	1,000
Total redeemable noncontrolling interests	1,140,831	1,003,620
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,682,807 shares	1,277,225	1,277,225
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 187,411,596 and 187,284,688 shares	7,474	7,469
Additional capital	7,017,611	7,143,840
Earnings less than distributions	(1,809,609)	(1,734,839)
Accumulated other comprehensive income	77,626	71,537
Total Vornado shareholders' equity	6,570,327	6,765,232
Noncontrolling interests in consolidated subsidiaries	839,000	829,512
Total equity	7,409,327	7,594,744

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

For the Three
Months Ended March 31,

(Amounts in thousands, except per share amounts)

	2014	2013
REVENUES:		
Property rentals	\$ 528,100	\$ 533,793
Tenant expense reimbursements	86,590	75,964
Cleveland Medical Mart development project	-	12,143
Fee and other income	45,928	96,813
Total revenues	<u>660,618</u>	<u>718,713</u>
EXPENSES:		
Operating	273,391	265,747
Depreciation and amortization	147,651	139,317
General and administrative	52,158	51,380
Cleveland Medical Mart development project	-	11,374
Impairment losses and acquisition related costs	21,784	601
Total expenses	<u>494,984</u>	<u>468,419</u>
Operating income	165,634	250,294
Income applicable to Toys "R" Us	1,847	1,759
Income from partially owned entities	132	20,766
Income from Real Estate Fund	18,148	16,564
Interest and other investment income (loss), net	11,893	(49,075)
Interest and debt expense	(109,442)	(120,346)
Net gain (loss) on disposition of wholly owned and partially owned assets	9,635	(36,724)
Income before income taxes	97,847	83,238
Income tax expense	(1,582)	(1,073)
Income from continuing operations	96,265	82,165
Income from discontinued operations	1,891	206,762
Net income	98,156	288,927
Less net income attributable to noncontrolling interests in:		
Consolidated subsidiaries	(11,579)	(11,286)
Operating Partnership	(3,848)	(13,933)
Preferred unit distributions of the Operating Partnership	(12)	(786)
Net income attributable to Vornado	<u>82,717</u>	<u>262,922</u>
Preferred share dividends	(20,368)	(21,702)
Preferred share redemptions	-	(9,230)
NET INCOME attributable to common shareholders	<u>\$ 62,349</u>	<u>\$ 231,990</u>
INCOME PER COMMON SHARE - BASIC:		
Income from continuing operations, net	\$ 0.32	\$ 0.20
Income from discontinued operations, net	0.01	1.04
Net income per common share	<u>\$ 0.33</u>	<u>\$ 1.24</u>
Weighted average shares outstanding	<u>187,307</u>	<u>186,752</u>
INCOME PER COMMON SHARE - DILUTED:		
Income from continuing operations, net	\$ 0.32	\$ 0.20
Income from discontinued operations, net	0.01	1.04
Net income per common share	<u>\$ 0.33</u>	<u>\$ 1.24</u>
Weighted average shares outstanding	<u>188,240</u>	<u>187,529</u>
DIVIDENDS PER COMMON SHARE	<u>\$ 0.73</u>	<u>\$ 0.73</u>

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Net income	\$ 98,156	\$ 288,927
Other comprehensive income:		
Change in unrealized net gain on available-for-sale securities	13,125	148,789
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(8,286)	(3,647)
Change in value of interest rate swap	1,610	2,523
Other	1	533
Comprehensive income	104,606	437,125
Less comprehensive income attributable to noncontrolling interests	(15,800)	(34,304)
Comprehensive income attributable to Vornado	\$ 88,806	\$ 402,821

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)

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

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)

	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2013	52,683	\$ 1,277,225	187,285	\$ 7,469	\$ 7,143,840	\$ (1,734,839)	\$ 71,537	\$ 829,512	\$ 7,594,744
Net income attributable to Vornado	-	-	-	-	-	82,717	-	-	82,717
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	11,579	11,579
Dividends on common shares	-	-	-	-	-	(136,761)	-	-	(136,761)
Dividends on preferred shares	-	-	-	-	-	(20,368)	-	-	(20,368)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	55	2	5,154	-	-	-	5,156
Under employees' share option plan	-	-	60	2	3,228	-	-	-	3,230
Under dividend reinvestment plan	-	-	5	-	446	-	-	-	446
Distributions:									
Real Estate Fund	-	-	-	-	-	-	-	(1,950)	(1,950)
Other	-	-	-	-	-	-	-	(142)	(142)
Deferred compensation shares and options	-	-	7	1	2,118	(340)	-	-	1,779
Change in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	13,125	-	13,125
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(8,286)	-	(8,286)
Change in value of interest rate swap	-	-	-	-	-	-	1,610	-	1,610
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(136,937)	-	-	-	(136,937)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(361)	-	(361)
Other	-	-	-	-	(238)	(18)	1	1	(254)
Balance, March 31, 2014	<u>52,683</u>	<u>\$ 1,277,225</u>	<u>187,412</u>	<u>\$ 7,474</u>	<u>\$ 7,017,611</u>	<u>\$ (1,809,609)</u>	<u>\$ 77,626</u>	<u>\$ 839,000</u>	<u>\$ 7,409,327</u>

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended
March 31,

(Amounts in thousands)

Cash Flows from Operating Activities:

	2014	2013
Net income	\$ 98,156	\$ 288,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of deferred financing costs)	153,869	148,918
Impairment losses	20,842	1,514
Net unrealized gain on Real Estate Fund investments	(14,169)	(13,516)
Straight-lining of rental income	(13,236)	(18,868)
Distributions of income from partially owned entities	12,966	10,627
Amortization of below-market leases, net	(12,144)	(16,815)
Other non-cash adjustments	11,885	18,569
Net (gain) loss on disposition of wholly owned and partially owned assets	(9,635)	36,724
Equity in net income of partially owned entities, including Toys "R" Us	(1,979)	(22,525)
Net gains on sale of real estate	-	(202,329)
Return of capital from Real Estate Fund investments	-	56,664
Non-cash impairment loss on J.C. Penney common shares	-	39,487
Loss from the mark-to-market of J.C. Penney derivative position	-	22,540
Changes in operating assets and liabilities:		
Real Estate Fund investments	(123)	(13,668)
Accounts receivable, net	(7,624)	51,514
Prepaid assets	53,841	67,814
Other assets	(18,297)	(15,326)
Accounts payable and accrued expenses	31,554	(21,908)
Other liabilities	3,225	(3,416)
Net cash provided by operating activities	309,131	414,927

Cash Flows from Investing Activities:

Proceeds from sales of real estate and related investments	120,270	499,369
Development costs and construction in progress	(90,653)	(35,334)
Proceeds from repayments of mortgage and mezzanine loans receivable and other	69,347	631
Additions to real estate	(53,103)	(57,460)
Restricted cash	52,256	14,149
Investments in partially owned entities	(16,633)	(39,892)
Distributions of capital from partially owned entities	1,277	5,544
Funding of J.C. Penney derivative collateral	-	(58,522)
Proceeds from sales of marketable securities	-	160,300
Return of J.C. Penney derivative collateral	-	38,900
Net cash provided by investing activities	82,761	527,685

See notes to consolidated financial statements (unaudited).

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

For the Three Months Ended
March 31,

(Amounts in thousands)

Cash Flows from Financing Activities:

	2014	2013
Proceeds from borrowings	\$ 600,000	\$ 1,499,375
Repayments of borrowings	(233,198)	(2,529,836)
Dividends paid on common shares	(136,761)	(136,342)
Debt issuance and other costs	(20,752)	(9,080)
Dividends paid on preferred shares	(20,368)	(23,161)
Distributions to noncontrolling interests	(10,474)	(172,142)
Proceeds received from exercise of employee share options	3,676	1,609
Repurchase of shares related to stock compensation agreements and/or related tax withholdings	(578)	(307)
Proceeds from the issuance of preferred shares	-	290,710
Purchases of outstanding preferred units and shares	-	(262,500)
Contributions from noncontrolling interests	-	24,566
Net cash provided by (used in) financing activities	181,545	(1,317,108)
Net increase (decrease) in cash and cash equivalents	573,437	(374,496)
Cash and cash equivalents at beginning of period	583,290	960,319
Cash and cash equivalents at end of period	\$ 1,156,727	\$ 585,823

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest, excluding capitalized interest of \$13,622 and \$8,260	\$ 100,209	\$ 116,141
Cash payments for income taxes	\$ 1,214	\$ 1,825

Non-cash Investing and Financing Activities:

Elimination of a mortgage and mezzanine loan asset and liability	\$ 59,375	\$ -
--	-----------	------

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

Vornado Realty Trust (“Vornado”) is a fully-integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Vornado is the sole general partner of, and owned approximately 93.9% of the common limited partnership interest in the Operating Partnership at March 31, 2014. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On April 11, 2014, we announced a plan to spin off our shopping center business consisting of 81 strip shopping centers and four malls into a new publicly traded REIT (“SpinCo”). The spin-off is expected to be effectuated through a 1:2 distribution of SpinCo’s shares to Vornado common shareholders and Vornado Realty L.P. common unitholders, and is intended to be treated as tax-free for U.S. federal income tax purposes. We intend to file the initial registration statement on Form 10 with the Securities and Exchange Commission (“SEC”) by the end of the second quarter of 2014 and expect the spin-off to be completed by the end of 2014. The transaction is subject to certain conditions, including the SEC declaring that SpinCo’s registration statement is effective, filing and approval of SpinCo’s listing application, receipt of third party consents, and formal approval and declaration of the distribution by Vornado’s Board of Trustees. Vornado may, at any time and for any reason until the proposed transaction is complete, abandon the separation or modify or change its terms.

Vornado will retain, for disposition in the near term, 20 small retail assets which do not fit SpinCo’s strategy, and the Beverly Connection and Springfield Town Center, both of which are under contract for disposition (see Note 8 – *Dispositions*).

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Vornado and its consolidated subsidiaries, including the Operating Partnership. All intercompany amounts have been eliminated. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the SEC and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to current year presentation.

3. Recently Issued Accounting Literature

In June 2013, the FASB issued an update (“ASU 2013-08”) to ASC Topic 946, *Financial Services - Investment Companies* (“Topic 946”). ASU 2013-08 amends the guidance in Topic 946 for determining whether an entity qualifies as an investment company and requires certain additional disclosures. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. The adoption of this update as of January 1, 2014, did not have any impact on our real estate fund and our consolidated financial statements.

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

3. Recently Issued Accounting Literature – continued

In April 2014, the FASB issued an update (“ASU 2014-08”) *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* to ASC Topic 205, *Presentation of Financial Statements* and ASC Topic 360, *Property Plant and Equipment*. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations. In addition, the ASU expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2014. We are currently evaluating the impact of ASU 2014-08 on our consolidated financial statements.

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

We are the general partner and investment manager of the Fund. The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

At March 31, 2014, the Fund had nine investments with an aggregate fair value of \$682,002,000, or \$167,582,000 in excess of cost, and had remaining unfunded commitments of \$149,186,000, of which our share was \$37,297,000. Below is a summary of income from the Fund for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)	For the Three Months	
	Ended March 31,	
	2014	2013
Net investment income	\$ 3,979	\$ 3,048
Net unrealized gains	14,169	13,516
Income from Real Estate Fund	18,148	16,564
Less (income) attributable to noncontrolling interests	(10,849)	(9,540)
Income from Real Estate Fund attributable to Vornado (1)	\$ 7,299	\$ 7,024

(1) Excludes management, leasing and development fees of \$704 and \$849 for the three months ended March 31, 2014 and 2013, respectively, which are included as a component of “fee and other income” on our consolidated statements of income.

5. Marketable Securities and Derivative Instruments

Below is a summary of our marketable securities portfolio as of March 31, 2014 and December 31, 2013.

(Amounts in thousands)	As of March 31, 2014			As of December 31, 2013		
	Fair Value	GAAP Cost	Unrealized Gain	Fair Value	GAAP Cost	Unrealized Gain
	Equity securities:					
Lexington	\$ 201,496	\$ 72,549	\$ 128,947	\$ 188,567	\$ 72,549	\$ 116,018
Other	3,546	59	3,487	3,350	59	3,291
	\$ 205,042	\$ 72,608	\$ 132,434	\$ 191,917	\$ 72,608	\$ 119,309

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

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

6. Mortgage and Mezzanine Loans Receivable

In October 2012, we acquired a 25.0% participation in a mortgage and mezzanine loan on 701 Seventh Avenue. In March 2013, we transferred at par, the 25.0% participation in the mortgage loan to a third party, for \$59,375,000 in cash. The transfer did not qualify for sale accounting given our continuing interest in the mezzanine loan. Accordingly, we continued to include the 25.0% participation in the mortgage loan in "mortgage and mezzanine loans receivable" and recorded a \$59,375,000 liability in "other liabilities" on our consolidated balance sheet. In January 2014, the mortgage and mezzanine loans were repaid; accordingly, the \$59,375,000 asset and liability were eliminated.

In March 2014, a \$30,000,000 mezzanine loan that was scheduled to mature in January 2015 was repaid.

As of March 31, 2014 and December 31, 2013, the carrying amount of mortgage and mezzanine loans receivable was \$42,749,000 and \$170,972,000, respectively. These loans have a weighted average interest rate of 8.7% and 11.0% at March 31, 2014 and December 31, 2013, respectively, and have maturities ranging from November 2014 to May 2016.

7. Investments in Partially Owned Entities

Toys "R" Us ("Toys")

As of March 31, 2014, we own 32.6% of Toys. We account for our investment in Toys under the equity method and record our share of Toys' net income or loss on a one-quarter lag basis because Toys' fiscal year ends on the Saturday nearest January 31, and our fiscal year ends on December 31. The business of Toys is highly seasonal and substantially all of Toys' net income is generated in its fourth quarter.

In the fourth quarter of 2013, we wrote down our investment in Toys to its estimated fair value and disclosed that to the extent the fair value of our investment did not change, we would recognize a non-cash impairment loss equal to our share of Toys' fourth quarter net earnings in our first quarter of 2014.

In the first quarter of 2014, we recognized (i) \$1,847,000 of income applicable to Toys, representing management fees earned and received, and (ii) our share of the equity in earnings of Toys' fourth quarter totaling \$75,196,000 and a corresponding non-cash impairment loss of the same amount.

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

(Amounts in thousands)

	Balance as of	
	February 1, 2014	November 2, 2013
Balance Sheet:		
Assets	\$ 10,400,000	\$ 11,756,000
Liabilities	9,018,000	10,437,000
Noncontrolling interests	78,000	75,000
Toys "R" Us, Inc. equity ⁽¹⁾	1,304,000	1,244,000
Income Statement:		
	February 1, 2014	February 2, 2013
Total revenues	\$ 5,267,000	\$ 5,770,000
Net income attributable to Toys	82,500	241,000

(1) At March 31, 2014, the carrying amount of our investment in Toys is less than our share of Toys' equity by approximately \$349,759. This basis difference results primarily from non-cash impairment losses aggregating \$355,953 that we have recognized through March 31, 2014. We have allocated the basis difference primarily to Toys' real estate, which is being amortized over its remaining estimated useful life.

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

7. Investments in Partially Owned Entities – continued

Alexander's, Inc. ("Alexander's") (NYSE: ALX)

As of March 31, 2014, we own 1,654,068 Alexander's common shares, or approximately 32.4% of Alexander's common equity. We manage, lease and develop Alexander's properties pursuant to agreements which expire in March of each year and are automatically renewable. As of March 31, 2014, we have a \$42,492,000 receivable from Alexander's for fees under these agreements.

As of March 31, 2014, the market value ("fair value" pursuant to ASC 820) of our investment in Alexander's, based on Alexander's March 31, 2014 closing share price of \$360.99, was \$597,102,000, or \$429,978,000 in excess of the carrying amount on our consolidated balance sheet. As of March 31, 2014, the carrying amount of our investment in Alexander's, excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander's by approximately \$41,873,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander's common stock acquired over the book value of Alexander's net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander's assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander's net income. The basis difference related to the land will be recognized upon disposition of our investment.

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

(Amounts in thousands)

	Balance as of	
	March 31, 2014	December 31, 2013
Balance Sheet:		
Assets	\$ 1,452,000	\$ 1,458,000
Liabilities	1,118,000	1,124,000
Stockholders' equity	334,000	334,000
Income Statement:		
	For the Three Months Ended March 31,	
	2014	2013
Total revenues	\$ 49,000	\$ 49,000
Net income attributable to Alexander's	15,000	14,000

LNR Property LLC ("LNR")

In January 2013, we and the other equity holders of LNR entered into a definitive agreement to sell LNR for \$1.053 billion, of which our share of the net proceeds was \$240,474,000. The definitive agreement provided that LNR would not (i) make any cash distributions to the equity holders, including us, through the completion of the sale, which occurred on April 19, 2013, and (ii) take any of the following actions (among others) without the purchaser's approval, the lending or advancing of any money, the acquisition of assets in excess of specified amounts, or the issuance of equity interests. Notwithstanding the terms of the definitive agreement, in accordance with GAAP, we recorded our pro rata share of LNR's earnings on a one-quarter lag basis through the date of sale, which increased the carrying amount of our investment in LNR above our share of the net sales proceeds and resulted in us recognizing a \$27,231,000 "other-than-temporary" impairment loss on our investment in the three months ended March 31, 2013.

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

7. Investments in Partially Owned Entities – continued

Below are schedules summarizing our investments in, and income from, partially owned entities.

(Amounts in thousands)	Percentage Ownership at March 31, 2014	Balance as of	
Investments:		March 31, 2014	December 31, 2013
Toys (\$80,062 in each period, excluding our share of Toys' other comprehensive loss/income)	32.6%	\$ 75,932	\$ 83,224
Alexander's	32.4%	\$ 167,124	\$ 167,785
India real estate ventures	4.1%-36.5%	88,563	88,467
Partially owned office buildings ⁽¹⁾	Various	628,881	621,294
Other investments ⁽²⁾	Various	284,428	288,897
		<u>\$ 1,168,996</u>	<u>\$ 1,166,443</u>

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(2) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

(Amounts in thousands)	Percentage Ownership at March 31, 2014	For the Three Months Ended March 31,	
Our Share of Net Income (Loss):		2014	2013
Toys:	32.6%		
Equity in net earnings		\$ 75,196	\$ 78,542
Non-cash impairment losses		(75,196)	(78,542)
Management fees		1,847	1,759
		<u>\$ 1,847</u>	<u>\$ 1,759</u>
Alexander's:	32.4%		
Equity in net income		\$ 4,759	\$ 4,589
Management, leasing and development fees		1,626	1,487
		<u>6,385</u>	<u>6,076</u>
India real estate ventures	4.1%-36.5%	<u>(137)</u>	<u>(767)</u>
Partially owned office buildings ⁽¹⁾	Various	<u>(2,395)</u>	<u>(582)</u>
Other investments ⁽²⁾	Various	<u>(3,721)</u>	<u>(1,713)</u>
Lexington ⁽³⁾	n/a	<u>-</u>	<u>(979)</u>
LNR (see page 13 for details):	n/a		
Equity in net income		-	45,962
Impairment loss		-	(27,231)
		<u>-</u>	<u>18,731</u>
		<u>\$ 132</u>	<u>\$ 20,766</u>

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(2) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

(3) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. The 2013 amount represents our share of Lexington's 2012 fourth quarter earnings which was recorded on a one-quarter lag basis.

