

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, 2008

Or

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

For the transition period from: _____ to _____

Commission File Number: 001-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

22-1657560

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York

(Address of principal executive offices)

10019

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large Accelerated Filer

Accelerated Filer

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

Smaller Reporting Company

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

Yes No

As of March 31, 2008, 153,596,679 of the registrant's common shares of beneficial interest are outstanding.

PART I.		Financial Information:
Item 1.	Financial Statements:	Page Number
	Consolidated Balance Sheets (Unaudited) as of March 31, 2008 and December 31, 2007	3
	Consolidated Statements of Income (Unaudited) for the Three Months Ended March 31, 2008 and March 31, 2007	4
	Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2008 and March 31, 2007	5
	Notes to Consolidated Financial Statements (Unaudited)	7
	Report of Independent Registered Public Accounting Firm	31
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	57
Item 4.	Controls and Procedures	58
PART II.		Other Information:
Item 1.	Legal Proceedings	59
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.	Submission of Matters to a Vote of Security Holders	60
Item 5.	Other Information	60
Item 6.	Exhibits	60
Signatures		61
Exhibit Index		62

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

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

ASSETS	March 31, 2008	December 31, 2007
Real estate, at cost:		
Land	\$ 4,551,850	\$ 4,597,574
Buildings and improvements	11,621,455	11,619,150
Development costs and construction in progress	903,355	822,514
Leasehold improvements and equipment	108,163	106,102
Total	<u>17,184,823</u>	<u>17,145,340</u>
Less accumulated depreciation and amortization	(1,910,438)	(1,825,696)
Real estate, net	15,274,385	15,319,644
Cash and cash equivalents	1,541,074	1,154,595
Escrow deposits and restricted cash	378,253	378,732
Marketable securities	304,903	322,992
Accounts receivable, net of allowance for doubtful accounts of \$20,151 and \$19,151	167,914	168,183
Investments in partially owned entities, including Alexander's of \$127,816 and \$122,797	1,193,501	1,206,742
Investment in Toys "R" Us	377,264	298,089
Mezzanine loans receivable	491,868	492,339
Receivable arising from the straight-lining of rents, net of allowance of \$3,129 and \$3,076	536,920	516,777
Deferred leasing and financing costs, net of accumulated amortization of \$132,083 and \$123,624	288,177	275,887
Assets related to discontinued operations	108,461	1,533,240
Due from officers	13,186	13,228
Other assets	810,292	798,487
	<u>\$ 21,486,198</u>	<u>\$ 22,478,935</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	\$ 8,613,600	\$ 7,938,457
Convertible senior debentures	2,362,825	2,360,412
Senior unsecured notes	698,810	698,656
Exchangeable senior debentures	493,268	492,857
Revolving credit facility debt	—	405,656
Accounts payable and accrued expenses	501,204	480,123
Deferred credit	824,648	848,855
Officers' deferred compensation plan	71,258	67,714
Deferred tax liabilities	19,741	241,895
Other liabilities	122,381	118,983
Liabilities related to discontinued operations	1,650	1,332,627
Total liabilities	<u>13,709,385</u>	<u>14,986,235</u>
Minority interest, including unitholders in the Operating Partnership	1,394,673	1,374,301
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 33,959,862 and 33,980,362 shares	824,070	825,095
Common shares of beneficial interest: \$.04 par value per share; authorized, 250,000,000 shares; issued and outstanding 153,596,679 and 153,076,606 shares	6,160	6,140
Additional capital	5,364,675	5,339,570
Earnings in excess of (less than) distributions	177,714	(82,178)
Accumulated other comprehensive income	9,521	29,772
Total shareholders' equity	<u>6,382,140</u>	<u>6,118,399</u>
	<u>\$ 21,486,198</u>	<u>\$ 22,478,935</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

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

2008 **2007**

(Amounts in thousands, except per share amounts)

REVENUES:

Property rentals	\$ 536,336	\$ 434,723
Tenant expense reimbursements	87,477	72,466
Fee and other income	28,708	29,055
Total revenues	652,521	536,244

EXPENSES:

Operating	262,605	212,802
Depreciation and amortization	131,505	89,008
General and administrative	49,388	40,417
Costs of acquisitions not consummated	2,283	8,807
Total expenses	445,781	351,034
Operating income	206,740	185,210
Income applicable to Alexander's	7,929	13,519
Income applicable to Toys "R" Us	80,362	58,661
(Loss) income from partially owned entities	(30,353)	8,695
Interest and other investment income	14,104	53,504
Interest and debt expense (including amortization of deferred financing costs of \$4,243 and \$2,164)	(148,179)	(130,698)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	—	909
Minority interest of partially owned entities	406	350
Income before taxes	131,009	190,150
Income tax benefit (expense)	217,329	(89)
Income from continuing operations	348,338	190,061
Income (loss) from discontinued operations, net of minority interest (including \$112,690 net gain on sale of Americold Realty Trust in 2008)	100,348	(1,135)
Income before allocation to minority limited partners	448,686	188,926
Minority limited partners' interest in the Operating Partnership	(31,670)	(17,177)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(4,818)
Net income	412,197	166,931
Preferred share dividends	(14,275)	(14,296)
NET INCOME applicable to common shares	\$ 397,922	\$ 152,635

INCOME PER COMMON SHARE – BASIC:

Income from continuing operations	\$ 1.95	\$ 1.02
Income (loss) from discontinued operations	0.65	(0.01)
Net income per common share	\$ 2.60	\$ 1.01

INCOME PER COMMON SHARE – DILUTED:

Income from continuing operations	\$ 1.86	\$ 0.97
Income (loss) from discontinued operations	0.61	(0.01)
Net income per common share	\$ 2.47	\$ 0.96

DIVIDENDS PER COMMON SHARE

	\$ 0.90	\$ 0.85
--	----------------	----------------

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

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

(Amounts in thousands)

Cash Flows from Operating Activities:

	2008	2007
Net income	\$ 412,197	\$ 166,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Write-off of deferred tax liability	(222,174)	—
Depreciation and amortization (including amortization of debt issuance costs)	156,955	112,956
Equity in income of partially owned entities, including Alexander's and Toys	(95,529)	(81,285)
Net gain on sale of Americold	(112,690)	—
Minority limited partners' interest in the Operating Partnership	42,416	17,174
Write-off of pre-development costs	34,200	—
Amortization of below market leases, net	(23,264)	(14,005)
Straight-lining of rental income	(22,050)	(20,475)
Net losses (gains) from derivative positions	18,362	(9,380)
Distributions of income from partially owned entities	9,978	6,902
Marketable Equity Security – impairment loss	9,073	—
Perpetual preferred unit distributions of the Operating Partnership	4,819	4,818
Minority interest of partially owned entities	(3,981)	(3,883)
Other non-cash adjustments	(3,302)	6,699
Costs of acquisitions not consummated	2,283	8,807
Net gains on sale of real estate	(580)	—
Net gains on dispositions of wholly owned and partially owned assets other than depreciable real estate	—	(909)
Loss on early extinguishment of debt and write-off of unamortized financing costs	—	5,969
Changes in operating assets and liabilities:		
Accounts receivable, net	3,686	(2,506)
Accounts payable and accrued expenses	46,443	(70,674)
Other assets	(50,270)	(46,913)
Other liabilities	12,003	1,037
Net cash provided by operating activities	<u>221,575</u>	<u>81,263</u>
Cash Flows from Investing Activities:		
Development costs and construction in progress	(106,688)	(49,438)
Proceeds from sales of real estate and real estate related investments	199,331	—
Investments in partially owned entities	(74,552)	(91,037)
Additions to real estate	(50,838)	(38,204)
Distributions of capital from partially owned entities	22,163	2,812
Proceeds received from repayment of notes and mortgage loans receivable	19,099	40,150
Acquisitions of real estate and other	(4,874)	(878,654)
Investments in notes and mortgage loans receivable	(4,632)	(135,615)
Deposits in connection with real estate acquisitions, including pre-acquisition costs	(1,623)	(125,359)
Proceeds from sales of, and return of investment in, marketable securities	174	2,217
Cash restricted, including mortgage escrows	866	9,117
Purchases of marketable securities	(830)	(43,685)
Proceeds received from Officer loan repayment	—	2,000
Net cash used in investing activities	<u>(2,404)</u>	<u>(1,305,696)</u>

See notes to consolidated financial statements.

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

	For The Three Months Ended March 31,	
	2008	2007
<i>(Amounts in thousands)</i>		
Cash Flows from Financing Activities:		
Proceeds from borrowings	956,499	2,286,725
Repayments of borrowings	(605,342)	(156,759)
Dividends paid on common shares	(138,030)	(128,812)
Distributions to minority partners	(28,308)	(19,429)
Dividends paid on preferred shares	(14,292)	(14,349)
Debt issuance costs	(13,526)	(6,768)
Proceeds from exercise of share options and other	10,307	1,835
Purchase of marketable securities in connection with the legal defeasance of mortgage notes payable	—	(86,653)
Net cash provided by financing activities	167,308	1,875,790
Net increase in cash and cash equivalents	386,479	651,357
Cash and cash equivalents at beginning of period	1,154,595	2,233,317
Cash and cash equivalents at end of period	\$ 1,541,074	\$ 2,884,674

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest (including capitalized interest of \$16,219 and \$10,368)	\$ 135,872	\$ 123,753
Cash payments for income taxes	\$ 1,800	\$ 907

Non-Cash Transactions:

Financing assumed in acquisitions	\$ —	\$ 25,228
Marketable securities transferred in connection with the legal defeasance of mortgage notes payable	—	86,653
Mortgage notes payable legally defeased	—	83,542
Conversion of Class A Operating Partnership units to common shares	10,356	26,805
Unrealized net (loss) gain on securities available for sale	(9,643)	4,124

See notes to consolidated financial statements.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

Vornado Realty Trust is a fully-integrated real estate investment trust (“REIT”) and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). All references to “our,” “we,” “us,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries. We are the sole general partner of, and owned approximately 90.1% of the common limited partnership interest in, the Operating Partnership at March 31, 2008.