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

7. Investments in Partially Owned Entities – continued

Below is a summary of the debt of our partially owned entities as of March 31, 2014 and December 31, 2013, none of which is recourse to us.

(Amounts in thousands)	Percentage Ownership at March 31, 2014	Maturity	Interest Rate at March 31, 2014	100% of Partially Owned Entities' Debt at	
				March 31, 2014	December 31, 2013
Toys:					
Notes, loans and mortgages payable	32.6%	2014-2021	7.14%	\$ 4,977,482	\$ 5,702,247
Alexander's:					
Mortgages payable	32.4%	2015-2021	2.59%	\$ 1,035,022	\$ 1,049,959
India Real Estate Ventures:					
TCG Urban Infrastructure Holdings mortgages payable	25.0%	2014-2022	13.23%	\$ 202,496	\$ 199,021
Partially owned office buildings ⁽¹⁾ :	Various	2014-2023	5.74%	\$ 3,632,588	\$ 3,622,759
Other ⁽²⁾ :	Various	2014-2023	4.56%	\$ 1,705,703	\$ 1,709,509

(1) Includes 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(2) Includes Independence Plaza, Monmouth Mall, Fashion Center Mall, 50-70 West 93rd Street and others.

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities was \$3,953,375,000 and \$4,189,403,000 at March 31, 2014 and December 31, 2013, respectively.

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

8. Dispositions

Discontinued Operations

On February 24, 2014, we completed the sale of Broadway Mall in Hicksville, Long Island, New York, for \$94,000,000. The sale resulted in net proceeds of \$92,174,000 after closing costs.

On March 17, 2014, we entered into an agreement to sell Beverly Connection, a 335,000 square foot power shopping center in Los Angeles, California, for \$260,000,000. The property is unencumbered. The sale will result in a net gain of approximately \$40,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the third quarter of 2014.

We have reclassified the revenues and expenses of the properties discussed above to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all of the periods presented in the accompanying consolidated financial statements. The net gains resulting from the sale of these properties are included in “income from discontinued operations” on our consolidated statements of income. The tables below set forth the assets and liabilities related to discontinued operations at March 31, 2014 and December 31, 2013 and their combined results of operations for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)	Assets Related to Discontinued Operations as of		Liabilities Related to Discontinued Operations as of	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Beverly Connection	\$ 207,575	\$ 208,458	\$ -	\$ -
Broadway Mall	-	106,164	-	13,950
Total	\$ 207,575	\$ 314,622	\$ -	\$ 13,950

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Total revenues	\$ 8,283	\$ 25,990
Total expenses	5,550	20,043
Impairment losses	2,733	5,947
Net gain on sale of Green Acres Mall	(842)	(1,514)
Net gain on sale of other real estate	-	202,275
Net gain on sale of other real estate	-	54
Income from discontinued operations	\$ 1,891	\$ 206,762

Other

On March 2, 2014, we entered into an agreement to transfer upon completion, the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to Pennsylvania Real Estate Investment Trust (NYSE: PEI) (“PREIT”) in exchange for \$465,000,000 comprised of \$340,000,000 of cash and \$125,000,000 of PREIT operating partnership units. In connection therewith, we recorded a non-cash impairment loss of \$20,000,000 in the first quarter of 2014, which is included in “impairment losses and acquisition related costs” on our consolidated statements of income. The redevelopment is expected to be completed in the fourth quarter of 2014. The closing will be no later than March 31, 2015.

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

9. Identified Intangible Assets and Liabilities

The following summarizes our identified intangible assets (primarily acquired in-place and above-market leases) and liabilities (primarily acquired below-market leases) as of March 31, 2014 and December 31, 2013.

(Amounts in thousands)	Balance as of	
	March 31, 2014	December 31, 2013
Identified intangible assets:		
Gross amount	\$ 589,973	\$ 589,961
Accumulated amortization	(290,214)	(277,998)
Net	<u>\$ 299,759</u>	<u>\$ 311,963</u>
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$ 850,765	\$ 856,933
Accumulated amortization	(367,972)	(360,398)
Net	<u>\$ 482,793</u>	<u>\$ 496,535</u>

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in an increase to rental income of \$11,682,000 and \$16,177,000 for the three months ended March 31, 2014 and 2013, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years commencing January 1, 2015 is as follows:

(Amounts in thousands)	
2015	\$ 39,972
2016	38,631
2017	34,929
2018	33,309
2019	30,072

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$9,325,000 and \$25,213,000 for the three months ended March 31, 2014 and 2013, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years commencing January 1, 2015 is as follows:

(Amounts in thousands)	
2015	\$ 23,254
2016	20,237
2017	16,821
2018	12,441
2019	11,535

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases, net of above-market leases resulted in an increase to rent expense of \$858,000 and \$1,102,000 for the three months ended March 31, 2014 and 2013, respectively. Estimated annual amortization of these below-market leases, net of above-market leases for each of the five succeeding years commencing January 1, 2015 is as follows:

(Amounts in thousands)	
2015	\$ 3,430
2016	3,430
2017	3,430
2018	3,430
2019	3,430

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

10. Debt

On January 31, 2014, we completed a \$600,000,000 loan secured by our 220 Central Park South development site. The loan bears interest at LIBOR plus 2.75% (2.90% at March 31, 2014) and matures in January 2016, with three one-year extension options.

On April 16, 2014, we completed a \$350,000,000 refinancing of 909 Third Avenue, a 1.3 million square foot Manhattan office building. The seven-year interest only loan bears interest at 3.91% and matures in May 2021. We realized net proceeds of approximately \$145,000,000 after repaying the existing 5.64%, \$193,000,000 mortgage, defeasance costs and other closing costs.

The following is a summary of our debt:

(Amounts in thousands)	Interest Rate at March 31, 2014	Balance at	
		March 31, 2014	December 31, 2013
Mortgages Payable:			
Fixed rate	4.56%	\$ 7,546,030	\$ 7,563,133
Variable rate	2.55%	1,367,328	768,860
	4.25%	<u>\$ 8,913,358</u>	<u>\$ 8,331,993</u>
Unsecured Debt:			
Senior unsecured notes	5.67%	\$ 1,343,442	\$ 1,350,855
Revolving credit facility debt	1.31%	88,138	295,870
	5.41%	<u>\$ 1,431,580</u>	<u>\$ 1,646,725</u>

11. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests on our consolidated balance sheets are comprised primarily of Class A Operating Partnership units that are held by third parties, and are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to "additional capital" in our consolidated statements of changes in equity. Below is a table summarizing the activity of redeemable noncontrolling interests.

(Amounts in thousands)	
Balance at December 31, 2012	\$ 944,152
Net income	14,719
Other comprehensive income	8,299
Distributions	(8,946)
Redemption of Class A units for common shares, at redemption value	(13,404)
Adjustments to carry redeemable Class A units at redemption value	44,998
Other, net	5,264
Balance at March 31, 2013	<u>\$ 995,082</u>
Balance at December 31, 2013	\$ 1,003,620
Net income	3,860
Other comprehensive income	361
Distributions	(8,383)
Redemption of Class A units for common shares, at redemption value	(5,156)
Adjustments to carry redeemable Class A units at redemption value	136,937
Other, net	9,592
Balance at March 31, 2014	<u>\$ 1,140,831</u>

As of March 31, 2014 and December 31, 2013, the aggregate redemption value of redeemable Class A units was \$1,139,831,000 and \$1,002,620,000, respectively.

Redeemable noncontrolling interests exclude our Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly, the fair value of these units is included as a component of "other liabilities" on our consolidated balance sheets and aggregated \$55,097,000 as of March 31, 2014 and December 31, 2013.

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

12. Accumulated Other Comprehensive Income

The following tables set forth the changes in accumulated other comprehensive income (loss) by component.

(Amounts in thousands)	For the Three Months Ended March 31, 2013				
	Total	Securities available- for-sale	Pro rata share of nonconsolidated subsidiaries' OCI	Interest rate swap	Other
Balance as of December 31, 2012	\$ (18,946)	\$ 19,432	\$ 11,313	\$ (50,065)	\$ 374
OCI before reclassifications	139,899	148,789	(3,647)	2,523	(7,766)
Amounts reclassified from AOCI	-	-	-	-	-
Net current period OCI	139,899	148,789	(3,647)	2,523	(7,766)
Balance as of March 31, 2013	<u>\$ 120,953</u>	<u>\$ 168,221</u>	<u>\$ 7,666</u>	<u>\$ (47,542)</u>	<u>\$ (7,392)</u>

(Amounts in thousands)	For the Three Months Ended March 31, 2014				
	Total	Securities available- for-sale	Pro rata share of nonconsolidated subsidiaries' OCI	Interest rate swap	Other
Balance as of December 31, 2013	\$ 71,537	\$ 119,309	\$ (11,501)	\$ (31,882)	\$ (4,389)
OCI before reclassifications	6,089	13,125	(8,286)	1,610	(360)
Amounts reclassified from AOCI	-	-	-	-	-
Net current period OCI	6,089	13,125	(8,286)	1,610	(360)
Balance as of March 31, 2014	<u>\$ 77,626</u>	<u>\$ 132,434</u>	<u>\$ (19,787)</u>	<u>\$ (30,272)</u>	<u>\$ (4,749)</u>

13. Variable Interest Entities ("VIEs")

We do not have any consolidated VIEs. At March 31, 2014 and December 31, 2013, we have unconsolidated VIEs comprised of our investments in the entities that own the Warner Building and Independence Plaza. We do not consolidate these entities because we are not the primary beneficiary and the nature of our involvement in the activities of these entities does not give us power over decisions that significantly affect these entities' economic performance. We account for our investment in these entities under the equity method. As of March 31, 2014 and December 31, 2013, the net carrying amount of our investment in these entities was \$148,120,000, and \$152,929,000, respectively, and our maximum exposure to loss in these entities is limited to our investment.

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

14. Fair Value Measurements

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

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

Financial assets and liabilities that are measured at fair value on our consolidated balance sheets consist of (i) marketable securities, (ii) Real Estate Fund investments, (iii) the assets in our deferred compensation plan (for which there is a corresponding liability on our consolidated balance sheet), (iv) interest rate swaps and (v) mandatorily redeemable instruments (Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units). The tables below aggregate the fair values of these financial assets and liabilities by their levels in the fair value hierarchy at March 31, 2014 and December 31, 2013, respectively.

(Amounts in thousands)	As of March 31, 2014			
	Total	Level 1	Level 2	Level 3
Marketable securities	\$ 205,042	\$ 205,042	\$ -	\$ -
Real Estate Fund investments (75% of which is attributable to noncontrolling interests)	682,002	-	-	682,002
Deferred compensation plan assets (included in other assets)	121,970	54,343	-	67,627
Total assets	\$ 1,009,014	\$ 259,385	\$ -	\$ 749,629
Mandatorily redeemable instruments (included in other liabilities)	\$ 55,097	\$ 55,097	\$ -	\$ -
Interest rate swap (included in other liabilities)	30,272	-	30,272	-
Total liabilities	\$ 85,369	\$ 55,097	\$ 30,272	\$ -

(Amounts in thousands)	As of December 31, 2013			
	Total	Level 1	Level 2	Level 3
Marketable securities	\$ 191,917	\$ 191,917	\$ -	\$ -
Real Estate Fund investments (75% of which is attributable to noncontrolling interests)	667,710	-	-	667,710
Deferred compensation plan assets (included in other assets)	116,515	47,733	-	68,782
Total assets	\$ 976,142	\$ 239,650	\$ -	\$ 736,492
Mandatorily redeemable instruments (included in other liabilities)	\$ 55,097	\$ 55,097	\$ -	\$ -
Interest rate swap (included in other liabilities)	31,882	-	31,882	-
Total liabilities	\$ 86,979	\$ 55,097	\$ 31,882	\$ -

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

14. Fair Value Measurements – continued

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

Real Estate Fund Investments

At March 31, 2014, our Real Estate Fund had nine investments with an aggregate fair value of \$682,002,000, or \$167,582,000 in excess of cost. These investments are classified as Level 3. We use a discounted cash flow valuation technique to estimate the fair value of each of these investments, which is updated quarterly by personnel responsible for the management of each investment and reviewed by senior management at each reporting period. The discounted cash flow valuation technique requires us to estimate cash flows for each investment over the anticipated holding period, which currently ranges from 0.3 to 6.3 years. Cash flows are derived from property rental revenue (base rents plus reimbursements) less operating expenses, real estate taxes and capital and other costs, plus projected sales proceeds in the year of exit. Property rental revenue is based on leases currently in place and our estimates for future leasing activity, which are based on current market rents for similar space plus a projected growth factor. Similarly, estimated operating expenses and real estate taxes are based on amounts incurred in the current period plus a projected growth factor for future periods. Anticipated sales proceeds at the end of an investment's expected holding period are determined based on the net cash flow of the investment in the year of exit, divided by a terminal capitalization rate, less estimated selling costs.

The fair value of each property is calculated by discounting the future cash flows (including the projected sales proceeds), using an appropriate discount rate and then reduced by the property's outstanding debt, if any, to determine the fair value of the equity in each investment. Significant unobservable quantitative inputs used in determining the fair value of each investment include capitalization rates and discount rates. These rates are based on the location, type and nature of each property, and current and anticipated market conditions, which are derived from original underwriting assumptions, industry publications and from the experience of our Acquisitions and Capital Markets departments. Significant unobservable quantitative inputs in the table below were utilized in determining the fair value of these Fund investments at March 31, 2014.

<u>Unobservable Quantitative Input</u>	<u>Range</u>	<u>Weighted Average (based on fair value of investments)</u>
Discount rates	12.0% to 17.5%	13.9%
Terminal capitalization rates	5.0% to 6.1%	5.7%

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

The table below summarizes the changes in the fair value of Fund investments that are classified as Level 3, for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)	Real Estate Fund Investments	
	For the Three Months Ended March 31,	
	2014	2013
Beginning balance	\$ 667,710	\$ 600,786
Purchases	123	13,668
Sales/Returns	-	(56,664)
Net unrealized gains	14,169	13,516
Ending balance	<u>\$ 682,002</u>	<u>\$ 571,306</u>

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

14. Fair Value Measurements – continued

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

Deferred Compensation Plan Assets

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

The table below summarizes the changes in the fair value of Deferred Compensation Plan Assets that are classified as Level 3, for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)	Deferred Compensation Plan Assets For the Three Months Ended March 31,			
	2014		2013	
Beginning balance	\$	68,782	\$	62,631
Purchases		1,644		2,707
Sales		(5,124)		(2,697)
Realized and unrealized gain		2,172		1,354
Other, net		153		1,015
Ending balance	\$	<u>67,627</u>	\$	<u>65,010</u>

Fair Value Measurements on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consist primarily of our investment in Toys "R" Us and real estate assets that were written-down to estimated fair value at March 31, 2014 and December 31, 2013. The fair values of these assets were determined using widely accepted valuation techniques, including (i) discounted cash flow analysis, which considers, among other things, leasing assumptions, growth rates, discount rates and terminal capitalization rates, (ii) income capitalization approach, which considers prevailing market capitalization rates, and (iii) comparable sales activity. Generally, we consider multiple valuation techniques when measuring fair values but in certain circumstances, a single valuation technique may be appropriate. The tables below aggregate the fair values of these assets by their levels in the fair value hierarchy.

(Amounts in thousands)	As of March 31, 2014			
	Total	Level 1	Level 2	Level 3
Real estate assets	\$ 341,660	\$ -	\$ -	\$ 341,660
Investment in Toys "R" Us	75,932	-	-	75,932
Total assets	<u>\$ 417,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,592</u>

(Amounts in thousands)	As of December 31, 2013			
	Total	Level 1	Level 2	Level 3
Real estate assets	\$ 354,351	\$ -	\$ -	\$ 354,351
Investment in Toys "R" Us	83,224	-	-	83,224
Total assets	<u>\$ 437,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,575</u>

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

14. Fair Value Measurements – continued

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents (primarily money market funds, which invest in obligations of the United States government), mortgage and mezzanine loans receivable and our secured and unsecured debt. Estimates of the fair value of these instruments are determined by the standard practice of modeling the contractual cash flows required under the instrument and discounting them back to their present value at the appropriate current risk adjusted interest rate, which is provided by a third-party specialist. For floating rate debt, we use forward rates derived from observable market yield curves to project the expected cash flows we would be required to make under the instrument. The fair value of cash equivalents and borrowings under our revolving credit facility is classified as Level 1, and the fair value of our mortgage and mezzanine loans receivable is classified as Level 3. The fair value of our secured and unsecured debt are classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of March 31, 2014 and December 31, 2013.

(Amounts in thousands)	As of March 31, 2014		As of December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash equivalents	\$ 922,872	\$ 923,000	\$ 295,000	\$ 295,000
Mortgage and mezzanine loans receivable	42,749	43,000	170,972	171,000
	<u>\$ 965,621</u>	<u>\$ 966,000</u>	<u>\$ 465,972</u>	<u>\$ 466,000</u>
Debt:				
Mortgages payable	\$ 8,913,358	\$ 8,763,000	\$ 8,331,993	\$ 8,104,000
Senior unsecured notes	1,343,442	1,398,000	1,350,855	1,402,000
Revolving credit facility debt	88,138	88,000	295,870	296,000
	<u>\$ 10,344,938</u>	<u>\$ 10,249,000</u>	<u>\$ 9,978,718</u>	<u>\$ 9,802,000</u>

15. Incentive Compensation

Our 2010 Omnibus Share Plan (the “Plan”) provides for grants of incentive and non-qualified stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards to certain of our employees and officers. We account for all stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*. Stock-based compensation expense was \$11,024,000 and \$7,466,000 in the three months ended March 31, 2014 and 2013, respectively.

On January 10, 2014, the Compensation Committee approved the 2014 Outperformance Plan, a multi-year, performance-based equity compensation plan and related form of award agreement (the “2014 OPP”). Under the 2014 OPP, participants have the opportunity to earn compensation payable in the form of operating partnership units during a three-year performance measurement period, if and only if we outperform a predetermined total shareholder return (“TSR”) and/or outperform the market with respect to relative TSR. Awards under the 2014 OPP may be earned if we (i) achieve a TSR level greater than 7% per annum, or 21% over the three-year performance measurement period (the “Absolute Component”), and/or (ii) achieve a TSR above that of the SNL US REIT Index (the “Index”) over a three-year performance measurement period (the “Relative Component”). To the extent awards would be earned under the Absolute Component but we underperform the Index, such awards earned under the Absolute Component would be reduced (and potentially fully negated) based on the degree to which we underperform the Index. In certain circumstances, in the event we outperform the Index but awards would not otherwise be earned under the Absolute Component, awards may be increased under the Relative Component. To the extent awards would otherwise be earned under the Relative Component but we fail to achieve at least a 6% per annum absolute TSR, such awards earned under the Relative Component would be reduced based on our absolute TSR, with no awards being earned in the event our TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which we may outperform the Index. If the designated performance objectives are achieved, OPP Units are also subject to time-based vesting requirements. Awards earned under the 2014 OPP vest 33% in year three, 33% in year four and 34% in year five. Dividends on awards earned accrue during the performance measurement period. In addition, our executive officers (for the purposes of Section 16 of the Exchange Act) are required to hold any earned OPP awards (or related equity) for at least one year following vesting.

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

16. Fee and Other Income

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
BMS cleaning fees	\$ 18,956	\$ 16,664
Signage revenue	9,318	6,481
Management and leasing fees	6,214	5,253
Lease termination fees ⁽¹⁾	3,793	59,968
Other income	7,647	8,447
	<u>\$ 45,928</u>	<u>\$ 96,813</u>

(1) 2013 includes \$59,599 of income pursuant to a settlement agreement with Stop & Shop.