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

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2008, are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado and the Operating Partnership, as well as certain partially owned entities in which we own more than 50%, unless a partner has shared board and management representation and substantive participation rights on all significant business decisions, or 50% or less when (i) we are the primary beneficiary and the entity qualifies as a variable interest entity under Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities* (“FIN 46R”), or (ii) when we are a general partner that meets the criteria under Emerging Issues Task Force (“EITF”) Issue No. 04-5. All significant inter-company amounts have been eliminated. Equity interests in partially owned entities are accounted for under the equity method of accounting when they do not meet the criteria for consolidation and our ownership interest is greater than 20%. When partially owned investments are in partnership form, the 20% threshold for equity method accounting is generally reduced to 3% to 5%, based on our ability to influence the operating and financial policies of the partnership. Investments accounted for under the equity method are initially recorded at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Investments in partially owned entities that do not meet the criteria for consolidation or for equity method accounting are accounted for on the cost method.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Certain prior year balances related to discontinued operations and income tax expense (benefit) have been reclassified in order to conform to current year presentation.

In connection with purchase accounting for H Street, in July 2005 and April 2007 we recorded an aggregate of \$222,174,000 of deferred tax liabilities representing the differences between the tax basis and the book basis of the acquired assets and liabilities multiplied by the effective tax rate. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of January 16, 2008, we have completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008. Consequently, in the first quarter of 2008, the deferred tax liabilities were eliminated and we recognized \$222,174,000 as an income tax benefit on our consolidated statement of income.

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

3. Recently Issued Accounting Literature

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for financial assets and liabilities on January 1, 2008. The FASB has deferred the implementation of the provisions of SFAS 157 relating to certain non-financial assets and liabilities until January 1, 2009. This standard is not expected to materially affect how we determine fair value, but may result in certain additional disclosures. SFAS 157 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 on active markets, but corroborated by market data; and Level 3 – unobservable inputs 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. Financial assets and liabilities measured at fair value in our consolidated financial statements consist of (i) marketable equity securities—available for sale, (ii) derivative positions in marketable equity securities and (iii) the assets of our officers’ deferred compensation plan (primarily marketable equity securities and equity investments in partially owned entities), for which there is a corresponding liability on our consolidated balance sheet. Financial assets and liabilities carried at fair value as of March 31, 2008 are presented in the table below based on the hierarchy used to measure fair value:

(Amounts in thousands)	Fair Value Hierarchy			
	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 207,932	\$ 207,932	\$ —	\$ —
Officers’ deferred compensation plan assets	71,258	27,573	—	43,685 ⁽²⁾
Interest rate caps	49	—	49	—
Total Assets, reported at fair value (1)	\$ 279,239	\$ 235,505	\$ 49	\$ 43,685
Derivative positions in marketable equity securities	\$ 1,528	\$ —	\$ 1,528	\$ —
Officers’ deferred compensation plan liabilities	71,258	27,573	—	43,685
Total Liabilities, reported at fair value (1)	\$ 72,786	\$ 27,573	\$ 1,528	\$ 43,685

- (1) We chose not to elect the fair value option prescribed by SFAS 159 for our financial assets and liabilities that had not been previously carried at fair value. These financial assets and liabilities include our outstanding debt, accounts receivable, accounts payable and investments in partially owned entities.
- (2) The fair value of these assets was \$50,578 at December 31, 2007. The \$6,893 decrease from the December 31, 2007 balance is due to a decline in fair value during the three months ended March 31, 2008.

In September 2006, the FASB issued Statement No. 158, *Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS No. 87, 88, 106 and 132R* (“SFAS 158”). SFAS 158 requires an employer to (i) recognize in its statement of financial position an asset for a plan’s over-funded status or a liability for a plan’s under-funded status; (ii) measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions); and (iii) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The adoption of the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of December 31, 2006 did not have a material effect on our consolidated financial statements. The requirement to measure plan assets and benefit obligations to determine the funded status as of the end of the fiscal year and to recognize changes in the funded status in the year in which the changes occur is effective on January 1, 2009. The adoption of the measurement date provisions of this standard is not expected to have a material effect on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS 159”). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 was effective on January 1, 2008. We have not elected the fair value option for any of our existing financial instruments on the effective date and have not determined whether or not we will elect this option for any eligible financial instruments we acquire in the future.

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

3. Recently Issued Accounting Literature - continued

In December 2007, the FASB issued Statement No. 141R, *Business Combinations* (“SFAS 141R”). SFAS 141R broadens the guidance of SFAS 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R also broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations; and stipulates that acquisition related costs be expensed rather than included as part of the basis of the acquisition. SFAS 141R expands required disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for all transactions entered into on or after January 1, 2009. The adoption of this standard on January 1, 2009 could materially impact our future financial results to the extent that we acquire significant amounts of real estate, as related acquisition costs will be expensed as incurred compared to our current practice of capitalizing such costs and amortizing them over the estimated useful life of the assets acquired.

In December 2007, the FASB issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* (“SFAS 160”). SFAS 160 requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. SFAS 160 also calls for consistency in the manner of reporting changes in the parent’s ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS 160 is effective on January 1, 2009. We are currently evaluating the impact SFAS 160 will have on our consolidated financial statements.

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and the impact of derivative instruments and related hedged items on an entity’s financial position, financial performance and cash flows. SFAS 161 is effective on January 1, 2009. We believe that the adoption of this standard on January 1, 2009 will not have a material effect on our consolidated financial statements.

In March 2008, the FASB re-affirmed the scope of a previously proposed FASB Staff Position (the “FSP”) that, if adopted, would affect the accounting for our convertible and exchangeable senior debentures and Series D-13 convertible preferred units. The FSP would require the initial proceeds from the sale of our convertible and exchangeable senior debentures and Series D-13 convertible preferred units to be allocated between a liability component and an equity component. The resulting discount would be amortized using the effective interest method over the period the debt is expected to remain outstanding as additional interest expense. The FSP would be effective for our fiscal year beginning on January 1, 2009 and require retroactive application. The adoption of the FSP on January 1, 2009 would result in the recognition of an aggregate unamortized debt discount of \$170,927,000 (as of March 31, 2008) on our consolidated balance sheet and additional interest expense on our consolidated statements of income. Our current estimate of the incremental interest expense, net of minority interest, for each reporting period is as follows:

(Amounts in thousands)

For the year ended December 31:

2005	\$	3,405
2006		6,065
2007		28,233
2008		35,113
2009		37,856
2010		40,114
2011		41,112
2012		8,192

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

4. 1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the three-building 555 California Street complex ("555 California Street") containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district. The purchase price for our 70% interest in the real estate, excluding \$225,394,000 of net working capital and closing costs, was approximately \$1.8 billion, consisting of \$1.0 billion of cash and \$797,000,000 of existing debt. Our share of the debt is comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. The operations of 1290 Avenue of the Americas are included in the New York Office segment and the operations of 555 California Street are included in the other segment. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump's claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump's motions and ultimately dismissed all of Mr. Trump's claims, except for his claim seeking access to books and records. In a decision dated October 1, 2007, the Court determined that Mr. Trump had already received access to the books and records to which he was entitled, with the exception of certain documents which were subsequently delivered to Mr. Trump. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims.

In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we acquired did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

The following table presents our pro forma condensed consolidated statement of income for the quarter ended March 31, 2007, as if the above transaction occurred on January 1, 2007. The unaudited pro forma information is not necessarily indicative of what our actual results would have been had the transaction been consummated on January 1, 2007, nor does it represent the results of operations for any future periods. In our opinion all adjustments necessary to reflect this transaction have been made.

Condensed Consolidated Statements of Income	For the Quarter Ended March 31,	
	Actual 2008	Pro Forma 2007
(Amounts in thousands, except per share amounts)		
Revenues	\$ 652,521	\$ 601,824
Income before allocation to minority limited partners	\$ 448,686	\$ 177,995
Minority limited partners' interest in the Operating Partnership	(31,670)	(16,120)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(4,818)
Net income	412,197	157,057
Preferred share dividends	(14,275)	(14,296)
Net income applicable to common shares	\$ 397,922	\$ 142,761
Net income per common share – basic	\$ 2.60	\$ 0.94
Net income per common share - diluted	\$ 2.47	\$ 0.90

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

5. Investments in Partially Owned Entities

Toys “R” Us (“Toys”)

As of March 31, 2008, we own 32.7% of Toys. The business of Toys is highly seasonal. Historically, Toys’ fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys’ fiscal year ends on the Saturday nearest January 31, we record our 32.7% share of Toys’ net income or loss on a one quarter lag basis. Below is a summary of Toys’ latest available financial information.

(in millions)	Balance as of	
	February 2, 2008	February 3, 2007
Balance Sheet:		
Total Assets	\$ 11,970	\$ 11,790
Total Liabilities	\$ 10,635	\$ 10,637
Total Equity	\$ 1,335	\$ 1,153
	For the Quarterly Period Ended	
	February 2, 2008	February 3, 2007
Income Statement:		
Total Revenues	\$ 5,827	\$ 5,679
Net Income	\$ 240	\$ 173

The Lexington Master Limited Partnership (“Lexington MLP”)

As of March 31, 2008, we own 8,149,593 limited partnership units of Lexington MLP which are exchangeable on a one-for-one basis into common shares of Lexington Realty Trust (“Lexington”) (NYSE: LXP) or a 7.5% limited partnership interest. We record our pro rata share of Lexington MLP’s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements.

Based on Lexington’s March 31, 2008 closing share price of \$14.41 on the NYSE, the market value (“fair value” pursuant to SFAS 157) of our investment in Lexington MLP is \$117,436,000, or \$38,966,000 below the carrying amount on our consolidated balance sheet. We have concluded that as of March 31, 2008, the decline in the value of our investment is not “other-than-temporary.”

GMH Communities L.P. (“GMH”)

As of March 31, 2008, we own 7,337,857 GMH limited partnership units, which are exchangeable on a one-for-one basis into common shares of GMH Communities Trust (“GCT”) (NYSE: GCT), and 2,517,247 common shares of GCT, or 13.8% of the limited partnership interest of GMH. We account for our investment in GMH on the equity method and record our pro rata share of GMH’s net income or loss on a one-quarter lag basis as we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements.