Management and leasing fees include management fees from Interstate Properties, a related party, of \$134,000 and \$203,000 for the three months ended March 31, 2014 and 2013, respectively. The above table excludes fee income from partially owned entities, which is typically included in "income from partially owned entities" (see Note 7 – *Investments in Partially Owned Entities*).

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

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Mark-to-market of investments in our deferred compensation plan ⁽¹⁾	\$ 4,400	\$ 3,446
Dividends and interest on marketable securities	3,106	2,770
Interest on mezzanine loans receivable	2,384	5,077
Non-cash impairment loss on J.C. Penney common shares	-	(39,487)
Loss from the mark-to-market of J.C. Penney derivative position	-	(22,540)
Other, net	2,003	1,659
	<u>\$ 11,893</u>	<u>\$ (49,075)</u>

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

18. Interest and Debt Expense

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Interest expense	\$ 118,252	\$ 123,228
Amortization of deferred financing costs	4,812	5,378
Capitalized interest	(13,622)	(8,260)
	<u>\$ 109,442</u>	<u>\$ 120,346</u>

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

19. Income Per Share

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

	For the Three Months Ended March 31,	
	2014	2013
(Amounts in thousands, except per share amounts)		
Numerator:		
Income from continuing operations, net of income attributable to noncontrolling interests	\$ 80,936	\$ 67,986
Income from discontinued operations, net of income attributable to noncontrolling interests	1,781	194,936
Net income attributable to Vornado	82,717	262,922
Preferred share dividends	(20,368)	(21,702)
Preferred share redemptions	-	(9,230)
Net income attributable to common shareholders	62,349	231,990
Earnings allocated to unvested participating securities	(30)	(56)
Numerator for basic income per share	62,319	231,934
Impact of assumed conversions:		
Convertible preferred share dividends	-	28
Numerator for diluted income per share	\$ 62,319	\$ 231,962
Denominator:		
Denominator for basic income per share – weighted average shares	187,307	186,752
Effect of dilutive securities ⁽¹⁾ :		
Employee stock options and restricted share awards	933	727
Convertible preferred shares	-	50
Denominator for diluted income per share – weighted average shares and assumed conversions	188,240	187,529
INCOME PER COMMON SHARE – BASIC:		
Income from continuing operations, net	\$ 0.32	\$ 0.20
Income from discontinued operations, net	0.01	1.04
Net income per common share	\$ 0.33	\$ 1.24
INCOME PER COMMON SHARE – DILUTED:		
Income from continuing operations, net	\$ 0.32	\$ 0.20
Income from discontinued operations, net	0.01	1.04
Net income per common share	\$ 0.33	\$ 1.24

(1) The effect of dilutive securities in the three months ended March 31, 2014 and 2013 excludes an aggregate of 11,326 and 11,997 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

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

20. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a \$180,000,000 annual aggregate. We maintain coverage for terrorism acts with limits of \$4.0 billion per occurrence and in the aggregate, including terrorism involving nuclear, biological, chemical and radiological ("NBCR") terrorism events, as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2014.

Penn Plaza Insurance Company, LLC ("PPIC"), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the federal government with no direct exposure to PPIC. For NBCR acts, PPIC is responsible for a deductible of \$2,150,000 and 15% of the balance of a covered loss and the federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss incurred by PPIC.

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

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

Other Commitments and Contingencies

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

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

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of March 31, 2014, the aggregate dollar amount of these guarantees and master leases is approximately \$420,000,000.

At March 31, 2014, \$38,477,000 of letters of credit were outstanding under one of our revolving credit facilities. Our revolving credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our revolving credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

As of March 31, 2014, we expect to fund additional capital to certain of our partially owned entities aggregating approximately \$125,000,000.

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

21. Segment Information

Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)

	For the Three Months Ended March 31, 2014					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	\$ 660,618	\$ 371,282	\$ 135,278	\$ 88,805	\$ -	\$ 65,253
Total expenses	494,984	241,999	89,572	82,231	-	81,182
Operating income (loss)	165,634	129,283	45,706	6,574	-	(15,929)
Income (loss) from partially owned entities, including Toys	1,979	1,566	(1,266)	538	1,847	(706)
Income from Real Estate Fund	18,148	-	-	-	-	18,148
Interest and other investment income, net	11,893	1,475	36	9	-	10,373
Interest and debt expense	(109,442)	(42,839)	(19,347)	(9,217)	-	(38,039)
Net gain on disposition of wholly owned and partially owned assets	9,635	-	-	-	-	9,635
Income (loss) before income taxes	97,847	89,485	25,129	(2,096)	1,847	(16,518)
Income tax (expense) benefit	(1,582)	(969)	199	(731)	-	(81)
Income (loss) from continuing operations	96,265	88,516	25,328	(2,827)	1,847	(16,599)
Income from discontinued operations	1,891	-	-	1,714	-	177
Net income (loss)	98,156	88,516	25,328	(1,113)	1,847	(16,422)
Less net income attributable to noncontrolling interests	(15,439)	(1,405)	-	(17)	-	(14,017)
Net income (loss) attributable to Vornado	82,717	87,111	25,328	(1,130)	1,847	(30,439)
Interest and debt expense ⁽²⁾	170,952	58,068	22,798	10,351	38,549	41,186
Depreciation and amortization ⁽²⁾	196,339	87,587	36,150	25,328	26,924	20,350
Income tax expense (benefit) ⁽²⁾	19,831	1,032	(189)	731	18,077	180
EBITDA⁽¹⁾	\$ 469,839	\$ 233,798 (3)	\$ 84,087 (4)	\$ 35,280 (5)	\$ 85,397	\$ 31,277 (6)

(Amounts in thousands)

	For the Three Months Ended March 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	\$ 718,713	\$ 364,801	\$ 134,731	\$ 142,212	\$ -	\$ 76,969
Total expenses	468,419	242,927	85,197	48,580	-	91,715
Operating income (loss)	250,294	121,874	49,534	93,632	-	(14,746)
Income (loss) from partially owned entities, including Toys	22,525	5,605	(2,093)	901	1,759	16,353
Income from Real Estate Fund	16,564	-	-	-	-	16,564
Interest and other investment (loss) income, net	(49,075)	1,165	76	51	-	(50,367)
Interest and debt expense	(120,346)	(40,431)	(28,250)	(10,286)	-	(41,379)
Net loss on disposition of wholly owned and partially owned assets	(36,724)	-	-	-	-	(36,724)
Income (loss) before income taxes	83,238	88,213	19,267	84,298	1,759	(110,299)
Income tax expense	(1,073)	(272)	(378)	-	-	(423)
Income (loss) from continuing operations	82,165	87,941	18,889	84,298	1,759	(110,722)
Income (loss) from discontinued operations	206,762	2,728	-	205,382	-	(1,348)
Net income (loss)	288,927	90,669	18,889	289,680	1,759	(112,070)
Less net income attributable to noncontrolling interests	(26,005)	(1,581)	-	(96)	-	(24,328)
Net income (loss) attributable to Vornado	262,922	89,088	18,889	289,584	1,759	(136,398)
Interest and debt expense ⁽²⁾	188,780	49,689	31,753	14,223	43,182	49,933
Depreciation and amortization ⁽²⁾	194,185	78,413	35,148	18,519	37,674	24,431
Income tax expense ⁽²⁾	60,759	347	454	-	59,346	612
EBITDA⁽¹⁾	\$ 706,646	\$ 217,537 (3)	\$ 86,244 (4)	\$ 322,326 (5)	\$ 141,961	\$ (61,422) (6)

See notes on the following page.

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

21. Segment Information – continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Office	\$ 157,879	\$ 146,296
Retail	66,195	60,382
Alexander's	10,430	10,541
Hotel Pennsylvania	(706)	318
Total New York	\$ 233,798	\$ 217,537

- (4) The elements of "Washington, DC" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Office, excluding the Skyline Properties	\$ 67,257	\$ 67,107
Skyline properties	6,499	8,162
Total Office	73,756	75,269
Residential	10,331	10,975
Total Washington, DC	\$ 84,087	\$ 86,244

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Strip shopping centers ^(a)	\$ 41,321	\$ 103,361
Regional malls ^(b)	(6,041)	218,965
Total Retail properties	\$ 35,280	\$ 322,326

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

(b) The three months ended March 31, 2014, includes a \$20,000 non-cash impairment loss on the Springfield Town Center. The three months ended March 31, 2013, includes a \$202,275 net gain on sale of Green Acres Mall.

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

21. Segment Information – continued

Notes to preceding tabular information - continued:

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Our share of Real Estate Fund:		
Income before net realized/unrealized gains	\$ 1,982	\$ 1,462
Net unrealized gains	3,542	3,379
Carried interest	1,775	2,183
Total	7,299	7,024
Merchandise Mart Building and trade shows	19,087	16,854
555 California Street	12,066	10,629
India real estate ventures	1,824	1,759
LNR ^(a)	-	20,443
Lexington ^(b)	-	6,931
Other investments	4,919	3,117
	45,195	66,757
Corporate general and administrative expenses ^(c)	(25,982)	(22,756)
Investment income and other, net ^(c)	8,073	11,336
Net gain on sale of a land parcel and residential condominiums	9,635	-
Acquisition related costs	(1,784)	(601)
Non-cash impairment loss on J.C. Penney common shares	-	(39,487)
Loss on sale of J.C. Penney common shares	-	(36,800)
Loss from the mark-to-market of J.C. Penney derivative position	-	(22,540)
Merchandise Mart reduction-in-force and severance costs	-	(2,612)
Net income attributable to noncontrolling interests in the Operating Partnership	(3,848)	(13,933)
Preferred unit distributions of the Operating Partnership	(12)	(786)
	\$ 31,277	\$ (61,422)

(a) On April 19, 2013, LNR was sold for \$1.053 billion.

(b) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. The 2013 amount represents our share of Lexington's 2012 fourth quarter earnings which was recorded on a one-quarter lag basis.

(c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust (the "Company") as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three-month periods ended March 31, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated February 24, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
May 5, 2014

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

Certain statements contained in this Quarterly Report constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “would,” “may” or other similar expressions in this Quarterly Report on Form 10-Q. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see “Item 1A. Risk Factors” in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Management’s Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of our consolidated financial statements for the three months ended March 31, 2014. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to current year presentation.

Overview

Business Objective and Operating Strategy

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the FTSE NAREIT Office REIT Index (“Office REIT”) and the Morgan Stanley REIT Index (“RMS”) for the following periods ended March 31, 2014.

	Total Return ⁽¹⁾		
	Vornado	Office REIT	RMS
Three-month	11.9%	11.2%	10.0%
One-year	21.8%	8.9%	4.3%
Three-year	26.2%	23.6%	35.5%
Five-year	261.1%	218.9%	254.3%
Ten-year	147.6%	89.4%	120.0%

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

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

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

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

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

On April 11, 2014, we announced a plan to spin off our shopping center business consisting of 81 strip shopping centers and four malls into a new publicly traded REIT (“SpinCo”). The spin-off is expected to be effectuated through a 1:2 distribution of SpinCo’s shares to Vornado common shareholders and Vornado Realty L.P. common unitholders, and is intended to be treated as tax-free for U.S. federal income tax purposes. We intend to file the initial registration statement on Form 10 with the Securities and Exchange Commission (“SEC”) by the end of the second quarter of 2014 and expect the spin-off to be completed by the end of 2014. The transaction is subject to certain conditions, including the SEC declaring that SpinCo’s registration statement is effective, filing and approval of SpinCo’s listing application, receipt of third party consents, and formal approval and declaration of the distribution by Vornado’s Board of Trustees. Vornado may, at any time and for any reason until the proposed transaction is complete, abandon the separation or modify or change its terms.

Vornado will retain, for disposition in the near term, 20 small retail assets which do not fit SpinCo’s strategy, and the Beverly Connection and Springfield Town Center, both of which are under contract for disposition.

Overview – continued

Quarter Ended March 31, 2014 Financial Results Summary

Net income attributable to common shareholders for the quarter ended March 31, 2014 was \$62,349,000, or \$0.33 per diluted share, compared to \$231,990,000, or \$1.24 per diluted share for the quarter ended March 31, 2013. Net income for the quarters ended March 31, 2014 and 2013 include \$20,842,000 and \$5,164,000, respectively of real estate impairment losses. The quarter ended March 31, 2013 also includes \$202,794,000 of net gains on sale of real estate. In addition, the quarters ended March 31, 2014 and 2013 include certain other items that affect comparability, which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, decreased net income attributable to common shareholders for the quarter ended March 31, 2014 by \$7,942,000, or \$0.04 per diluted share and increased net income attributable to common shareholders for the quarter ended March 31, 2013 by \$157,880,000 or \$0.84 per diluted share.

Funds From Operations attributable to common shareholders plus assumed conversions (“FFO”) for the quarter ended March 31, 2014 was \$247,079,000, or \$1.31 per diluted share, compared to \$201,820,000, or \$1.08 per diluted share for the prior year’s quarter. FFO for the quarters ended March 31, 2014 and 2013 include certain items that affect comparability, which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO for the quarter ended March 31, 2014 by \$20,197,000, or \$0.11 per diluted share, and decreased FFO for the quarter ended March 31, 2013 by \$9,820,000, or \$0.05 per diluted share.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Items that affect comparability income (expense):		
Toys "R" Us FFO (including impairment losses of \$75,196 and \$78,542 respectively)	\$ 9,267	\$ 16,684
Net gain on sale of a land parcel and residential condominiums	9,635	-
FFO from discontinued operations, including LNR in 2013	4,139	27,951
Losses from the mark-to-market, impairment and disposition of investment in J.C. Penney	-	(98,827)
Stop & Shop litigation settlement income	-	59,599
Preferred share redemptions	-	(9,230)
Merchandise Mart reduction-in-force and severance costs	-	(2,612)
Other, net	(1,784)	(3,964)
	21,257	(10,399)
Noncontrolling interests' share of above adjustments	(1,060)	579
Items that affect comparability, net	\$ 20,197	\$ (9,820)

The percentage increase (decrease) in GAAP basis and Cash basis same store Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) of our operating segments for the quarter ended March 31, 2014 over the quarter ended March 31, 2013 and the trailing quarter ended December 31, 2013 are summarized below.

Same Store EBITDA:	New York	Washington, DC	Retail Properties
March 31, 2014 vs. March 31, 2013			
GAAP basis	6.2% (1)	(2.5%)	2.2%
Cash basis	10.1% (1)	0.5%	2.4%
March 31, 2014 vs. December 31, 2013			
GAAP basis	(4.1%) (2)	0.1%	0.2%
Cash basis	(2.7%) (2)	0.9%	1.3%

- (1) Excluding the Hotel Pennsylvania, same store EBITDA increased by 6.7% and 10.7% on a GAAP basis and cash basis, respectively.
- (2) Excluding the Hotel Pennsylvania, same store EBITDA increased by 1.1% and 3.4% on a GAAP basis and cash basis, respectively.

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

Overview – continued

2014 Dispositions

On February 24, 2014, we completed the sale of Broadway Mall in Hicksville, Long Island, New York for \$94,000,000. The sale resulted in net proceeds of \$92,174,000 after closing costs.

On March 2, 2014, we entered into an agreement to transfer upon completion, the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to Pennsylvania Real Estate Investment Trust (NYSE: PEI) (“PREIT”) in exchange for \$465,000,000 comprised of \$340,000,000 of cash and \$125,000,000 of PREIT operating partnership units. The redevelopment is expected to be completed in the fourth quarter of 2014. The closing will be no later than March 31, 2015.

On March 17, 2014, we entered into an agreement to sell Beverly Connection, a 335,000 square foot power shopping center in Los Angeles, California, for \$260,000,000. The property is unencumbered. The sale, which is subject to customary closing conditions, is expected to be completed in the third quarter of 2014.

2014 Financings

On January 31, 2014, we completed a \$600,000,000 loan secured by our 220 Central Park South development site. The loan bears interest at LIBOR plus 2.75% (2.90% at March 31, 2014) and matures in January 2016, with three one-year extension options.

On April 16, 2014, we completed a \$350,000,000 refinancing of 909 Third Avenue, a 1.3 million square foot Manhattan office building. The seven-year interest only loan bears interest at 3.91% and matures in May 2021. We realized net proceeds of approximately \$145,000,000 after repaying the existing 5.64%, \$193,000,000 mortgage, defeasance costs and other closing costs.

Recently Issued Accounting Literature

In June 2013, the FASB issued an update (“ASU 2013-08”) to ASC Topic 946, *Financial Services - Investment Companies* (“Topic 946”). ASU 2013-08 amends the guidance in Topic 946 for determining whether an entity qualifies as an investment company and requires certain additional disclosures. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. The adoption of this update as of January 1, 2014, did not have any impact on our real estate fund and our consolidated financial statements.

In April 2014, the FASB issued an update (“ASU 2014-08”) *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* to ASC Topic 205, *Presentation of Financial Statements* and ASC Topic 360, *Property Plant and Equipment*. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations. In addition, the ASU expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2014. We are currently evaluating the impact of ASU 2014-08 on our consolidated financial statements.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013 in Management’s Discussion and Analysis of Financial Condition. There have been no significant changes to our policies during 2014.

Overview - continued

Leasing Activity:

The leasing activity and related statistics in the table below are based on leases signed during the period and are not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Second generation relet space represents square footage that has not been vacant for more than nine months and tenant improvements and leasing commissions are based on our share of square feet leased during the period.

(Square feet in thousands)	New York		Washington, DC	Retail Properties	
	Office	Retail	Office	Strips	Malls
Quarter Ended March 31, 2014					
Total square feet leased	947	11	357 (3)	233	25
Our share of square feet leased:	806	11	342 (3)	233	21
Initial rent (1)	\$ 62.39	\$ 121.16	\$ 42.49	\$ 18.15	\$ 33.18
Weighted average lease term (years)	10.7	14.9	8.7	6.1	5.7
Second generation relet space:					
Square feet	565	10	211	207	6
Cash basis:					
Initial rent (1)	\$ 65.33	\$ 120.47	\$ 41.97	\$ 18.46	\$ 46.67
Prior escalated rent	\$ 56.91	\$ 83.46	\$ 43.30	\$ 17.91	\$ 44.34
Percentage increase (decrease)	14.8%	44.3%	(3.1%)	3.1%	5.3%
GAAP basis:					
Straight-line rent (2)	\$ 63.23	\$ 130.67	\$ 39.83	\$ 18.94	\$ 50.18
Prior straight-line rent	\$ 53.49	\$ 122.17	\$ 38.33	\$ 17.32	\$ 43.74
Percentage increase	18.2%	7.0%	3.9%	9.4%	14.7%
Tenant improvements and leasing commissions:					
Per square foot	\$ 67.53	\$ -	\$ 45.48	\$ 2.77	\$ 12.48
Per square foot per annum	\$ 6.31	\$ -	\$ 5.23	\$ 0.45	\$ 2.19
Percentage of initial rent	10.1%	-	12.3%	2.5%	6.6%

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

(2) Represents the GAAP basis weighted average rent per square foot that is recognized over the term of the respective leases, and includes the effect of free rent and periodic step-ups in rent.

(3) Excludes (i) 165 square feet leased to WeWork for a 20-year term at an initial rent of \$24.77 per square foot, that will be redeveloped into rental residential apartments (see page 53), and (ii) 8 square feet of retail space that was leased at an initial rent of \$40.74 per square foot.