On February 12, 2008, GCT announced that it has entered into two definitive agreements in connection with the sale of its military and student housing divisions for an aggregate sales price of approximately \$9.61 per share/unit. In addition, GCT anticipates selling its remaining assets prior to the closing of the merger. The merger, which has been unanimously approved by GCT’s Board of Trustees, is subject to GCT shareholder approval and customary closing conditions.

Based on GCT’s March 31, 2008 closing share price of \$8.68 on the NYSE, the market value (“fair value” pursuant to SFAS 157) of our investment in GMH and GCT is \$85,542,000, or \$16,092,000 below the carrying amount of \$10.31 per share/unit on our consolidated balance sheet. We have concluded as of March 31, 2008, the decline in value of our investments is not “other-than-temporary” based on the aggregate value anticipated to be received as a result of the transaction described above, including the additional consideration from the sale of GCT’s remaining assets. Beginning on January 1, 2008, we are reserving 100% of our share of GMH’s net income (which amounted to \$687,000 for the three months ended March 31, 2008) until the sale transactions have been finalized.

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

5. Investments in Partially Owned Entities - continued

Alexander's (NYSE: ALX)

As of March 31, 2008, we own 32.8% of the outstanding common stock of Alexander's. We manage, lease and develop Alexander's properties pursuant to agreements, which expire in March of each year and are automatically renewable. As of March 31, 2008, Alexander's owed us \$41,192,000 for fees under these agreements.

Based on Alexander's March 31, 2008 closing share price on the NYSE of \$354.50, the market value ("fair value" pursuant to SFAS 157) of our investment in Alexander's is \$586,367,000, or \$458,551,000 in excess of the carrying amount on our consolidated balance sheet.

India Real Estate Ventures

As of March 31, 2008, we are a partner in four joint ventures established to develop real estate in India's leading cities. During the three months ended March 31, 2008, we funded \$32,250,000 of cash to one of the four ventures, the India Property Fund L.P. (the "Fund"), and have a remaining capital commitment to the Fund of \$82,750,000. As of March 31, 2008, and December 31, 2007, our ownership interest in the Fund was 36.5% and 50.6%, respectively. Based on the reduction of our ownership interest in 2008, we no longer consolidate the accounts of the Fund into our consolidated financial statements and beginning January 1, 2008 we account for our investment in the Fund on the equity method. Our aggregate investment in these four ventures is \$79,405,000 as of March 31, 2008, and we are committed to fund an additional \$96,750,000 to these four ventures.

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

5. Investments in Partially Owned Entities - continued

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

Investments:

(Amounts in thousands)

	Balance as of	
	March 31, 2008	December 31, 2007
Toys	\$ 377,264	\$ 298,089
Lexington MLP	\$ 156,402	\$ 160,868
Partially Owned Office Buildings	263,622	215,153
GMH	101,634	103,260
India Real Estate Ventures	79,405	123,997
Alexander's	127,816	122,797
Beverly Connection Joint Venture ("Beverly Connection")	94,632	91,302
Other Equity Method Investments	369,990	389,365
	<u>\$ 1,193,501</u>	<u>\$ 1,206,742</u>

Our Share of Net Income (Loss):

(Amounts in thousands)

	For the Three Months Ended March 31,	
	2008	2007
Toys:		
32.7% in 2008 and 32.9% in 2007 share of equity in net income	\$ 78,355	\$ 56,815
Interest and other income	2,007	1,846
	<u>\$ 80,362</u>	<u>\$ 58,661</u>
Alexander's:		
32.8% share of:		
Equity in net income before stock appreciation rights compensation (expense) income	\$ 5,127	\$ 6,116
Stock appreciation rights compensation (expense) income	(205)	4,694
Equity in net income	4,922	10,810
Management and leasing fees	2,127	2,181
Development fees	880	528
	<u>\$ 7,929</u>	<u>\$ 13,519</u>
Beverly Connection:		
50% share of equity in net loss	\$ (1,691)	\$ (1,327)
Interest and fee income	3,415	2,277
	1,724	950
Lexington MLP – 7.5% in 2008 and 7.4% in 2007 share of equity in net income (1)	1,827	—
H Street partially owned entities – 50% share of equity in net income	—	2,834(2)
GMH – 13.8% in 2008 and 13.5% in 2007 share of equity in net loss	—	(312)
India Real Estate Ventures – 4% to 36.5% share of equity in net loss	(414)	—
Other (3) (4)	(33,490)	5,223
	<u>\$ (30,353)</u>	<u>\$ 8,695</u>

See notes on following page.

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

5. Investments in Partially Owned Entities - continued

Notes to preceding tabular information:

- (1) Effective as of the December 31, 2006 merger of Newkirk Master Limited Partnership with Lexington MLP, we recognize our share of Lexington MLP's net earnings on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our "equity in net income or loss from partially owned entities" for the three months ended March 31, 2007 did not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.
- (2) Represents our 50% share of equity in net income from January 1, 2007 through March 31, 2007. On April 30, 2007, we acquired the remaining 50% interest of these entities and began to consolidate the accounts into our consolidated financial statements and no longer account for this investment under the equity method.
- (3) Includes our equity in net earnings of partially owned entities including, partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde Group LLC, and others.
- (4) The three months ended March 31, 2008 includes a \$34,200 write-off for our share of two joint ventures' pre-development costs, of which \$23,000 represents our 50% share of costs in connection with the abandonment of the "arena move"/Moynihan East portions of the Farley project.

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

5. Investments in Partially Owned Entities - continued

Below is a summary of the debt of partially owned entities as of March 31, 2008 and December 31, 2007, none of which is guaranteed by us.

	100% of Partially Owned Entities Debt	
	March 31, 2008	December 31, 2007
(Amounts in thousands)		
Toys (32.7% interest) (as of February 3, 2008 and November 3, 2007, respectively):		
\$1.3 billion senior credit facility, due 2010, LIBOR plus 3.00% (6.12% at March 31, 2008)	\$ 1,300,000	\$ 1,300,000
\$2.0 billion credit facility, due 2010, LIBOR plus 1.00%-3.75%	—	489,000
Mortgage loan, due 2010, LIBOR plus 1.30% (4.12% at March 31, 2008)	800,000	800,000
\$804 million secured term loan facility, due 2012, LIBOR plus 4.25% (9.10% at March 31, 2008)	797,000	797,000
Senior U.K. real estate facility, due 2013, with interest at 5.02%	696,000	741,000
7.625% bonds, due 2011 (Face value – \$500,000)	482,000	481,000
7.875% senior notes, due 2013 (Face value – \$400,000)	374,000	373,000
7.375% senior notes, due 2018 (Face value – \$400,000)	332,000	331,000
4.51% Spanish real estate facility, due 2013	196,000	193,000
\$181 million unsecured term loan facility, due 2013, LIBOR plus 5.00% (8.00% at March 31, 2008)	180,000	180,000
Japan bank loans, due 2011-2014, 1.20%-2.80%	154,000	161,000
Japan short-term borrowings, due 2011 (weighted average rate of 1.05% at March 31, 2008)	137,000	243,000
6.84% Junior U.K. real estate facility, due 2013	124,000	132,000
4.51% French real estate facility, due 2013	95,000	93,000
8.750% debentures, due 2021 (Face value – \$22,000)	21,000	21,000
Note at an effective cost of 2.23% due in semi-annual installments through 2008	21,000	19,000
Multi-currency revolving credit facility, due 2010, LIBOR plus 1.50%-2.00%	—	28,000
Other	37,000	41,000
	5,746,000	6,423,000
Alexander's (32.8% interest):		
731 Lexington Avenue mortgage note payable collateralized by the office space, due in February 2014, with interest at 5.33% (prepayable with yield maintenance)	381,184	383,670
731 Lexington Avenue mortgage note payable, collateralized by the retail space, due in July 2015, with interest at 4.93% (prepayable with yield maintenance)	320,000	320,000
Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	202,483	203,456
Rego Park mortgage note payable, due in June 2009, with interest at 7.25% (prepayable without penalty after March 2009)	79,058	79,285
Rego Park construction loan payable, due in December 2010, LIBOR plus 1.20% (4.32% at March 31, 2008)	81,662	55,786
Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
	1,132,387	1,110,197
Lexington MLP (7.5% interest) (as of December 31, 2007 and September 30, 2007, respectively):		
Portion of first mortgages collateralized by the partnership's real estate, due from 2008 to 2024, with a weighted average interest rate of 5.89% at March 31, 2008 (various prepayment terms)	3,047,550	3,320,261
GMH (13.8% interest) (as of December 31, 2007 and September 30, 2007, respectively):		
Mortgage notes payable, due from 2008 to 2024, with a weighted average interest rate of 5.45% (various prepayment terms)	1,015,136	995,818