Overview – continued

Square footage (in service) and Occupancy as of March 31, 2014:

(Square feet in thousands)	Number of Properties	Square Feet (in service)		Occupancy %
		Total Portfolio	Our Share	
New York:				
Office	32	19,841	16,396	96.9%
Retail	55	2,379	2,164	97.1%
Alexander's	6	2,178	706	99.4%
Hotel Pennsylvania	1	1,400	1,400	
Residential - 1,655 units	4	1,523	762	96.2%
		<u>27,321</u>	<u>21,428</u>	97.0%
Washington, DC:				
Office, excluding the Skyline Properties	51	13,406	11,035	85.7%
Skyline Properties	8	2,652	2,652	58.7%
Total Office	59	16,058	13,687	80.5%
Residential - 2,414 units	7	2,597	2,454	96.8%
Other	5	379	379	100.0%
		<u>19,034</u>	<u>16,520</u>	83.3%
Retail Properties:				
Strip Shopping Centers	104	14,519	14,140	93.9%
Regional Malls	5	4,134	2,646	95.7%
		<u>18,653</u>	<u>16,786</u>	94.2%
Other:				
Merchandise Mart	1	3,578	3,569	95.6%
555 California Street	3	1,795	1,257	96.1%
Primarily Warehouses	5	971	971	45.6%
		<u>6,344</u>	<u>5,797</u>	
Total square feet at March 31, 2014		<u>71,352</u>	<u>60,531</u>	

Overview - continued

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

(Square feet in thousands)	Number of properties	Square Feet (in service)		Occupancy %
		Total Portfolio	Our Share	
New York:				
Office	31	19,799	16,358	96.6%
Retail	55	2,389	2,166	97.4%
Alexander's	6	2,178	706	99.4%
Hotel Pennsylvania	1	1,400	1,400	
Residential - 1,655 units	4	1,523	762	94.8%
		<u>27,289</u>	<u>21,392</u>	96.8%
Washington, DC:				
Office, excluding the Skyline Properties	51	13,581	11,151	85.4%
Skyline Properties	8	2,652	2,652	60.8%
Total Office	59	<u>16,233</u>	<u>13,803</u>	80.7%
Residential - 2,405 units	7	2,588	2,446	96.3%
Other	5	379	379	100.0%
		<u>19,200</u>	<u>16,628</u>	83.4%
Retail Properties:				
Strip Shopping Centers	105	14,616	14,237	94.3%
Regional Malls	5	4,135	2,646	95.9%
		<u>18,751</u>	<u>16,883</u>	94.6%
Other:				
Merchandise Mart	2	3,703	3,694	96.3%
555 California Street	3	1,795	1,257	94.5%
Primarily Warehouses	5	971	971	45.6%
		<u>6,469</u>	<u>5,922</u>	
Total square feet at December 31, 2013		<u>71,709</u>	<u>60,825</u>	

Overview - continued

Washington, DC Segment

We estimate that 2014 EBITDA from continuing operations will be between \$10,000,000 and \$15,000,000 lower than 2013 EBITDA, due to the effects of Base Realignment and Closure ("BRAC") related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area. EBITDA from continuing operations for the three months ended March 31, 2014, was lower than the prior year's three months by approximately \$2,157,000, which was offset by an interest expense reduction of \$5,462,000 from the restructuring of the Skyline properties mortgage loan in October 2013. As a result of this and other items, the overall earnings in the three months ended March 31, 2014 were higher than the prior year's three months.

Of the 2,395,000 square feet subject to the effects of the BRAC statute, 393,000 square feet has been taken out of service for redevelopment and 769,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space as of March 31, 2014.

	Rent Per Square Foot	Square Feet			
		Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet as of March 31, 2014	\$ 37.92	745,000	411,000	268,000	66,000
Leases pending	45.12	24,000	24,000	-	-
Taken out of service for redevelopment		393,000	393,000	-	-
		<u>1,162,000</u>	<u>828,000</u>	<u>268,000</u>	<u>66,000</u>
To Be Resolved:					
Vacated as of March 31, 2014	37.54	916,000	500,000	336,000	80,000
Expiring in:					
2014	28.75	224,000	23,000	201,000	-
2015	43.48	93,000	88,000	5,000	-
		<u>1,233,000</u>	<u>611,000</u>	<u>542,000</u>	<u>80,000</u>
Total square feet subject to BRAC		<u>2,395,000</u>	<u>1,439,000</u>	<u>810,000</u>	<u>146,000</u>

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2014 and 2013

Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)

	For the Three Months Ended March 31, 2014					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	\$ 660,618	\$ 371,282	\$ 135,278	\$ 88,805	\$ -	\$ 65,253
Total expenses	494,984	241,999	89,572	82,231	-	81,182
Operating income (loss)	165,634	129,283	45,706	6,574	-	(15,929)
Income (loss) from partially owned entities, including Toys	1,979	1,566	(1,266)	538	1,847	(706)
Income from Real Estate Fund	18,148	-	-	-	-	18,148
Interest and other investment income, net	11,893	1,475	36	9	-	10,373
Interest and debt expense	(109,442)	(42,839)	(19,347)	(9,217)	-	(38,039)
Net gain on disposition of wholly owned and partially owned assets	9,635	-	-	-	-	9,635
Income (loss) before income taxes	97,847	89,485	25,129	(2,096)	1,847	(16,518)
Income tax (expense) benefit	(1,582)	(969)	199	(731)	-	(81)
Income (loss) from continuing operations	96,265	88,516	25,328	(2,827)	1,847	(16,599)
Income from discontinued operations	1,891	-	-	1,714	-	177
Net income (loss)	98,156	88,516	25,328	(1,113)	1,847	(16,422)
Less net income attributable to noncontrolling interests	(15,439)	(1,405)	-	(17)	-	(14,017)
Net income (loss) attributable to Vornado	82,717	87,111	25,328	(1,130)	1,847	(30,439)
Interest and debt expense ⁽²⁾	170,952	58,068	22,798	10,351	38,549	41,186
Depreciation and amortization ⁽²⁾	196,339	87,587	36,150	25,328	26,924	20,350
Income tax expense (benefit) ⁽²⁾	19,831	1,032	(189)	731	18,077	180
EBITDA ⁽¹⁾	<u>\$ 469,839</u>	<u>\$ 233,798 (3)</u>	<u>\$ 84,087 (4)</u>	<u>\$ 35,280 (5)</u>	<u>\$ 85,397</u>	<u>\$ 31,277 (6)</u>

(Amounts in thousands)

	For the Three Months Ended March 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	\$ 718,713	\$ 364,801	\$ 134,731	\$ 142,212	\$ -	\$ 76,969
Total expenses	468,419	242,927	85,197	48,580	-	91,715
Operating income (loss)	250,294	121,874	49,534	93,632	-	(14,746)
Income (loss) from partially owned entities, including Toys	22,525	5,605	(2,093)	901	1,759	16,353
Income from Real Estate Fund	16,564	-	-	-	-	16,564
Interest and other investment (loss) income, net	(49,075)	1,165	76	51	-	(50,367)
Interest and debt expense	(120,346)	(40,431)	(28,250)	(10,286)	-	(41,379)
Net loss on disposition of wholly owned and partially owned assets	(36,724)	-	-	-	-	(36,724)
Income (loss) before income taxes	83,238	88,213	19,267	84,298	1,759	(110,299)
Income tax expense	(1,073)	(272)	(378)	-	-	(423)
Income (loss) from continuing operations	82,165	87,941	18,889	84,298	1,759	(110,722)
Income (loss) from discontinued operations	206,762	2,728	-	205,382	-	(1,348)
Net income (loss)	288,927	90,669	18,889	289,680	1,759	(112,070)
Less net income attributable to noncontrolling interests	(26,005)	(1,581)	-	(96)	-	(24,328)
Net income (loss) attributable to Vornado	262,922	89,088	18,889	289,584	1,759	(136,398)
Interest and debt expense ⁽²⁾	188,780	49,689	31,753	14,223	43,182	49,933
Depreciation and amortization ⁽²⁾	194,185	78,413	35,148	18,519	37,674	24,431
Income tax expense ⁽²⁾	60,759	347	454	-	59,346	612
EBITDA ⁽¹⁾	<u>\$ 706,646</u>	<u>\$ 217,537 (3)</u>	<u>\$ 86,244 (4)</u>	<u>\$ 322,326 (5)</u>	<u>\$ 141,961</u>	<u>\$ (61,422) (6)</u>

See notes on the following page.

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2014 and 2013 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Office	\$ 157,879	\$ 146,296
Retail	66,195	60,382
Alexander's	10,430	10,541
Hotel Pennsylvania	(706)	318
Total New York	\$ 233,798	\$ 217,537

- (4) The elements of "Washington, DC" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Office, excluding the Skyline Properties	\$ 67,257	\$ 67,107
Skyline properties	6,499	8,162
Total Office	73,756	75,269
Residential	10,331	10,975
Total Washington, DC	\$ 84,087	\$ 86,244

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Strip shopping centers ^(a)	\$ 41,321	\$ 103,361
Regional malls ^(b)	(6,041)	218,965
Total Retail properties	\$ 35,280	\$ 322,326

(a) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating \$2,886 and \$66,773 for the three months ended March 31, 2014 and 2013, respectively. Excluding these items, EBITDA was \$38,435 and \$36,588, respectively.

(b) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating \$(19,766) and \$204,819 for the three months ended March 31, 2014 and 2013, respectively. Excluding these items, EBITDA was \$13,725 and \$14,146, respectively.

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2014 and 2013 - continued

Notes to preceding tabular information - continued:

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Our share of Real Estate Fund:		
Income before net realized/unrealized gains	\$ 1,982	\$ 1,462
Net unrealized gains	3,542	3,379
Carried interest	1,775	2,183
Total	7,299	7,024
Merchandise Mart Building and trade shows	19,087	16,854
555 California Street	12,066	10,629
India real estate ventures	1,824	1,759
LNR ^(a)	-	20,443
Lexington ^(b)	-	6,931
Other investments	4,919	3,117
	45,195	66,757
Corporate general and administrative expenses ^(c)	(25,982)	(22,756)
Investment income and other, net ^(c)	8,073	11,336
Net gain on sale of a land parcel and residential condominiums	9,635	-
Acquisition related costs	(1,784)	(601)
Non-cash impairment loss on J.C. Penney common shares	-	(39,487)
Loss on sale of J.C. Penney common shares	-	(36,800)
Loss from the mark-to-market of J.C. Penney derivative position	-	(22,540)
Merchandise Mart reduction-in-force and severance costs	-	(2,612)
Net income attributable to noncontrolling interests in the Operating Partnership	(3,848)	(13,933)
Preferred unit distributions of the Operating Partnership	(12)	(786)
	\$ 31,277	\$ (61,422)

(a) On April 19, 2013, LNR was sold for \$1.053 billion.

(b) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. The 2013 amount represents our share of Lexington's 2012 fourth quarter earnings which was recorded on a one-quarter lag basis.

(c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region (excluding discontinued operations, other gains and losses that affect comparability and our Toys and Other Segments).

Region:	For the Three Months Ended March 31,	
	2014	2013
New York City metropolitan area	74%	72%
Washington, DC / Northern Virginia metropolitan area	23%	25%
Puerto Rico	2%	2%
Other geographies	1%	1%
	100%	100%

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013
Revenues

Our revenues, which consist primarily of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were \$660,618,000 for the three months ended March 31, 2014, compared to \$718,713,000 in the prior year's three months, a decrease of \$58,095,000. This decrease was attributable to income in the prior year of (i) \$59,599,000 pursuant to a settlement agreement with Stop & Shop and (ii) \$12,143,000 related to the Cleveland Medical Mart development project. Below are the details of the (decrease) increase by segment:

(Amounts in thousands)

(Decrease) increase due to:	<u>Total</u>	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>	<u>Other</u>
Property rentals:					
Acquisitions and other	\$ (135)	\$ 2,262	\$ (692)	\$ (936)	\$ (769)
Deconsolidation of Independence Plaza	(14,391)	(14,391)	-	-	-
Properties placed into / taken out of service for redevelopment	(3,043)	(1,017)	(184)	276	(2,118)
Hotel Pennsylvania	(294)	(294)	-	-	-
Trade Shows	897	-	-	-	897
Same store operations	11,273	9,288	(2,647)	853	3,779
	<u>(5,693)</u>	<u>(4,152)</u>	<u>(3,523)</u>	<u>193</u>	<u>1,789</u>
Tenant expense reimbursements:					
Acquisitions and other	396	(235)	-	-	631
Properties placed into / taken out of service for redevelopment	(555)	(559)	36	144	(176)
Same store operations	10,785	3,800	1,363	5,860	(238)
	<u>10,626</u>	<u>3,006</u>	<u>1,399</u>	<u>6,004</u>	<u>217</u>
Cleveland Medical Mart development project	<u>(12,143)(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,143)(1)</u>
Fee and other income:					
BMS cleaning fees	2,292	2,936	-	-	(644)(2)
Signage revenue	2,837	2,837	-	-	-
Management and leasing fees	961	1,002	219	(93)	(167)
Lease termination fees	(56,175)	818	2,128	(59,383)(3)	262
Other income	(800)	34	324	(128)	(1,030)
	<u>(50,885)</u>	<u>7,627</u>	<u>2,671</u>	<u>(59,604)</u>	<u>(1,579)</u>
Total (decrease) increase in revenues	<u>\$ (58,095)</u>	<u>\$ 6,481</u>	<u>\$ 547</u>	<u>\$ (53,407)</u>	<u>\$ (11,716)</u>

(1) Due to the completion of the project. This decrease in revenue is substantially offset by a decrease in development costs expensed in the period. See note (4) on page 43.

(2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 43.

(3) Results primarily from \$59,599 of income recognized in the first quarter of 2013 pursuant to a settlement agreement with Stop & Shop.

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued
Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were \$494,984,000 for the three months ended March 31, 2014, compared to \$468,419,000 in the prior year's three months, an increase of \$26,565,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	<u>Total</u>	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>	<u>Other</u>
Operating:					
Acquisitions and other	\$ (567)	\$ 296	\$ -	\$ (97)	\$ (766)
Deconsolidation of Independence Plaza	(5,766)	(5,766)	-	-	-
Properties placed into / taken out of service for redevelopment	(2,813)	(1,690)	133	(141)	(1,115)
Non-reimbursable expenses, including bad debt reserves	(550)	(301)	-	-	(249)
Hotel Pennsylvania	808	808	-	-	-
Trade Shows	775	-	-	-	775
BMS expenses	(858)	(122)	-	-	(736)(2)
Same store operations	16,615	7,359	2,689	5,872	695
	<u>7,644</u>	<u>584</u>	<u>2,822</u>	<u>5,634</u>	<u>(1,396)</u>
Depreciation and amortization:					
Acquisitions and other	2,190	2,303	-	(106)	(7)
Deconsolidation of Independence Plaza	(9,994)	(9,994)	-	-	-
Properties placed into / taken out of service for redevelopment	21,164	13,816	(29)	8,155	(778)
Same store operations	(5,026)	(7,915)	940	727	1,222
	<u>8,334</u>	<u>(1,790)</u>	<u>911</u>	<u>8,776</u>	<u>437</u>
General and administrative:					
Mark-to-market of deferred compensation plan liability (1)	954	-	-	-	954
Severance costs (primarily reduction in force at the Merchandise Mart)	(2,612)	-	-	-	(2,612)
Same store operations	2,436	278	642	(759)	2,275 (3)
	<u>778</u>	<u>278</u>	<u>642</u>	<u>(759)</u>	<u>617</u>
Cleveland Medical Mart development project	<u>(11,374)(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,374)(4)</u>
Impairment losses and acquisition related costs	<u>21,183</u>	<u>-</u>	<u>-</u>	<u>20,000 (5)</u>	<u>1,183</u>
Total increase (decrease) in expenses	<u>\$ 26,565</u>	<u>\$ (928)</u>	<u>\$ 4,375</u>	<u>\$ 33,651</u>	<u>\$ (10,533)</u>

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

(2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 42.

(3) Primarily from an increase in stock-based compensation expense, of which \$1,117 relates to additional amortization in 2014, due to the timing of the 2014 equity grant.

(4) Due to the completion of the project. This decrease in expense is offset by the decrease in development revenue in the period. See note (1) on page 42.

(5) Represents a non-cash impairment loss on the Springfield Town Center.

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued

Income Applicable to Toys

In the fourth quarter of 2013, we wrote down our investment in Toys to its estimated fair value and disclosed that to the extent the fair value of our investment did not change, we would recognize a non-cash impairment loss equal to our share of Toys' fourth quarter net earnings in our first quarter of 2014.

In the three months ended March 31, 2014, we recognized (i) \$1,847,000 of income applicable to Toys, representing management fees earned and received, and (ii) our share of the equity in earnings of Toys' fourth quarter totaling \$75,196,000 and a corresponding non-cash impairment loss of the same amount.

In the three months ended March 31, 2013, we recognized (i) \$1,759,000 of income applicable to Toys, representing management fees earned and received, and (ii) our share of the equity in earnings of Toys' fourth quarter totaling \$78,542,000 and a corresponding non-cash impairment loss of the same amount.

Income from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the three months ended March 31, 2014 and 2013.

(Amounts in thousands) Equity in Net Income (Loss):	Percentage Ownership at March 31, 2014	For the Three Months Ended March 31,	
		2014	2013
Alexander's	32.4%	\$ 6,385	\$ 6,076
India real estate ventures	4.1%-36.5%	(137)	(767)
Partially owned office buildings ⁽¹⁾	Various	(2,395)	(582)
Other investments ⁽²⁾	Various	(3,721)	(1,713)
Lexington ⁽³⁾	n/a	-	(979)
LNR ⁽⁴⁾	n/a	-	18,731
		<u>\$ 132</u>	<u>\$ 20,766</u>

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(2) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

(3) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. The 2013 amount represents our share of Lexington's 2012 fourth quarter earnings which was recorded on a one-quarter lag basis.

(4) On April 19, 2013, LNR was sold for \$1.053 billion.

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued

Income from Real Estate Fund

Below are the components of the income from our Real Estate Fund for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Net investment income	\$ 3,979	\$ 3,048
Net unrealized gains	14,169	13,516
Income from Real Estate Fund	18,148	16,564
Less (income) attributable to noncontrolling interests	(10,849)	(9,540)
Income from Real Estate Fund attributable to Vornado ⁽¹⁾	\$ 7,299	\$ 7,024

(1) Excludes management, leasing and development fees of \$704 and \$849 for the three months ended March 31, 2014 and 2013, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment Income (Loss), net

Interest and other investment income (loss), net was \$11,893,000 in the three months ended March 31, 2014, compared to a loss of \$49,075,000 in the prior year's three months, an increase in income of \$60,968,000. This increase resulted from:

(Amounts in thousands)

Non-cash impairment loss on J.C. Penney common shares in 2013	\$ 39,487
J.C. Penney derivative position mark-to-market loss in 2013	22,540
Lower interest on mezzanine loans receivable	(2,693)
Increase in the value of investments in our deferred compensation plan (offset by a corresponding decrease in the liability for plan assets in general and administrative expenses)	954
Higher dividends and interest on marketable securities	336
Other, net	344
	\$ 60,968

Interest and Debt Expense

Interest and debt expense was \$109,442,000 in the three months ended March 31, 2014, compared to \$120,346,000 in the prior year's three months, a decrease of \$10,904,000. This decrease was primarily due to \$5,462,000 of interest savings from the restructuring of the Skyline properties mortgage loan in October 2013 and \$5,362,000 of higher capitalized interest in the current period.

Net Gain (Loss) on Disposition of Wholly Owned and Partially Owned Assets

In the three months ended March 31, 2014, we recognized a \$9,635,000 gain on disposition of wholly owned and partially owned assets, primarily from the sale of a land parcel and residential condominiums, compared to a net loss of \$36,724,000 in the prior year's three months, primarily from the sale of 10,000,000 J.C. Penney common shares.

Income Tax Expense

Income tax expense was \$1,582,000 in the three months ended March 31, 2014, compared to \$1,073,000 in the prior year's three months, an increase of \$509,000. This increase was primarily attributable to higher income from our taxable REIT subsidiaries.

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued

Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold or are currently held for sale to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all the periods presented in the accompanying financial statements. The table below sets forth the combined results of assets related to discontinued operations for the three months ended March 31, 2014 and 2013.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Total revenues	\$ 8,283	\$ 25,990
Total expenses	5,550	20,043
	2,733	5,947
Impairment losses	(842)	(1,514)
Net gain on sale of Green Acres Mall	-	202,275
Net gain on sales of other real estate	-	54
Income from discontinued operations	\$ 1,891	\$ 206,762

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was \$11,579,000 in the three months ended March 31, 2014, compared to \$11,286,000 in the prior year’s three months, an increase of \$293,000.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was \$3,848,000 in the three months ended March 31, 2014, compared to \$13,933,000 in the prior year’s three months, a decrease of \$10,085,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

Preferred unit distributions of the Operating Partnership were \$12,000 in the three months ended March 31, 2014, compared to \$786,000 in the prior year’s three months, a decrease of \$774,000. This decrease resulted from the redemption of the 6.875% Series D-15 cumulative redeemable preferred units in May 2013.

Preferred Share Dividends

Preferred share dividends were \$20,368,000 in the three months ended March 31, 2014, compared to \$21,702,000 in the prior year’s three months, a decrease of \$1,334,000. This decrease resulted primarily from the redemption of the 6.75% Series F and Series H preferred shares in February 2013.

Preferred Share Redemptions

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

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued
Same Store EBITDA

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

Below are reconciliations of EBITDA to same store EBITDA on a GAAP basis for each of our segments for the three months ended March 31, 2014, compared to three months ended March 31, 2013.

(Amounts in thousands)

	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
EBITDA for the three months ended March 31, 2014	\$ 233,798	\$ 84,087	\$ 35,280
Add-back:			
Non-property level overhead expenses included above	7,792	7,447	4,656
Less EBITDA from:			
Acquisitions	(4,572)	-	-
Dispositions, including net gains on sale	-	-	(3,109)
Properties taken out-of-service for redevelopment	(8,218)	(1,082)	(604)
Other non-operating (income) expense	(1,415)	(1,801)	16,553
GAAP basis same store EBITDA for the three months ended			
March 31, 2014	<u>\$ 227,385</u>	<u>\$ 88,651</u>	<u>\$ 52,776</u>
EBITDA for the three months ended March 31, 2013	\$ 217,537	\$ 86,244	\$ 322,326
Add-back:			
Non-property level overhead expenses included above	7,514	6,805	5,415
Less EBITDA from:			
Acquisitions	-	-	-
Dispositions, including net gains on sale	(2,432)	(98)	(211,839)
Properties taken out-of-service for redevelopment	(4,440)	(1,659)	(97)
Other non-operating income	(4,021)	(368)	(64,168)
GAAP basis same store EBITDA for the three months ended			
March 31, 2013	<u>\$ 214,158</u>	<u>\$ 90,924</u>	<u>\$ 51,637</u>
Increase (decrease) in GAAP basis same store EBITDA -			
Three months ended March 31, 2014 vs. March 31, 2013 ⁽¹⁾	<u>\$ 13,227</u>	<u>\$ (2,273)</u>	<u>\$ 1,139</u>
% increase (decrease) in GAAP basis same store EBITDA	<u>6.2%</u>	<u>(2.5%)</u>	<u>2.2%</u>

(1) See notes on following page.

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued

Notes to preceding tabular information

New York:

The \$13,227,000 increase in New York GAAP basis same store EBITDA resulted primarily from increases in Office and Retail of \$11,409,000 and \$2,897,000, respectively. The Office increase resulted primarily from higher (i) rental revenue of \$7,675,000 (primarily due to a \$1.38 increase in average annual rents per square foot), and (ii) cleaning fees, signage revenue and management and leasing fees of \$6,977,000. The Retail increase resulted primarily from higher rental revenue of \$1,724,000, (primarily due to an increase in average same store occupancy).

Washington, DC:

The \$2,273,000 decrease in Washington, DC GAAP basis same store EBITDA resulted primarily from lower rental revenue of \$1,597,000 at our Skyline properties, primarily due to a decrease in occupancy and average annual rents per square foot.

Retail Properties:

The \$1,139,000 increase in Retail Properties GAAP basis same store EBITDA resulted primarily from an increase in rental revenue of \$853,000, primarily due to an increase in average same store occupancy.

Results of Operations – Three Months Ended March 31, 2014 Compared to March 31, 2013 - continued

Reconciliation of GAAP basis Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)

	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
GAAP basis same store EBITDA for the three months ended March 31, 2014	\$ 227,385	\$ 88,651	\$ 52,776
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	<u>(24,648)</u>	<u>(1,201)</u>	<u>(1,648)</u>
Cash basis same store EBITDA for the three months ended March 31, 2014	<u>\$ 202,737</u>	<u>\$ 87,450</u>	<u>\$ 51,128</u>
GAAP basis same store EBITDA for the three months ended March 31, 2013	\$ 214,158	\$ 90,924	\$ 51,637
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	<u>(29,957)</u>	<u>(3,943)</u>	<u>(1,690)</u>
Cash basis same store EBITDA for the three months ended March 31, 2013	<u>\$ 184,201</u>	<u>\$ 86,981</u>	<u>\$ 49,947</u>
Increase in Cash basis same store EBITDA - Three months ended March 31, 2014 vs. March 31, 2013	<u>\$ 18,536</u>	<u>\$ 469</u>	<u>\$ 1,181</u>
% increase in Cash basis same store EBITDA	<u>10.1%</u>	<u>0.5%</u>	<u>2.4%</u>

SUPPLEMENTAL INFORMATION
Reconciliation of Net Income to EBITDA for the Three Months Ended December 31, 2013

(Amounts in thousands)

	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
Net income (loss) attributable to Vornado for the three months ended December 31, 2013	\$ 227,074	\$ 42,074	\$ (5,692)
Interest and debt expense	73,066	22,416	10,844
Depreciation and amortization	73,694	36,610	19,721
Income tax expense (benefit)	1,558	(17,841)	831
EBITDA for the three months ended December 31, 2013	<u>\$ 375,392</u>	<u>\$ 83,259</u>	<u>\$ 25,704</u>

Reconciliation of EBITDA to GAAP basis Same Store EBITDA – Three Months Ended March 31, 2014 compared to December 31, 2013

(Amounts in thousands)

	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
EBITDA for the three months ended March 31, 2014	\$ 233,798	\$ 84,087	\$ 35,280
Add-back:			
Non-property level overhead expenses included above	7,792	7,447	4,656
Less EBITDA from:			
Acquisitions	(3,576)	-	-
Dispositions, including net gains on sale	-	-	(3,109)
Properties taken out-of-service for redevelopment	(5,305)	(1,082)	(604)
Other non-operating income	(1,290)	(1,801)	16,553
GAAP basis same store EBITDA for the three months ended March 31, 2014	<u>\$ 231,419</u>	<u>\$ 88,651</u>	<u>\$ 52,776</u>
EBITDA for the three months ended December 31, 2013	\$ 375,392	\$ 83,259	\$ 25,704
Add-back:			
Non-property level overhead expenses included above	7,318	6,848	4,168
Less EBITDA from:			
Acquisitions	(4,455)	-	-
Dispositions, including net gains on sale	(129,333)	(33)	(5,786)
Properties taken out-of-service for redevelopment	(5,269)	(1,195)	(624)
Other non-operating income	(2,319)	(317)	29,229
GAAP basis same store EBITDA for the three months ended December 31, 2013	<u>\$ 241,334</u>	<u>\$ 88,562</u>	<u>\$ 52,691</u>
(Decrease) increase in GAAP basis same store EBITDA - Three months ended March 31, 2014 vs. December 31, 2013	<u>\$ (9,915)</u>	<u>\$ 89</u>	<u>\$ 85</u>
% (decrease) increase in GAAP basis same store EBITDA	<u>(4.1%)</u>	<u>0.1%</u>	<u>0.2%</u>

SUPPLEMENTAL INFORMATION – CONTINUED

Reconciliation of GAAP basis Same Store EBITDA to Cash basis Same Store EBITDA – Three Months Ended March 31, 2014 vs. December 31, 2013

(Amounts in thousands)

	<u>New York</u>	<u>Washington, DC</u>	<u>Retail Properties</u>
GAAP basis same store EBITDA for the three months ended March 31, 2014	\$ 231,419	\$ 88,651	\$ 52,776
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	<u>(26,759)</u>	<u>(1,201)</u>	<u>(1,648)</u>
Cash basis same store EBITDA for the three months ended March 31, 2014	<u>\$ 204,660</u>	<u>\$ 87,450</u>	<u>\$ 51,128</u>
GAAP basis same store EBITDA for the three months ended December 31, 2013	\$ 241,334	\$ 88,562	\$ 52,691
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	<u>(30,950)</u>	<u>(1,899)</u>	<u>(2,243)</u>
Cash basis same store EBITDA for the three months ended December 31, 2013	<u>\$ 210,384</u>	<u>\$ 86,663</u>	<u>\$ 50,448</u>
(Decrease) increase in Cash basis same store EBITDA - Three months ended March 31, 2014 vs. December 31, 2013	<u>\$ (5,724)</u>	<u>\$ 787</u>	<u>\$ 680</u>
% (decrease) increase in Cash basis same store EBITDA	<u>(2.7%)</u>	<u>0.9%</u>	<u>1.3%</u>

Liquidity and Capital Resources

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

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for development expenditures and acquisitions may require funding from borrowings and/or equity offerings.

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

Cash Flows for the Three Months Ended March 31, 2014

Our cash and cash equivalents were \$1,156,727,000 at March 31, 2014, a \$573,437,000 increase over the balance at December 31, 2013. Our consolidated outstanding debt was \$10,344,938,000 at March 31, 2014, a \$366,220,000 increase over the balance at December 31, 2013. As of March 31, 2014 and December 31, 2013, \$88,138,000 and \$295,870,000, respectively, was outstanding under our revolving credit facilities. During the remainder of 2014 and 2015, \$133,695,000 and \$941,059,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it.

Cash flows provided by operating activities of \$309,131,000 was comprised of (i) net income of \$98,156,000, (ii) \$135,433,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities and impairment losses on real estate, (iii) the net change in operating assets and liabilities of \$62,576,000, including \$123,000 related to Real Estate Fund investments, and (iv) distributions of income from partially owned entities of \$12,966,000.

Net cash provided by investing activities of \$82,761,000 was comprised of (i) \$120,270,000 of proceeds from sales of real estate and related investments, (ii) \$69,347,000 of proceeds from repayments of mortgages and mezzanine loans receivable and other, (iii) \$52,256,000 of changes in restricted cash, and (iv) \$1,277,000 of capital distributions from partially owned entities, partially offset by (v) \$90,653,000 of development costs and construction in progress, (vi) \$53,103,000 of additions to real estate, and (vii) \$16,633,000 of investments in partially owned entities.

Net cash provided by financing activities of \$181,545,000 was comprised of (i) \$600,000,000 of proceeds from borrowings, and (ii) \$3,676,000 of proceeds received from the exercise of employee share options, partially offset by (iii) \$233,198,000 for the repayments of borrowings, (iv) \$136,761,000 of dividends paid on common shares, (v) \$20,752,000 of debt issuance and other costs, (vi) \$20,368,000 of dividends paid on preferred shares, (vii) \$10,474,000 of distributions to noncontrolling interests, and (viii) \$578,000 for the repurchase of shares related to stock compensation agreements and/or related tax withholdings.

Capital Expenditures

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

Liquidity and Capital Resources – continued

Capital Expenditures - continued

Below is a summary of capital expenditures, leasing commissions and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2014.

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Expenditures to maintain assets	\$ 12,208	\$ 8,931	\$ 1,521	\$ 88	\$ 1,668
Tenant improvements	57,964	40,311	11,680	815	5,158
Leasing commissions	18,095	14,018	2,322	95	1,660
Non-recurring capital expenditures	84	84	-	-	-
Total capital expenditures and leasing commissions (accrual basis)	88,351	63,344	15,523	998	8,486
Adjustments to reconcile to cash basis:					
Expenditures in the current year applicable to prior periods	40,186	18,716	12,186	2,566	6,718
Expenditures to be made in future periods for the current period	(56,023)	(40,184)	(12,807)	(910)	(2,122)
Total capital expenditures and leasing commissions (cash basis)	\$ 72,514	\$ 41,876	\$ 14,902	\$ 2,654	\$ 13,082
Tenant improvements and leasing commissions:					
Per square foot per annum	\$ 5.33	\$ 6.19	\$ 5.23	\$ 0.59	\$ n/a
Percentage of initial rent	10.6%	9.8%	12.3%	3.0%	n/a

Development and Redevelopment Expenditures

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

On March 2, 2014, we entered into an agreement to transfer upon completion, the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to Pennsylvania Real Estate Investment Trust (NYSE: PEI) (“PREIT”) in exchange for \$465,000,000 comprised of \$340,000,000 of cash and \$125,000,000 of PREIT operating partnership units. The incremental development cost of this project is approximately \$250,000,000, of which \$126,500,000 has been expended as of March 31, 2014. The redevelopment is expected to be completed in the fourth quarter of 2014. The closing will be no later than March 31, 2015.

We are in the process of redeveloping and substantially expanding the existing retail space at the Marriott Marquis Times Square Hotel, including converting the below grade parking garage into retail and creating a six-story, 300 foot wide block front, dynamic LED sign, all of which is expected to be completed by the end of 2014. Upon completion of the redevelopment, the retail space will include 20,000 square feet on grade and 20,000 square feet below grade. The incremental development cost of this project is approximately \$215,000,000, of which \$67,700,000 has been expended as of March 31, 2014.

We plan to construct a residential condominium tower containing 472,000 zoning square feet on our 220 Central Park South development site. The incremental development cost of this project is approximately \$850,000,000. In January 2014, we completed a \$600,000,000 loan secured by this site.

We plan to develop a 699-unit residential project in Pentagon City (Metropolitan Park 4&5), which is expected to be completed in 2016. The project will include a 37,000 square foot Whole Foods Market at the base of the building. The incremental development cost of this project is approximately \$250,000,000.

We plan to redevelop an existing 165,000 square foot office building in Crystal City (2221 S. Clark Street), which we have leased to WeWork, into approximately 250 rental residential units. The incremental development cost of this project is approximately \$40,000,000. The redevelopment is expected to be completed in the second half of 2015.

Liquidity and Capital Resources – continued

Development and Redevelopment Expenditures - continued

Below is a summary of development and redevelopment expenditures incurred in the three months ended March 31, 2014.

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Springfield Town Center	\$ 25,172	\$ -	\$ -	\$ 25,172	\$ -
Marriott Marquis Times Square - retail and signage	12,822	12,822	-	-	-
330 West 34th Street	9,541	9,541	-	-	-
220 Central Park South	9,034	-	-	-	9,034
608 Fifth Avenue	7,248	7,248	-	-	-
Metropolitan Park 4 & 5	4,517	-	4,517	-	-
7 West 34th Street	3,044	3,044	-	-	-
Wayne Towne Center	2,419	-	-	2,419	-
Other	16,856	6,526	7,068	2,303	959
	<u>\$ 90,653</u>	<u>\$ 39,181</u>	<u>\$ 11,585</u>	<u>\$ 29,894</u>	<u>\$ 9,993</u>

In addition to the development and redevelopment projects above, we are in the process of repositioning and re-tenanting 280 Park Avenue (49.5% owned). Our share of the incremental development cost of this project is approximately \$62,000,000, of which \$34,700,000 was expended prior to 2014, and \$6,100,000 has been expended in 2014.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, including the Hotel Pennsylvania and in Washington, including 1900 Crystal Drive, Rosslyn and Pentagon City.

There can be no assurance that any of our development or redevelopment projects will commence, or if commenced, be completed, or completed on schedule or within budget.

Cash Flows for the Three Months Ended March 31, 2013

Our cash and cash equivalents were \$585,823,000 at March 31, 2013, a \$374,496,000 decrease over the balance at December 31, 2012. This decrease is primarily due to cash flows from financing activities, partially offset by cash flows from operating and investing activities, as discussed below.

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

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

Net cash used in financing activities of \$1,317,108,000 was comprised of (i) \$2,529,836,000 for the repayments of borrowings, (ii) \$262,500,000 for purchases of outstanding preferred units and shares, (iii) \$172,142,000 of distributions to noncontrolling interests, (iv) \$136,342,000 of dividends paid on common shares, (v) \$23,161,000 of dividends paid on preferred shares, (vi) \$9,080,000 of debt issuance and other costs, and (vii) \$307,000 for the repurchase of shares related to stock compensation agreements and/or related tax withholdings, partially offset by (viii) \$1,499,375,000 of proceeds from borrowings, (ix) \$290,710,000 of proceeds from the issuance of preferred shares, (x) \$24,566,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (xi) \$1,609,000 of proceeds from exercise of employee share options.

Liquidity and Capital Resources – continued
Capital Expenditures in the three months ended March 31, 2013

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

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

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

Liquidity and Capital Resources – continued

Other Commitments and Contingencies

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

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

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of March 31, 2014, the aggregate dollar amount of these guarantees and master leases is approximately \$420,000,000.

At March 31, 2014, \$38,477,000 of letters of credit were outstanding under one of our revolving credit facilities. Our revolving credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our revolving credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

As of March 31, 2014, we expect to fund additional capital to certain of our partially owned entities aggregating approximately \$125,000,000.

Funds From Operations (“FFO”)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gain from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. The calculations of both the numerator and denominator used in the computation of income per share are disclosed in Note 19 – *Income per Share*, in our consolidated financial statements on page 25 of this Quarterly Report on Form 10-Q.

FFO for the Three Months Ended March 31, 2014 and 2013

FFO attributable to common shareholders plus assumed conversions was \$247,079,000, or \$1.31 per diluted share for the three months ended March 31, 2014, compared to \$201,820,000, or \$1.08 per diluted share, for the prior year’s quarter. Details of certain items that affect comparability are discussed in the financial results summary of our “Overview.”

	For The Three Months	
	Ended March 31,	
	2014	2013
(Amounts in thousands, except per share amounts)		
Reconciliation of our net income to FFO:		
Net income attributable to Vornado	\$ 82,717	\$ 262,922
Depreciation and amortization of real property	142,569	132,513
Net gains on sale of real estate	-	(202,329)
Real estate impairment losses	20,842	1,514
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:		
Depreciation and amortization of real property	11,415	19,325
Real estate impairment losses	-	3,650
Income tax effect of above adjustments	(3,995)	(8,050)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:		
Depreciation and amortization of real property	25,271	21,830
Net gains on sale of real estate	-	(465)
Noncontrolling interests' share of above adjustments	(11,399)	1,814
FFO	267,420	232,724
Preferred share dividends	(20,368)	(21,702)
Preferred share redemptions	-	(9,230)
FFO attributable to common shareholders	247,052	201,792
Convertible preferred share dividends	27	28
FFO attributable to common shareholders plus assumed conversions	\$ 247,079	\$ 201,820
Reconciliation of Weighted Average Shares		
Weighted average common shares outstanding	187,307	186,752
Effect of dilutive securities:		
Employee stock options and restricted share awards	933	727
Convertible preferred shares	47	50
Denominator for FFO per diluted share	188,287	187,529
FFO attributable to common shareholders plus assumed conversions per diluted share	\$ 1.31	\$ 1.08

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

(Amounts in thousands, except per share amounts)

	2014			2013	
	March 31, Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate	\$ 1,455,466	2.47%	\$ 14,555	\$ 1,064,730	2.01%
Fixed rate	8,889,472	4.73%	-	8,913,988	4.73%
	<u>\$ 10,344,938</u>	<u>4.41%</u>	<u>14,555</u>	<u>\$ 9,978,718</u>	<u>4.44%</u>
Prorata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	\$ 293,418	1.76%	2,934	\$ 196,240	2.09%
Variable rate – Toys	944,432	6.14%	9,444	1,179,001	5.45%
Fixed rate (including \$680,648 and \$682,484 of Toys debt in 2014 and 2013)	2,715,525	6.51%	-	2,814,162	6.46%
	<u>\$ 3,953,375</u>	<u>6.07%</u>	<u>12,378</u>	<u>\$ 4,189,403</u>	<u>5.97%</u>
Noncontrolling interests' share of above			(1,521)		
Total change in annual net income			\$ 25,412		
Per share-diluted			\$ 0.13		

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of March 31, 2014, we have an interest rate cap with a notional amount of \$60,000,000 that caps LIBOR at a rate of 7.00%. In addition, we have an interest rate swap on a \$425,000,000 mortgage loan that swapped the rate from LIBOR plus 2.00% (2.15% at March 31, 2014) to a fixed rate of 5.13% for the remaining four-year term of the loan.

As of March 31, 2014, we have investments in mezzanine loans with an aggregate carrying amount of \$25,006,000 that are based on variable interest rates which partially mitigate our exposure to a change in interest rates on our variable rate debt.

Fair Value of Debt

The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the rate at which similar loans could be made currently to borrowers with similar credit ratings, for the remaining term of such debt. As of March 31, 2014, the estimated fair value of our consolidated debt was \$10,249,000,000.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2014, such disclosure controls and procedures were effective.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There were no material changes to the Risk Factors disclosed in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013.

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

During the first quarter of 2014, we issued 4,239 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units, in private placements in earlier periods, in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under Part III, Item 12 of the Annual Report on Form 10-K, as amended, for the year ended December 31, 2013, and such information is incorporated by reference herein.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: May 5, 2014

By:

/s/ Stephen W. Theriot

Stephen W. Theriot, Chief Financial Officer
(duly authorized officer and principal financial and
accounting officer)

EXHIBIT INDEX

Exhibit No.

10.52	**	-	Employment agreement between Vornado Realty Trust and Michael J. Franco dated January 10, 2014.
10.53	**	-	Form of Vornado Realty Trust 2014 Outperformance Plan Award Agreement.
15.1		-	Letter regarding Unaudited Interim Financial Information
31.1		-	Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2		-	Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1		-	Section 1350 Certification of the Chief Executive Officer
32.2		-	Section 1350 Certification of the Chief Financial Officer
101.INS		-	XBRL Instance Document
101.SCH		-	XBRL Taxonomy Extension Schema
101.CAL		-	XBRL Taxonomy Extension Calculation Linkbase
101.DEF		-	XBRL Taxonomy Extension Definition Linkbase
101.LAB		-	XBRL Taxonomy Extension Label Linkbase
101.PRE		-	XBRL Taxonomy Extension Presentation Linkbase

** _____
Management contract or compensation agreement

EMPLOYMENT AGREEMENT

Employment Agreement (the "Agreement"), dated as of January 10, 2014 (the "Effective Date"), by and between Vornado Realty Trust, a Maryland real estate investment trust, with its principal offices at 888 Seventh Avenue, New York, New York 10106 (the "Company") and Michael J. Franco ("Executive").

Recitals

A. The Company and the Executive are parties to an Employment Agreement, dated September 24, 2010 (the "Existing Employment Agreement").

B. The Company and Executive desire to replace the Existing Employment Agreement in its entirety and set forth the terms upon which the Executive will continue his employment with the Company or its affiliates;

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth below, the parties hereby agree to replace the Existing Employment Agreement with this Agreement and further agree as follows:

Agreement

1. Employment. The Company hereby agrees to employ Executive as Executive Vice President and Co-Head of Acquisitions and Capital Markets, and Executive hereby accepts such employment, on the terms and conditions hereinafter set forth.

2. Term. The period of employment of Executive by the Company hereunder (the "Employment Period") will commence on the Effective Date and shall continue through the fourth anniversary of the Effective Date; provided that, commencing on such fourth anniversary, and on each anniversary thereafter, the Employment Period will automatically be extended for one additional year unless either party gives written notice not to extend this Agreement prior to 120 days before such four-year or one-year anniversary. The Employment Period may be sooner terminated by either party in accordance with Section 6 of this Agreement.

3. Position and Duties. During the Employment Period, Executive will serve as Executive Vice President and Co-Head of Acquisitions and Capital Markets (or such other position as the parties may agree), and will report solely and directly to the Chief Executive Officer or Chairman of the Company. Executive will have those powers and duties normally associated with the position of Executive Vice President and Co-Head of Acquisitions and Capital Markets and such other powers and duties as may be prescribed by the Chief Executive Officer, Chairman or the Board of Trustees of the Company, provided that such other powers and duties are consistent with Executive's position as Executive Vice President and Co-Head of Acquisitions and Capital Markets of the Company. In such capacity, acquisitions personnel located in the New York City office of the Company (other, to the extent applicable, than any current Company employee with the current title of Executive Vice President or higher) will report directly to Executive (if applicable, jointly with reporting obligations to other division heads or Co-Heads). Executive will devote substantially all of his working time, attention and energies during normal business hours (other than absences due to illness or vacation) to the performance of his duties for the Company. Without the consent of the Company, during the Employment Period, Executive will not serve on the board of directors or any similar governing body of any for-profit entity. Notwithstanding the above, Executive will be permitted, to the extent such activities do not substantially interfere with the performance by Executive of his

duties and responsibilities hereunder or violate Section 10(a), (b) or (c) of this Agreement, to (i) manage Executive's personal, financial and legal affairs, and (ii) serve on civic or charitable boards or committees (it being expressly understood and agreed that Executive's continuing to serve on any such board and/or committees on which Executive is serving, or with which Executive is otherwise associated, as of the Effective Date (each of which has been disclosed to the Company prior to the execution of this Agreement), will be deemed not to interfere with the performance by Executive of his duties and responsibilities under this Agreement).

4. Place of Performance. The principal place of employment of Executive will be at the Company's principal executive offices in New York, New York.

5. Compensation and Related Matters.

(a) *Base Salary.* During the Employment Period the Company will pay Executive a base salary at the rate of not less than \$1,000,000 per year ("Base Salary"). Executive's Base Salary will be paid in approximately equal installments in accordance with the Company's customary payroll practices. If Executive's Base Salary is increased by the Company, such increased Base Salary will then constitute the Base Salary for all purposes of this Agreement.

(b) *Annual Bonus.* During the Employment Period, Executive will be entitled to receive an annual bonus (payable in cash and/or equity of the Company) on the same basis as other senior executives commensurate with his position with the Company to be determined in the discretion of the Company. The target for the value of the annual bonus will be no less than \$1,500,000 (but, such bonus will be at the discretion of the Company).

(c) *Annual and Long-Term Incentive Awards.* During the Employment Period, Executive will be eligible to participate in the Company's annual and long-term incentive compensation plans on the same basis as other senior executives commensurate with his position with the Company to be determined in the discretion of the Company.

(d) *Welfare, Pension and Incentive Benefit Plans.* During the Employment Period, Executive will be entitled to participate in such employee pension and welfare benefit plans and programs of the Company as are made available to the Company's senior level executives or to its employees generally, as such plans or programs may be in effect from time to time, including, without limitation, health, medical, dental, long-term disability and life insurance plans.

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

(f) *Vacation.* Executive will be entitled to four weeks of vacation annually.

(g) *Car Allowance.* The Company will pay to Executive a car allowance equal to \$1,000 per month.

(h) *Equity Grant.* In connection with the extension of Executive's employment with the Company, Executive will be entitled to a grant of restricted units of

Vornado Realty L.P. having a value equal to \$3,000,000 at the date of grant with such value to be determined in accordance with the Company's normal valuation procedures (the "Initial Award"). The Initial Award will vest ratably over three years from the date of grant and, as soon as practicable, the Company will request that the Compensation Committee of the Board of Trustees of the Company approve the Initial Award. At the end of such three-year period, the Company will endeavor to cause the Compensation Committee of the Board of Trustees to grant to Executive an additional equity award (the "Additional Award") having a value equal to \$2,000,000 at the date of grant (with such value to be determined in accordance with the Company's normal valuation procedures) which Additional Award will vest at the end of the initial term hereof. Until the grant of such Additional Award, at the time of any payment of dividends by the Company, the Company will pay to the Executive an additional bonus equal to the dividend equivalent with respect to such award. In addition, until the grant of such Additional Award, if the vesting of the Initial Award is accelerated for any reason, the Company will pay to the Executive an amount equal to \$2,000,000 (in lieu of such Additional Award). If the Compensation Committee determines not to grant the Additional Award, the Company will pay to the Executive (in lieu thereof) an amount in cash, equal to \$2,000,000.

6. Reasons for Termination. Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

- (a) *Death.* Executive's employment hereunder will terminate upon his death.
- (b) *Disability.* If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been substantially unable to perform his duties hereunder for an entire period of 180 days, and within 30 days after written Notice of Termination is given after such 180-day period, Executive shall not have returned to the substantial performance of his duties on a full-time basis, the Company will have the right to terminate Executive's employment hereunder for "Disability", and such termination in and of itself shall not be, nor shall it be deemed to be, a breach of this Agreement.
- (c) *Cause.* The Company will have the right to terminate Executive's employment for Cause, and such termination in and of itself shall not be, nor shall it be deemed to be, a breach of this Agreement. For purposes of this Agreement, the Company will have "Cause" to terminate Executive's employment upon Executive's:
 - (i) conviction of, or plea of guilty or *nolo contendere* to, a felony;
 - (ii) willful and continued failure to use reasonable best efforts to substantially perform his duties hereunder (other than such failure resulting from Executive's incapacity due to physical or mental illness or subsequent to the issuance of a Notice of Termination by Executive for Good Reason) after demand for substantial performance is delivered by the Company in writing that specifically identifies the manner in which the Company believes Executive has not used reasonable best efforts to substantially perform his duties; or
 - (iii) willful misconduct (including, but not limited to, a willful breach of the provisions of Section 10) that is materially economically injurious to the Company.

For purposes of this Section 6(c), no act, or failure to act, by Executive will be considered “willful” unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company. Cause will not exist under paragraph (ii) or (iii) above unless and until the Company has delivered to Executive a copy of a resolution duly adopted by a majority of the members of the Board of Trustees of the Company or of the Compensation Committee or Corporate Governance and Nominating Committee thereof (excluding, if applicable, Executive for purposes of determining such majority) at a meeting of the Board or such committee called and held for such purpose (after reasonable (but in no event less than 30 days) notice to Executive and an opportunity for Executive, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board, Executive was guilty of the conduct set forth in paragraph (ii) or (iii) and specifying the particulars thereof in detail. This Section 6(c) shall not prevent Executive from challenging in any court of competent jurisdiction the Board’s determination that Cause exists or that Executive has failed to cure any act (or failure to act) that purportedly formed the basis for the Board’s determination.

(d) *Good Reason.* Executive may terminate his employment for “Good Reason” within 60 days after Executive has actual knowledge of the occurrence, without the written consent of Executive, of one of the following events that has not been cured within 30 days after written notice thereof has been given by Executive to the Company (provided that such notice must be given to the Company within 30 days of the Executive becoming aware of such condition):

- (i) the assignment to Executive of duties materially and adversely inconsistent with Executive’s status as Executive Vice President and Co-Head of Acquisitions and Capital Markets of the Company or a material and adverse alteration in the nature of Executive’s duties, responsibilities or authority;
- (ii) a change in reporting responsibilities such that Executive no longer reports to the Chief Executive Officer or Chairman of the Company;
- (iii) a reduction by the Company in Executive’s Base Salary;
- (iv) the relocation of the Company’s principal executive offices or Executive’s own office location to a location outside of New York City or Paramus, New Jersey (if other senior executive officers are relocated to the Paramus office); or
- (v) the Company’s material breach of any of the provisions of this Agreement.

Executive’s right to terminate his employment hereunder for Good Reason shall not be affected by his incapacity due to physical or mental illness. Executive’s continued employment during the 60-day period referred to above in this paragraph (d) shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(e) *Without Cause.* The Company will have the right to terminate Executive’s employment hereunder without Cause by providing Executive with a Notice of Termination, and such termination shall not in and of itself be, nor shall it be deemed to

be, a breach of this Agreement. This means that, notwithstanding this Agreement, Executive's employment with the Company will be "at will."

(f) *Without Good Reason.* Executive will have the right to terminate his employment hereunder without Good Reason by providing the Company with a Notice of Termination, and such termination shall not in and of itself be, nor shall it be deemed to be, a breach of this Agreement.

7. Termination Procedure.

(a) *Notice of Termination.* Any termination of Executive's employment by the Company or by Executive during the Employment Period (other than termination pursuant to Section 6(a)) will be communicated by written Notice of Termination to the other party hereto in accordance with Section 13. For purposes of this Agreement, a "Notice of Termination" means a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

(b) *Date of Termination.* "Date of Termination" means (i) if Executive's employment is terminated by his death, the date of his death, (ii) if Executive's employment is terminated pursuant to Section 6(b) (Disability), 30 days after Notice of Termination (provided that Executive shall not have returned to the substantial performance of his duties on a full-time basis during such 30-day period), and (iii) if Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within 30 days after the giving of such notice) set forth in such Notice of Termination.

8. Compensation upon Termination. If Executive suffers or incurs a Disability as defined in Section 6(b) or his employment terminates during the Employment Period, the Company shall provide Executive with the payments and benefits set forth below, all subject to Section 8(e) hereof. Executive acknowledges and agrees that the payments set forth in this Section 8 constitute liquidated damages for termination of his employment during the Employment Period. Except as may be required by law, rule, regulation, the requirement of a stock exchange or rating agency or similar requirement or as may result from shareholder initiative or similar action that applies to other Senior Executives in addition to Executive, upon termination of Executive, all equity grants then vested will not be forfeitable.

(a) *Termination for Cause or by Executive without Good Reason.* If Executive's employment is terminated by the Company for Cause or by Executive (other than for Good Reason), the Company's obligation to Executive will be limited to:

(i) his accrued Base Salary and accrued vacation pay through the Date of Termination, and any reimbursements due to the Executive pursuant to Section 5(e) (unless such termination occurred as a result of misappropriation of funds) and not yet paid, as soon as practicable following the Date of Termination ("Accrued Benefits"); and

(ii) any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(b) *Termination by Company without Cause or by Executive for Good Reason.* If Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, Executive will be entitled to rights provided in Section 8(a) hereof, in addition to the following:

(i) the Company shall pay to Executive an amount equal to one times the sum of the Executive's (A) current Base Salary, and (B) average annual incentive bonus earned by Executive, if any, for each of the two fiscal years immediately preceding the Date of Termination ; and

(ii) all then outstanding unvested equity grants (except for unearned Outperformance Plan awards which will be governed by the applicable award agreements) awarded to Executive by the Company will vest on the date immediately preceding the Date of Termination.

(c) *Disability.* During any period that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness ("Disability Period"), Executive will continue to receive his full Base Salary set forth in Section 5(a) until his employment is terminated pursuant to Section 6(b). In the event Executive's employment is terminated for Disability pursuant to Section 6(b), Executive will be entitled to rights provided in Section 8(a) hereof. The rights of Executive with respect to the acceleration of vesting of equity awards on termination for Disability will be as set forth in the applicable award agreements (applicable as of the date of grant to senior executives generally).

(d) *Death.* If Executive's employment is terminated by his death, the Executive's beneficiary, legal representative or estate, as the case may be, will be entitled to rights provided in Section 8(a) hereof. The rights of Executive with respect to the acceleration of vesting of equity awards on termination for death will be as set forth in the applicable award agreements (applicable as of the date of grant to senior executives generally).

(e) *Failure to Extend.* A failure to extend the Agreement pursuant to Section 2 by either party shall not be treated as a termination of Executive's employment for purposes of this Agreement.

9. 409A and Termination. Notwithstanding the foregoing, if necessary to comply with the restriction in Section 409A(a)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code") concerning payments to "specified employees," any payment on account of Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination. For purposes of Section 8 hereof, Executive shall be a "specified employee" for the 12-month period beginning on the first day of the fourth month following each "Identification Date" if he is a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) thereof) of the Company at any time during the 12-month period ending on the "Identification Date." For

purposes of the foregoing, the Identification Date shall be December 31. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of Section 8 hereof unless he would be considered to have incurred a "termination of employment" from the Company within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii).

10. Confidential Information, Ownership of Documents; Non-Competition.

(a) *Confidential Information.* During the Employment Period and for a period of one year thereafter Executive shall hold in a fiduciary capacity for the benefit of the Company all trade secrets and confidential information, knowledge or data relating to the Company and its businesses and investments, which shall have been obtained by Executive during Executive's employment by the Company and which is not generally available public knowledge (other than by acts by Executive in violation of this Agreement). Except as may be required or appropriate in connection with his carrying out his duties under this Agreement, Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against the Company (in which case Executive shall use his reasonable best efforts in cooperating with the Company in obtaining a protective order against disclosure by a court of competent jurisdiction), communicate or divulge any such trade secrets, information, knowledge or data to anyone other than the Company and those designated by the Company or on behalf of the Company in the furtherance of its business or to perform duties hereunder.

(b) *Removal of Documents; Rights to Products.* Executive may not remove any records, files, drawings, documents, models, equipment, and the like relating to the Company's business from the Company's premises without its written consent, unless such removal is in the furtherance of the Company's business or is in connection with Executive's carrying out his duties under this Agreement and, if so removed, they will be returned to the Company promptly after termination of Executive's employment hereunder, or otherwise promptly after removal if such removal occurs following termination of employment. Executive shall and hereby does assign to the Company all rights to trade secrets and other products relating to the Company's business developed by him alone or in conjunction with others at any time while employed by the Company. In the event of any conflict between the provision of this paragraph and of any applicable employee manual or similar policy of the Company, the provisions of this paragraph will govern.

(c) *Protection of Business.* During the Employment Period and until the Specified Period (as defined below) following the applicable Date of Termination has expired the Executive will not (i) engage in any Competing Business (as defined below) or pursue or attempt to develop any project known to Executive and which the Company is pursuing, developing or attempting to develop as of the Date of Termination (a "Project"), directly or indirectly, alone, in association with or as a shareholder, principal, agent, partner, officer, director, employee or consultant of any other organization, (ii) divert to any entity which is engaged in any business conducted by the Company any Project, corporate opportunity or any customer of any of the Company, or (iii) solicit any officer, employee (other than secretarial staff) or consultant of any of the Company to leave the employ of any of the Company. Notwithstanding the preceding sentence,

Executive shall not be prohibited from owning less than 1% percent of any publicly-traded corporation, whether or not such corporation is in competition with the Company. If, at any time, the provisions of this Section 10(c) shall be determined to be invalid or unenforceable, by reason of being vague or unreasonable as to duration or scope of activity, this Section 10(c) shall be considered divisible and shall become and be immediately amended to only such duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter; and Executive agrees that this Section 10(c) as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein. “Specified Period” means (I) with respect to the provisions of clauses (ii) and (iii) above, one year and (II) with respect to the provisions of clause (i) above and terminations of employment (a) without Cause or for Good Reason, six months, (b) without Good Reason, six months for a Competing Business and a total of 12 months (including the six months for a Competing Business) limited exclusively to those companies noted on Exhibit A hereto; and (c) for any other reason, three months. “Competing Business” means any business the primary business of which is being engaged in by the Company as a principal business of the Date of Termination (including, without limitation, the development, owning and operating of commercial real estate in the principal geographical markets in which the Company operates on the date of termination and the acquisition and disposition of commercial real estate in those markets for the purpose of development, owning and operating such real estate (the “Base Business”). Notwithstanding the foregoing, during the Specified Period, Executive will be entitled to (y) engage in businesses or become employed by or affiliated with a company or division of a company which company’s or division’s principal business focus is not the Base Business and (z) following three months following the Date of Termination, as a principal owner, partner or shareholder, a new hedge fund, new general investment management fund or a new real estate fund.

(d) *Injunctive Relief.* In the event of a breach or threatened breach of this Section 10, Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, Executive acknowledging that damages would be inadequate and insufficient.

(e) *Continuing Operation.* Except as specifically provided in this Section 10, the termination of Executive’s employment or of this Agreement shall have no effect on the continuing operation of this Section 10.

11. Indemnification. The Company agrees that if Executive is made a party to or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “Proceeding”), by reason of the fact that Executive is or was a trustee, director or officer of the Company or is or was serving at the request of the Company, Alexander’s, Inc. or any subsidiary or either thereof as a trustee, director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a trustee, director, officer, member, employee or agent while serving as a trustee, director, officer, member, employee or agent, Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by Maryland law, as the same exists or may hereafter be amended, against all

Expenses incurred or suffered by Executive in connection therewith, and such indemnification shall continue as to Executive even if Executive has ceased to be an officer, director, trustee or agent, or is no longer employed by the Company or Alexander's, Inc. and shall inure to the benefit of his heirs, executors and administrators.

12. Successors; Binding Agreement.

(a) *Company's Successors.* No rights or obligations of the Company under this Agreement may be assigned or transferred except that the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(b) *Executive's Successors.* No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to payments or benefits hereunder, which may be transferred only by will or the laws of descent and distribution. If Executive should die following his Date of Termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, or otherwise to his legal representatives or estate.

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

If to Executive:

Michael J. Franco
1125 Park Avenue, Apt. 5A
New York, New York 10128
(212-517-8485)

If to the Company:

Vornado Realty Trust
888 Seventh Avenue
New York, New York 10106
Tel: 212-894-7000

Attention: Steven Roth, Joseph Macnow and Alan J. Rice

14. Resolution of Differences Over Breaches of Agreement. The parties shall use good faith efforts to resolve any controversy or claim arising out of, or relating to this Agreement or the breach thereof, first in accordance with the Company's internal review procedures, except that this requirement shall not apply to any claim or dispute under or relating to Section 10 of this Agreement. If despite their good faith efforts, the parties are unable to resolve such controversy or claim through the Company's internal review procedures, then such controversy or claim shall be resolved by arbitration in Manhattan, New York, in accordance with the rules, then applicable, of the American Arbitration Association, and judgment upon the award rendered

by the arbitrator(s) may be entered in any court having jurisdiction thereof. If any contest or dispute shall arise between the Company and Executive regarding any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims brought and pursued in connection with such contest or dispute.

15. Miscellaneous. No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Executive and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York without regard to its conflicts of law principles. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. The Company hereby represents and warrants that it has reviewed the principal terms of this Agreement and its general economic parameters with member of the Compensation Committee of the Board of Trustees and has received preliminary approval thereof.

16. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of such subject matter. Any other prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled, other than any equity agreements or any compensatory plan or program in which the Executive is a participant on the Effective Date.

17. 409A Compliance.

(a) This Agreement is intended to comply with the requirements of Section 409A of the Code ("Section 409A ") and regulations promulgated thereunder. To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Agreement shall comply with Section 409A. For purposes of section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to

reimbursement is not subject to liquidation or exchange for another benefit.

(c) Executive further acknowledges that any tax liability incurred by Executive under Section 409A of the Code is solely the responsibility of Executive.

[signature page follows]

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

VORNADO REALTY TRUST

EXECUTIVE

By: /s/ Steven Roth
Steven Roth
Chairman and Chief Executive Officer

/s/ Michael J. Franco
Michael J. Franco

Exhibit A

Avalon Bay
Boston Properties
Douglas Emmett
Equity Residential
Kimco
Macerich
Public Storage
Simon Property
SL Green

**VORNADO REALTY TRUST
2014 OUTPERFORMANCE PLAN
AWARD AGREEMENT**

2014 OUTPERFORMANCE PLAN AWARD AGREEMENT made as of the date set forth on Schedule A hereto between VORNADO REALTY TRUST, a Maryland real estate investment trust (the “**Company**”), its subsidiary VORNADO REALTY L.P., a Delaware limited partnership and the entity through which the Company conducts substantially all of its operations (the “**Partnership**”), and the party listed on Schedule A (the “**Grantee**”).

RECITALS

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

B. The Compensation Committee (the “**Committee**”) of the Board of Trustees of the Company (the “**Board**”) approved this and other 2014 outperformance plan (“**2014 OPP**”) awards pursuant to the Company’s 2010 Omnibus Share Plan, as amended (as amended, restated and supplemented from time to time, the “**2010 Plan**”) to provide certain trustees, consultants, advisors, officers and key employees of the Company or its Affiliates, including the Grantee, in connection with their employment or other service relationship with the incentive compensation described in this Award Agreement (this “**Agreement**”) and thereby provide additional incentive for them to promote the progress and success of the business of the Company and its Affiliates, including the Partnership. 2014 OPP awards were approved by the Committee pursuant to authority delegated to it by the Board, including authority to make grants of equity interests in the Partnership which may, under certain circumstances, become exchangeable for the Company’s Common Shares reserved for issuance under the 2010 Plan, or in the event the 2010 Plan has been replaced by a successor equity plan prior to the date of issuance of such Common Shares, under such successor equity plan (the 2010 Plan and any such successor plan, as each may be amended, modified or supplemented from time to time, are collectively referred to herein as the “**Share Plan**”). This Agreement evidences one award (this “**Award**”) in a series of substantially identical 2014 OPP awards and is subject to the terms and conditions set forth herein and in the Partnership Agreement (as defined herein).

C. The Committee, effective as of the grant date specified in Schedule A hereto, awarded to the Grantee the 2014 OPP participation percentage in the various outperformance pools provided herein set forth in Schedule A.

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

1. Administration. This Award and all other 2014 OPP awards shall be administered by the Committee, which in the administration of the 2014 OPP awards and this Award shall have all the powers and authority it has in the administration of the Share Plan as set forth in the Share Plan; provided that all powers of the Committee hereunder can be exercised by the full Board if the Board so elects. The Committee, in its sole and absolute discretion, may make at any time any provision for lapse of forfeiture restrictions and/or accelerated vesting under this

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

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

"2014 OPP Units" means those Partnership Units issued pursuant to this and all other 2014 OPP.

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

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

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

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

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

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

“**Baseline Value**” means \$91.70.

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

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

“**Change in Control**” means:

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

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

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

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

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

“**CoC Fraction**” means, for application pursuant to the proviso clauses in the definitions of “Final Absolute Baseline” and “Final Hurdle Rate,” the number of calendar days that have elapsed since the Effective Date to and including the date as of which a Change in Control is

consummated (or, with respect to a Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control), divided by 1,096.

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

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

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

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

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

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

“**Effective Date**” means January 10, 2014.

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

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

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

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

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

- (A) the Baseline Value multiplied by:

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

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

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

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

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

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

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

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

provided that if the Final Valuation Date occurs prior to January 10, 2017 as a result of a Change in Control, then for purposes of this definition in connection with the calculation of the Final Absolute TRS Pool as of the Final Valuation Date, then the Target Final Absolute Return Percentage to be used in such calculation shall be reduced to twenty-one percent (21%), multiplied by the CoC Fraction. If the Company consummates multiple issuances of Additional Shares and/or repurchases of Buyback Shares during any one monthly or quarterly period, such that it would be impractical to track the precise issuance date and issuance price of each individual Additional Share and/or repurchase or redemption date of each individual Buyback Share, the Compensation Committee may in its discretion approve timing and calculation conventions (such as net-at-end-of-period or average-during-the-period) reasonably designed to simplify the administration of this Award.

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

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

“**Final Hurdle Rate**” means a percentage consisting of the Company’s TRS Percentage over the period starting on the Effective Date and ending on the Final Valuation Date; provided that if the Final Valuation Date occurs prior to January 10, 2017 as a result of a Change in Control, then for purposes of determining the Final Adjustment Factor to be used in calculating the Final Relative TRS Pool as of the Final Valuation Date, the Final Hurdle Rate shall instead be: (A) the Company’s TRS Percentage over the period starting on the Effective Date and ending on the date of the Change in Control (or, with respect to a Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control); divided by (B) the CoC Fraction.

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

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

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

(A) the Baseline Value multiplied by:

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

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

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

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

If the Company consummates multiple issuances of Additional Shares and/or repurchases of Buyback Shares during any one monthly or quarterly period, such that it would be impractical to track the precise issuance date and issuance price of each individual Additional Share and/or

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

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

“**Final Relative TRS Pool**” means, as of the Final Valuation Date, a dollar amount (or, if the resulting amount is a negative number, zero (0)) calculated as follows: (A) subtract the Final Relative Baseline from the Final Total Return, in each case as of the Final Valuation Date; (B) multiply the resulting amount by two percent (2%); and (C) multiply the lesser of (i) the resulting amount or (ii) \$50,000,000 by the Final Adjustment Factor; provided that in no event shall the Final Relative TRS Pool exceed the Maximum Final Outperformance Pool Amount.

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

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

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

“Final Valuation Date” means the earliest of: (A) January 10, 2017; or (B) in the event of a Change in Control that is not a Transactional Change in Control, the date on which such Change in Control shall occur; or (C) in the event of a Transactional Change in Control and subject to the consummation of such Transactional Change in Control, the date of the Public Announcement of such Transactional Change in Control.

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

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

“Initial Shares” means 197,781,849 Common Shares, which includes: (A) 187,259,462 Common Shares outstanding as of the Effective Date (other than currently unvested restricted Common Shares previously granted to employees or other persons or entities in exchange for services provided to the Company); plus (B) 10,310,126 Common Shares representing the Shares Amount for all of the Partnership Units (other than LTIP Units or OPP Units and excluding Partnership Units held by the Company) outstanding as of the Effective Date assuming that all of such Partnership Units were tendered to the Partnership for redemption pursuant to Section 8.6 of the Partnership Agreement as of such date; plus (C) 212,261 Common Shares representing the Shares Amount for all of the Partnership Units into which all LTIP Units, and Prior OPP Units outstanding as of the Effective Date could be converted without regard to the book capital account associated with them (but only to the extent such LTIP Units, or Prior OPP Units are currently vested, and excluding all 2014 OPP Units), assuming that all of such Partnership Units were tendered to the Partnership for redemption pursuant to Section 8.6 of the Partnership Agreement as of such date. For the avoidance of doubt, Initial Shares (i) includes (x) currently vested Common Shares and (y) currently vested LTIP Units and prior OPP Units previously granted to employees or other persons or entities in exchange for services provided to the Company, and (ii) excludes (x) all Common Shares issuable upon exercise of stock options or upon the exchange (directly or indirectly) of unvested LTIP Units, Prior OPP Units and 2014 OPP Units or other unvested Units issued to employees, non-employee trustees, consultants, advisors or other persons or entities as incentive compensation, and (y) currently unvested restricted Common Shares previously granted to employees, non-employee trustees, consultants, advisors or other persons or entities in exchange for services provided to the Company.

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

“**Maximum Final Outperformance Pool Amount**” means \$50,000,000.

“**OPP Units**” means collectively all Prior OPP Units and all 2014 OPP Units.

“**Partial Service Factor**” means a factor carried out to the sixth decimal to be used in calculating the Grantee’s adjusted Final OPP Unit Equivalent pursuant to Section 4(b)(ii) hereof in the event of a Qualified Termination of the Grantee’s Continuous Service prior to the Final Valuation Date or pursuant to Section 4(e) in the event of a termination of the Grantee’s Continuous Service by reason of death or Disability prior to the Final Valuation Date, determined as follows: divide the number of calendar days that have elapsed since the Effective Date to and including the effective date of such Qualified Termination or the date of death or Disability, by 1,096; provided, however, that if, after the effective date of such Qualified Termination or the date of death or Disability and before January 10, 2017, a Change in Control occurs, then there shall be subtracted from the foregoing denominator (*i.e.* 1,096) a number of days equal to the days that would elapse between the date as of which the Change in Control is consummated (or, with respect to a Transactional Change in Control, the date of the Public Announcement of the Transactional Change in Control) and January 10, 2017.

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

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

“**Prior OPPs**” means the Company’s 2006 Outperformance Plan under the Company’s 2002 Omnibus Share Plan, as amended (“2002 Plan”), the Company’s 2008 Outperformance Plan under the 2002 Plan, the Company’s 2012 Outperformance Plan under the 2010 Plan, and the Company’s 2013 Outperformance Plan under the 2010 Plan.

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

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

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

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

proviso clause in the definition of “Common Share Price” with the information required to determine the fair market value of the consideration payable in the transaction that ultimately results in the Transactional Change in Control as of the earliest time when such information is publicly disseminated, particularly if the transaction consists of an unsolicited tender offer or a contested business combination where the terms of the transaction change over time.

“**Qualified Termination**” has the meaning set forth in [Section 4](#).

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

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

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

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

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

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

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

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

“**Threshold Return Percentage**” means, for any period, the applicable Index Return Percentage reduced by an annualized 200 basis points from the start of such period to the end of such period, as calculated by a consultant engaged by the Committee and as approved by the

Committee in its reasonable discretion for purposes of calculating the Final Relative Offset Amount. For the avoidance of doubt, if the calculation period were three years, the reduction in the Index Return Percentage to arrive at the Threshold Return Percentage would be 600 basis points, whereas if the calculation period were 219 days, the reduction would be 120 basis points.

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

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

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

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

3. Outperformance Award; Vesting; Change in Control.

(a) The Grantee is hereby granted this Award consisting of the number of 2014 OPP Units set forth on Schedule A hereto (the “Award OPP Units”), which (A) will be subject to forfeiture to the extent provided in this Section 3 and (B) will be subject to vesting as provided in Sections 3(d) hereof. At any time prior to the Final Valuation Date, the Committee may grant additional 2014 OPP awards to the extent that the sum of all the 2014 OPP grantees’ Participation Percentages is less than one hundred percent (100%) as a result of either reservation of a portion of the 2014 OPP Participation Percentage for future awards or forfeiture of granted 2014 OPP awards. At any time prior to or in connection with the calculation of the Final OPP Unit Equivalent, the Partnership may issue additional LTIP Units to the Grantee as provided in this Section 3 that shall also be considered Award OPP Units and subject to all of the terms and conditions of this Agreement; provided that such issuance will be subject to the Grantee executing and delivering such documents comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership may reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. The Award OPP Units shall be eligible for vesting over a five-year period, except as otherwise provided in Section 4 hereof, based on a combination of (i) the

Company's performance over a three-year period (or a shorter period in certain circumstances as provided herein) as indicated by the calculations required by this Section 3 and (ii) the passage of time (five years or a shorter period in certain circumstances as provided herein) as provided in Section 3(d). Vesting will occur at the times, in the amounts and upon the conditions set forth in this Section 3 and in Section 4, provided that, except as otherwise expressly set forth in this Agreement, the Continuous Service of the Grantee continues through and on the each applicable vesting date.

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

- (i) determine the Final Absolute TRS Pool (if any);
- (ii) determine the Final Relative TRS Pool (if any);
- (iii) determine the Final Relative Offset Amount (if any);
- (iv) determine the Final Total Outperformance Pool (if any);
- (v) multiply (x) the Final Total Outperformance Pool calculated as of the Final Valuation Date by (y) the Grantee's Participation Percentage as of the Final Valuation Date; and
- (vi) divide the resulting amount by the highest Common Share Price among those calculated as of every day within the period of one hundred and twenty (120) days immediately preceding the Final Valuation Date (appropriately adjusted to the extent that the Shares Amount for one Partnership Unit is greater or less than one Common Share).

The resulting number is hereafter referred to as the "Final OPP Unit Equivalent." If the Final OPP Unit Equivalent is smaller than the number of Award OPP Units previously issued to the Grantee, then the Grantee, as of the Final Valuation Date, shall forfeit a number of Award OPP Units equal to the difference, and thereafter the term Award OPP Units will refer only to the remaining Award OPP Units that were not so forfeited. If the Final OPP Unit Equivalent is greater than the number of Award OPP Units previously issued to the Grantee, then, upon the performance of the calculations set forth in this Section 3(b): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Final Valuation Date, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. If the Final OPP Unit Equivalent is the same as the number of Award OPP Units

previously issued to the Grantee, then there will be no change to the number of Award OPP Units under this Award pursuant to this Section 3.

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

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

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

Where:

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

X = 90% of the Dividend Payment; and

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

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

The resulting number of Award OPP Units earned pursuant to the calculation set forth in this Section 3(c) shall be added to the Final OPP Unit Equivalent and be subject to vesting pursuant to Section 3(d) hereof and to all of the provisions of Section 4 hereof applicable to the other Award OPP Units that have been earned pursuant to the calculations set forth in Section 3(b) hereof. If the total number of Award OPP Units so earned is greater than the number of Award OPP Units previously issued to the Grantee, then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Final Valuation Date, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership may reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws.

(d) If any of the Award OPP Units have been earned based on performance as provided in Section 3(b), subject to Section 4 hereof, the Final OPP Unit Equivalent shall

become vested in the following amounts and at the following times, provided that the Continuous Service of the Grantee continues through and on the applicable vesting date or the accelerated vesting date provided in Section 4 hereof, as applicable:

- 2017; (i) thirty-three and one-third percent (33.33%) of the Final OPP Unit Equivalent shall become vested on January 10,
- 2018; and (ii) thirty-three and one-third percent (33.33%) of the Final OPP Unit Equivalent shall become vested on January 10,
- 2019. (iii) thirty-three and one-third percent (33.33%) of the Final OPP Unit Equivalent shall become vested on January 10,

To the extent that Schedule A provides for amounts or schedules of vesting that conflict with the provisions of this Section 3(d), the provisions of Schedule A will govern.

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

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

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

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

(a) If the Grantee is a party to a Service Agreement and his or her Continuous Service terminates, the provisions of Sections 4(b), 4(c), 4(d), 4(e), 4(f), and 4(g) hereof shall govern the treatment of the Grantee's Award OPP Units exclusively, unless the Service Agreement contains provisions that expressly refer to this Section 4(a) and provides that those provisions of the Service Agreement shall instead govern the treatment of the Grantee's Award

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

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

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

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

(iii) the Grantee's Final OPP Unit Equivalent as adjusted pursuant to Section 4(b)(ii) above shall no longer be subject to forfeiture pursuant to Section 3(d) hereof; provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Grantee after the effective date of a Qualified Termination, the Grantee will not have the right to Transfer (as defined in Section 7 hereof) his or her Award OPP Units or request redemption of his or her Award Partnership Units under the Partnership

Agreement until such dates as of which his or her Final OPP Unit Equivalent, as adjusted pursuant to Section 4(b)(ii) above, would have become vested pursuant to Section 3(d) hereof absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(b)(iii) is to prevent a situation where grantees of 2014 OPP awards who have had a Qualified Termination would be able to realize the value of their Award OPP Units or Award Partnership Units (through Transfer or redemption) before other grantees of 2014 OPP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) hereof.

(c) In the event of Qualified Termination on or after the Final Valuation Date, then all of the Grantee's unvested Award OPP Units that have not previously been forfeited pursuant to the calculations set forth in Section 3(b) hereof, but remain subject to time-based vesting pursuant to Section 3(d) hereof as of the time of such Qualified Termination shall no longer be subject to forfeiture pursuant to Section 3(d) hereof; provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Grantee after the effective date of a Qualified Termination, the Grantee will not have the right to Transfer (as defined in Section 7 hereof) his or her Award OPP Units or request redemption of his or her Award Partnership Units under the Partnership Agreement until such dates as of which his or her Final OPP Unit Equivalent would have become vested pursuant to Section 3(d) absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(c) is to prevent a situation where grantees of 2014 OPP awards who have had a Qualified Termination would be able to realize the value of their Award OPP Units or Award Partnership Units (through Transfer or redemption) before other grantees of OPP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) hereof.

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

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

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

(ii) the Final OPP Unit Equivalent calculated pursuant to Section 3(b) shall be multiplied by the applicable Partial Service Factor (with the resulting numbers being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units

shall be deemed the Grantee's Final OPP Unit Equivalent for all purposes under this Agreement; and

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

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

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

5. Payments by Award Recipients; Status as Partner. No amount shall be payable to the Company or the Partnership by the Grantee at any time in respect of this Agreement. The Grantee shall have no rights with respect to this Agreement (and the Award evidenced hereby) unless he or she shall have accepted this Agreement by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) unless the Grantee is already a Partner (as defined in the Partnership Agreement), signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A). Upon acceptance of this Agreement by the Grantee, the Partnership Agreement shall be amended to reflect the issuance to the Grantee of the LTIP Units so accepted. Thereupon, the Grantee shall have all the rights of a Limited Partner of the Partnership with respect to the number of 2014 OPP Units specified on Schedule A hereto, as set forth in the Partnership Agreement, subject, however, to the restrictions and conditions specified herein. Award OPP Units constitute and shall be treated for all purposes as the property of the Grantee, subject to the terms of this Agreement and the Partnership Agreement.

6. Distributions.

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

(b) The Distribution Participation Date (as defined in the Partnership Agreement) for the Final OPP Unit Equivalent (to the extent provided in Section 6(c) below) shall be the Final Valuation Date, except that if the provisions of Section 4(b) hereof become applicable to the Grantee, the Distribution Participation Date for the Grantee shall be accelerated

to the date the calculations provided in Section 3 hereof are performed with respect to the Award OPP Units that are no longer subject to forfeiture pursuant to Section 4(b) hereof.

(c) Following each applicable Distribution Participation Date, the Grantee shall be entitled to receive one hundred percent (100%) of the same distributions payable with respect to Class A Units on the Final OPP Unit Equivalent.

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

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

(f) All distributions paid with respect to Award OPP Units, whether at the rate provided in Sections 6(d) hereof prior to the applicable Distribution Participation Date or at the rate provided in Sections 6(c) hereof after the applicable Distribution Participation Date, shall be fully vested and non-forfeitable when paid, regardless of the fact that the underlying 2014 OPP Units may be subject to forfeiture or have not yet become, or never become, vested pursuant to Sections 3 and 4 hereof.

7. Restrictions on Transfer. Except as otherwise permitted by the Committee, none of the Award OPP Units granted hereunder nor any of the Partnership Units of the Partnership into which such Award OPP Units may be converted (the “**Award Partnership Units**”) shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of, encumbered, whether voluntarily or by operation of law (each such action a “**Transfer**”), and the Redemption Right (as defined in the Partnership Agreement) may not be exercised with respect to the Award Partnership Units, provided that, at any time after the date that (a) is one year after the Award OPP Units have become vested and (b) is at least two (2) years after the Effective Date, (i) Award OPP Units or Award Partnership Units may be Transferred to the Grantee’s Family Members by gift or pursuant to domestic relations order in settlement of marital property rights; (ii) Award OPP Units or Award Partnership Units may be Transferred to an entity in which fifty percent (50%) of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in such entity; and (iii) the Redemption Right may be exercised with respect to Award Partnership Units, and Award Partnership Units may be Transferred to the Partnership or the Company in connection with the exercise of the

Redemption Right, in accordance with and to the extent otherwise permitted by the terms of the Partnership Agreement. Additionally, the transferee must agree in writing with the Company and the Partnership to be bound by all the terms and conditions of this Agreement and that subsequent transfers shall be prohibited except those in accordance with this Section 7 and all Transfers of Award OPP Units or Award Partnership Units must be in compliance with all applicable securities laws (including, without limitation, the Securities Act) and the applicable terms and conditions of the Partnership Agreement. In connection with any Transfer of Award OPP Units or Award Partnership Units, the Partnership may require the Grantee to provide an opinion of counsel, satisfactory to the Partnership, that such Transfer is in compliance with all federal and state securities laws (including, without limitation, the Securities Act). Any attempted Transfer of Award OPP Units or Award Partnership Units not in accordance with the terms and conditions of this Section 7 shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any Award OPP Units or Award Partnership Units as a result of any such Transfer, shall otherwise refuse to recognize any such Transfer and shall not in any way give effect to any such Transfer of any Award OPP Units or Award Partnership Units. Except as provided expressly in this Section 7, this Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

8. Changes in Capital Structure. If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or other transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization, significant repurchases of stock, or other similar change in the capital stock of the Company or any other event that constitutes a change in stock under the terms of the Share Plan shall occur, (iii) any extraordinary dividend or other distribution to holders of Common Shares or Class A Units shall be declared and paid other than in the ordinary course, or (iv) any other event shall occur that in each case in the good faith judgment of the Committee necessitates action by way of appropriate equitable or proportionate adjustment in the terms of this Award, this Agreement or the 2014 OPP Units to avoid distortion in the value of this Award, then the Committee shall take such action as it deems necessary to maintain the Grantee's rights hereunder so that they are substantially proportionate to the rights existing under this Award and the terms of the 2014 OPP Units prior to such event, including, without limitation: (A) interpretations of or modifications to any defined term in this Agreement; (B) adjustments in any calculations provided for in this Agreement, and (C) substitution of other awards under the Share Plan or otherwise.

9. Miscellaneous.

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

affect the Grantee's participation or benefits under any other plan or benefit program maintained or provided by the Company or the Partnership.

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

(c) Status of 2014 OPP Units under the Share Plan. This Award and the other 2014 OPP awards constitute awards of OP Units (as defined in the 2010 Plan) by the Company under the 2010 Plan. The Award OPP Units are interests in the Partnership. The number of Common Shares reserved for issuance under the Share Plan underlying outstanding Award OPP Units will be determined by the Committee in light of all applicable circumstances, including calculations made or to be made under Section 3 hereof, vesting, capital account allocations and/or balances under the Partnership Agreement, the conversion ratio in effect between LTIP Units and Class A Units and the exchange ratio in effect between Class A Units and Common Shares. The Company will have the right at its option, as set forth in the Partnership Agreement, to issue Common Shares in exchange for Award Partnership Units in accordance with the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such Common Shares, if issued, will be issued under the Share Plan. The Grantee must be eligible to receive the Award OPP Units in compliance with applicable federal and state securities laws and to that effect is required to complete, execute and deliver certain covenants, representations and warranties (attached as Exhibit B). The Grantee acknowledges that the Grantee will have no right to approve or disapprove such determination by the Committee.

(d) Legend. The records of the Partnership evidencing the Award OPP Units shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such 2014 OPP Units are subject to restrictions as set forth herein, in the Share Plan, and in the Partnership Agreement.

(e) Compliance With Law. The Partnership and the Grantee will make reasonable efforts to comply with all applicable securities laws. In addition, notwithstanding any provision of this Agreement to the contrary, no 2014 OPP Units will become vested or be paid at a time that such vesting or payment would result in a violation of any such law.

(f) Investment Representations; Registration. The Grantee hereby makes the covenants, representations and warranties set forth on Exhibit B attached hereto. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Grantee. The Partnership will have no obligation to register under the Securities Act any 2014 OPP Units or any other securities issued pursuant to this Agreement or upon conversion or exchange of 2014 OPP Units. The Grantee agrees that any resale of the shares of Common Shares received upon the exchange of Units into which 2014 OPP Units may be converted shall not occur during the "blackout periods" forbidding sales of Company securities, as set forth in the then applicable Company employee manual or insider trading policy. In addition, any resale shall be made in compliance with the registration requirements of

the Securities Act or an applicable exemption therefrom, including, without limitation, the exemption provided by Rule 144 promulgated thereunder (or any successor rule).

(g) Section 83(b) Election. In connection with each separate issuance of LTIP Units under this Award pursuant to Section 3 hereof the Grantee hereby agrees to make an election to include in gross income in the year of transfer the applicable Award OPP Units pursuant to Section 83(b) of the Code substantially in the form attached hereto as Exhibit C and to supply the necessary information in accordance with the regulations promulgated thereunder. The Grantee agrees to file the election (or to permit the Partnership to file such election on the Grantee's behalf) within thirty (30) days after the award of the 2014 OPP Units hereunder with the IRS Service Center at which such Grantee files his personal income tax returns, and to file a copy of such election with the Grantee's U.S. federal income tax return for the taxable year in which the 2014 OPP Units are awarded to the Grantee.

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

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

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

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

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

of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Grantee.

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

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

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

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

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Award Agreement to be executed as of the 10th day of January, 2014.

VORNADO REALTY TRUST

By: _____
Joseph Macnow
Executive Vice President - Finance
Chief Administrative Officer

VORNADO REALTY L.P.

By: Vornado Realty Trust, its general partner

By: _____
Joseph Macnow
Executive Vice President - Finance
Chief Administrative Officer

GRANTEE

Name:

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

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

1. The Limited Partner hereby confirms that it has reviewed the terms of the Partnership Agreement and affirms and agrees that it is bound by each of the terms and conditions of the Partnership Agreement, including, without limitation, the provisions thereof relating to limitations and restrictions on the transfer of Partnership Units (as defined in the Partnership Agreement).

2. The Limited Partner hereby confirms that it is acquiring the Partnership Units for its own account as principal, for investment and not with a view to resale or distribution, and that the Partnership Units may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the Partnership (which it has no obligation to file) or that is exempt from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and all applicable state and foreign securities laws, and the General Partner (as defined in the Partnership Agreement) may refuse to transfer any Partnership Units as to which evidence of such registration or exemption from registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration. If the General Partner delivers to the Limited Partner Common Shares of Beneficial Interest of the General Partner ("**Common Shares**") upon redemption of any Partnership Units, the Common Shares will be acquired for the Limited Partner's own account as principal, for investment and not with a view to resale or distribution, and the Common Shares may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the General Partner with respect to such Common Shares (which it has no obligation under the Partnership Agreement to file) or that is exempt from the registration requirements of the Securities Act and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Common Shares as to which evidence of such registration or exemption from such registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration.

3. The Limited Partner hereby affirms that it has appointed the General Partner, any Liquidator (as defined in the Partnership Agreement) and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, in accordance with Section 15.11 of the Partnership Agreement, which section is hereby incorporated by reference. The foregoing power of attorney is hereby declared to be irrevocable

and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

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

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

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

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

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

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

Signature Line for Limited Partner:

Name: _____

Date: _____, 2014

Address of Limited Partner:

EXHIBIT B

GRANTEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Grantee hereby represents, warrants and covenants as follows:

- (a) The Grantee has received and had an opportunity to review the following documents (the “**Background Documents**”):
 - (i) The Company’s latest Annual Report to Stockholders;
 - (ii) The Company’s Proxy Statement for its most recent Annual Meeting of Stockholders;
 - (iii) The Company’s Report on Form 10-K for the fiscal year most recently ended;
 - (iv) The Company’s Form 10-Q, if any, for the most recently ended quarter if one has been filed by the Company with the Securities and Exchange Commission since the filing of the Form 10-K described in clause (iii) above;
 - (v) Each of the Company’s Current Report(s) on Form 8-K, if any, filed since the end of the fiscal year most recently ended for which a Form 10-K has been filed by the Company;
 - (vi) The Partnership Agreement;
 - (vii) The Share Plan; and
 - (viii) The Company’s Declaration of Trust, as amended.

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

- (b) The Grantee hereby represents and warrants that

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

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

(ii) The Grantee, after due inquiry, hereby certifies that for purposes of Rule 506(d) and Rule 506(e) of the Securities Act, he is not subject to any felony or misdemeanor conviction related to any securities matter; any federal or state order, judgment, decree or injunction related to any securities, insurance, banking or U.S. Postal Service matter; any SEC disciplinary or cease and desist order; or any suspension, expulsion or bar related to a registered national securities exchange, national or affiliated securities association or member thereof, whether it occurred or was issued before, on or after September 23, 2013, and agrees that he will notify the Company immediately upon becoming aware that the foregoing is not, or is no longer, complete and accurate in every material respect, including as a result of events occurring after the date hereof.

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

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

compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his assets being at all times within his control.

(v) The Grantee acknowledges that (A) neither the LTIP Units to be issued, nor the Common Units issuable upon conversion of the LTIP Units, have been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP Units or Common Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership and the Company on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Grantee contained herein, (C) such LTIP Units or Common Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP Units and Common Units and (E) neither the Partnership nor the Company has any obligation or intention to register such LTIP Units or the Common Units issuable upon conversion of the LTIP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws, except, that, upon the redemption of the Common Units for REIT Shares, the Company may issue such REIT Shares under the Share Plan and pursuant to a Registration Statement on Form S-8 under the Securities Act, to the extent that (I) the Grantee is eligible to receive such REIT Shares under the Share Plan at the time of such issuance, (II) the Company has filed a Form S-8 Registration Statement with the Securities and Exchange Commission registering the issuance of such REIT Shares and (III) such Form S-8 is effective at the time of the issuance of such REIT Shares. The Grantee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units which are set forth in the Partnership Agreement or this Agreement, the Grantee may have to bear the economic risk of his ownership of the LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units for an indefinite period of time.

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

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

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

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

EXHIBIT C

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

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

1. The name, address and taxpayer identification number of the undersigned are:
Name: (the "Taxpayer")
Address:
Social Security No./Taxpayer Identification No.:
2. Description of property with respect to which the election is being made:
The election is being made with respect to OPP Units in Vornado Realty L.P. (the "Partnership").
3. The date on which the OPP Units were transferred is January 10, 2014. The taxable year to which this election relates is calendar year 2014.
4. Nature of restrictions to which the OPP Units are subject:
 - (a) With limited exceptions, until the OPP Units vest, the Taxpayer may not transfer in any manner any portion of the OPP Units without the consent of the Partnership.
 - (b) The Taxpayer's OPP Units vest in accordance with the vesting provisions described in the Schedule attached hereto. Unvested OPP Units are forfeited in accordance with the vesting provisions described in the Schedule attached hereto.
5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the OPP Units with respect to which this election is being made was \$0 per OPP Unit.
6. The amount paid by the Taxpayer for the OPP Units was \$0 per OPP Unit.
7. A copy of this statement has been furnished to the Partnership and Vornado Realty Trust.

Dated: _____

"Partner Name"

SCHEDULE

Vesting Provisions of OPP Units

The OPP Units are subject to time-based and performance-based vesting with the final vesting percentage equaling the product of the time-based vesting percentage and the performance-based vesting percentage. Performance-based vesting will be from 0% to 100% based on Vornado Realty Trust's (the "Company's") per-share total return to shareholders for the period from January 10, 2014 to January 10, 2017, which may be shortened in certain circumstances. Under the time-based vesting hurdles, thirty three and one-third percent ($33\frac{1}{3}\%$) of the OPP Units will vest on the last day of the three-year performance period (January 10, 2017) thirty three and one-third percent will vest the following year (January 10, 2018) and the remaining thirty three and one-third percent will vest the year after (January 10, 2019), provided that the Taxpayer continues his or her service relationship with the Company, the Partnership or an affiliate of the Company through such dates, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with the Company under specified circumstances. Unvested OPP Units are subject to forfeiture in the event of failure to vest based on the passage of time and the determination of the performance-based percentage.

SCHEDULE A TO 2014 OUTPERFORMANCE PLAN AWARD AGREEMENT

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

Initials of Company representative: _____

Initials of Grantee: _____

May 5, 2014

Vornado Realty Trust
New York, New York

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Vornado Realty Trust for the periods ended March 31, 2014, and 2013, as indicated in our report dated May 5, 2014; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, is incorporated by reference in the following registration statements of Vornado Realty Trust:

Registration Statement No. 333-68462 on Form S-8
Amendment No.1 to Registration Statement No. 333-36080 on Form S-3
Registration Statement No. 333-64015 on Form S-3
Amendment No.1 to Registration Statement No. 333-50095 on Form S-3
Registration Statement No. 333-52573 on Form S-8
Registration Statement No. 333-29011 on Form S-8
Registration Statement No. 333-09159 on Form S-8
Registration Statement No. 333-76327 on Form S-3
Amendment No.1 to Registration Statement No. 333-89667 on Form S-3
Registration Statement No. 333-81497 on Form S-8
Registration Statement No. 333-102216 on Form S-8
Amendment No.1 to Registration Statement No. 333-102215 on Form S-3
Amendment No.1 to Registration Statement No. 333-102217 on Form S-3
Registration Statement No. 333-105838 on Form S-3
Registration Statement No. 333-107024 on Form S-3
Registration Statement No. 333-109661 on Form S-3
Registration Statement No. 333-114146 on Form S-3
Registration Statement No. 333-114807 on Form S-3
Registration Statement No. 333-121929 on Form S-3
Amendment No.1 to Registration Statement No. 333-120384 on Form S-3
Registration Statement No. 333-126963 on Form S-3
Registration Statement No. 333-139646 on Form S-3
Registration Statement No. 333-141162 on Form S-3
Registration Statement No. 333-150592 on Form S-3
Registration Statement No. 333-150593 on Form S-8
Registration Statement No. 333-166856 on Form S-3
Registration Statement No. 333-172880 on Form S-8
Registration Statement No. 333-191865 on Form S-4

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

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

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

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

CERTIFICATION

I, Steven Roth, certify that:

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

May 5, 2014

/s/ Steven Roth

Steven Roth
Chairman of the Board and Chief Executive
Officer

CERTIFICATION

I, Stephen W. Theriot, certify that:

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

May 5, 2014

/s/ Stephen W. Theriot

Stephen W. Theriot

Chief Financial Officer

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for quarter ended March 31, 2014 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 5, 2014

/s/ Steven Roth

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

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for quarter ended March 31, 2014 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 5, 2014

/s/ Stephen W. Theriot _____
Name: Stephen W. Theriot
Title: Chief Financial Officer