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

5. Investments in Partially Owned Entities - continued

(Amounts in thousands)	100% of	
	Partially Owned Entities Debt	
	March 31, 2008	December 31, 2007
Partially owned office buildings:		
Kaempfer Properties (2.5% and 5.0% interests in two partnerships) mortgage notes payable, collateralized by the partnerships' real estate, due from 2011 to 2031, with a weighted average interest rate of 6.70% at March 31, 2008 (various prepayment terms)	\$ 143,980	\$ 144,340
Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%	63,740	64,035
330 Madison Avenue (25% interest) mortgage note payable, due in May 2008, with interest at 6.52% (prepayable with yield maintenance)	60,000	60,000
Rosslyn Plaza (46% interest) mortgage note payable, due in December 2009, LIBOR plus 1.0% 4.12% at March 31, 2008	56,680	56,680
825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	21,746	21,808
West 57 th Street (50% interest) mortgage note payable, due in October 2009, with interest at 4.94% (prepayable without penalty after July 2009)	29,000	29,000
India Real Estate Ventures:		
TCG Urban Infrastructure Holdings (25% interest) mortgage notes payable, collateralized by the entity's real estate, due from 2008 to 2022, with a weighted average interest rate of 12.87% at March 31, 2008 (various prepayment terms)	137,609	136,431
India Property Fund L.P. (36.5% interest) \$82.5 million secured revolving credit facility, due in June 2008, LIBOR plus .80% (3.51% at March 31, 2008) (see note (8) on page 21)	77,888	—
Verde Realty Master Limited Partnership (8.5% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2008 to 2037, with a weighted average interest rate of 6.16% at March 31, 2008 (various prepayment terms)	509,748	487,122
Green Courte Real Estate Partners, LLC (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2008 to 2015, with a weighted average interest rate of 5.73% at March 31, 2008 (various prepayment terms)	255,704	225,704
Beverly Connection (50% interest) mortgage and mezzanine loans payable, with a weighted average interest rate of 8.55%, \$70,000 of which is due to Vornado	170,000	170,000
Monmouth Mall (50% interest) mortgage note payable, due in September 2015, with interest at 5.44% (prepayable with yield maintenance)	165,000	165,000
San Jose, California Ground-up Development (45% interest) construction loan, due in March 2009, with a one-year extension option LIBOR plus 1.75% (4.88% at March 31, 2008)	107,914	101,045
Wells/Kinzie Garage (50% interest) mortgage note payable, due in June 2009, with interest at 7.03%	14,334	14,422
Orleans Hubbard Garage (50% interest) mortgage note payable, due in April 2009, with interest at 7.03%	8,990	9,045
Other	280,407	282,320

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities was \$3,093,044,000 and \$3,289,873,000 as of March 31, 2008 and December 31, 2007, respectively.

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

6. Mezzanine Loans Receivable

The following is a summary of our investments in mezzanine loans as of March 31, 2008 and December 31, 2007.

(Amounts in thousands)

Mezzanine Loans Receivable:	Maturity	Interest Rate	Carrying Amount as of	
		as of	March 31,	December 31,
		March 31,	2008	2007
		2008		
Tharaldson Lodging Companies	04/09	6.94%	\$ 76,292	\$ 76,219
Riley HoldCo Corp.	02/15	10.0%	74,296	74,268
280 Park Avenue	06/16	10.25%	73,750	73,750
Equinox	02/13	14.0%	75,798	73,162
MPH, net of a valuation allowance of \$46,700 and \$57,000, respectively (1)	—	—	19,300	9,000
Other	11/08-08/15	4.75%-15.0%	172,432	185,940
			<u>\$ 491,868</u>	<u>\$ 492,339</u>

- (1) On June 5, 2007, we acquired a 42% interest in two MPH mezzanine loans totaling \$158,700, for \$66,000 in cash. The loans, which were due on February 8, 2008 and have not been repaid, are subordinate to \$2.9 billion of mortgage and other debt and secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56. As of December 31, 2007, we reduced the net carrying amount of the loans to \$9,000, by recognizing a \$57,000 non-cash charge which was included as a reduction of “interest and other investment income” on our consolidated statement of income. On April 2, 2008, we sold a sub-participation interest in the loans for \$19,300. The sub-participation did not meet the criteria for sale accounting under Statement of Financial Accounting Standard No. 140 – *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (“SFAS 140”) because the sub-participant is not free to pledge or exchange the asset. As of March 31, 2008, we have reduced our valuation allowance from \$57,000 to \$46,700, resulting in the recognition of \$10,300 of “interest and other investment income” in the quarter ended March 31, 2008.

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

7. Identified Intangible Assets, Intangible Liabilities and Goodwill

The following summarizes our identified intangible assets, intangible liabilities (deferred credit) and goodwill as of March 31, 2008 and December 31, 2007.

(Amounts in thousands)	Balance as of	
	March 31, 2008	December 31, 2007
Identified intangible assets (included in other assets):		
Gross amount	\$ 772,730	\$ 727,205
Accumulated amortization	(196,298)	(163,688)
Net	\$ 576,432	\$ 563,517
Goodwill (included in other assets):		
Gross amount	\$ 4,345	\$ 4,345
Identified intangible liabilities (included in deferred credit):		
Gross amount	\$ 980,329	\$ 977,574
Accumulated amortization	(192,760)	(163,473)
Net	\$ 787,569	\$ 814,101

Amortization of acquired below market leases, net of acquired above market leases (a component of rental income) was \$23,264,000 and \$14,005,000 for the three months ended March 31, 2008 and 2007, respectively. Estimated annual amortization of acquired below market leases, net of acquired above market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2009	\$ 66,576
2010	59,305
2011	56,037
2012	52,351
2013	44,558

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$24,581,000 and \$6,933,000 for the three months ended March 31, 2008 and 2007, 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 is as follows:

(Amounts in thousands)	
2009	\$ 58,891
2010	56,247
2011	53,878
2012	49,242
2013	41,140

We are a tenant under ground leases for certain properties acquired during 2007 and 2006. Amortization of these acquired below market leases resulted in an increase to rent expense of \$533,000 and \$384,000 for the three months ended March 31, 2008 and 2007, respectively. Estimated annual amortization of these below market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2009	\$ 2,133
2010	2,133
2011	2,133
2012	2,133
2013	2,133

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

8. Debt

The following is a summary of our notes and mortgages payable:

(Amounts in thousands)

Fixed Interest:	<u>Maturity</u>	<u>Interest Rate</u> At March 31, 2008	<u>Balance as of</u>	
			<u>March 31, 2008</u>	<u>December 31, 2007</u>
New York Office:				
1290 Avenue of the Americas	01/13	5.97%	\$ 451,796	\$ 454,166
350 Park Avenue	01/12	5.48%	430,000	430,000
770 Broadway	03/16	5.65%	353,000	353,000
888 Seventh Avenue	01/16	5.71%	318,554	318,554
Two Penn Plaza	02/11	4.97%	290,848	292,000
909 Third Avenue	04/15	5.64%	216,469	217,266
Eleven Penn Plaza	12/14	5.20%	209,475	210,338
Washington DC Office:				
Skyline Place	02/17	5.74%	678,000	678,000
Warner Building	05/16	6.26%	292,700	292,700
1215, 1225, 1235 Clark Street, 200 12 th Street and 251 18 th Street	10/10-08/13	6.75%-7.09%	202,951	203,679
River House Apartment Complex (1)	04/15	5.43%	195,546	46,339
2011, 2032, 2345 Crystal Dive	09/08-08/13	6.66%-7.08%	149,352	150,084
1550, 1750 Crystal Drive and 241 18 th Street	10/10-11/14	6.82%-7.08%	132,922	133,471
Bowen Building	06/16	6.14%	115,022	115,022
Reston Executive I, II and III	01/13	5.57%	93,000	93,000
1101 17 th , 1140 Connecticut, 1730 M and 1150 17 th Street	08/10	6.74%	89,156	89,514
Universal Buildings	06/14	5.09%	61,966	62,613
1750 Pennsylvania Avenue	06/12	7.26%	47,045	47,204
1800, 1851, 1901 South Bell Street	12/11	6.91%	33,681	35,558
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	454,013	455,907
Springfield Mall (including present value of purchase option)	04/13	5.45%	255,794	256,796
Green Acres Mall (2)	02/08	6.75%	—	137,331
Montehiedra Town Center	06/16	6.04%	120,000	120,000
Broadway Mall	06/13	6.42%	96,506	97,050
828-850 Madison Avenue Condominium	06/18	5.29%	80,000	80,000
Las Catalinas Mall	11/13	6.97%	61,798	62,130
Other	05/09-11/34	4.00%-7.57%	165,351	165,299
Merchandise Mart:				
Merchandise Mart	12/16	5.57%	550,000	550,000
High Point Complex	08/16	6.34%	221,222	221,258
Boston Design Center	09/15	5.02%	71,498	71,750
Washington Design Center	11/11	6.95%	45,508	45,679
Other:				
555 California Street	05/10-09/11	5.97%	719,846	719,568
Industrial Warehouses	10/11	6.95%	25,559	25,656
Total Fixed Interest Notes and Mortgages Payable		5.97%	<u>\$ 7,228,578</u>	<u>\$ 7,230,932</u>

See notes on page 21.

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

8. Debt - continued

(Amounts in thousands)

	Maturity	Spread over LIBOR	Interest Rate as of March 31, 2008	Balance as of	
				March 31, 2008	December 31, 2007
Notes and Mortgages Payable:					
Variable Interest:					
New York Office:					
Manhattan Mall	02/12	L+55	3.37%	\$ 232,000	\$ 232,000
866 UN Plaza	05/11	L+40	2.96%	44,978	44,978
Washington, DC Office:					
2101 L Street (3)	02/13	L+120	3.81%	150,000	—
Courthouse Plaza One and Two	01/15	L+75	3.86%	73,697	74,200
River House Apartments (1)	04/18	(1)	3.66%	64,000	—
Commerce Executive III, IV and V	07/09	L+55	3.67%	50,223	50,223
1999 K Street (4)	12/10	L+130	3.95%	30,997	—
220 20 th Street (5)	01/11	L+115	3.75%	7,120	—
West End 25 (6)	02/11	L+130	3.86%	6,506	—
Retail:					
Green Acres Mall (2)	02/13	L+140	4.52%	335,000	—
Bergen Town Center (7)	03/13	L+150	4.06%	157,755	—
Other:					
220 Central Park South	11/10	L+235 – L+245	5.50%	128,998	128,998
India Property Fund L.P. \$82.5 million secured revolving credit facility (8)	—	L+80	—	—	82,500
Other	07/08-02/10	Various	5.41%	103,748	94,626
Total Variable Interest Notes and Mortgages Payable			4.18%	1,385,022	707,525
Total Notes and Mortgages Payable			5.68%	\$ 8,613,600	\$ 7,938,457
Convertible Senior Debentures:					
Due 2027	04/12 (9)		2.85%	\$ 1,377,678	\$ 1,376,278
Due 2026	11/11 (9)		3.63%	985,147	984,134
Total Convertible Senior Debentures			3.17%	\$ 2,362,825	\$ 2,360,412
Senior Unsecured Notes:					
Senior unsecured notes due 2009	08/09		4.50%	\$ 249,460	\$ 249,365
Senior unsecured notes due 2010	12/10		4.75%	199,483	199,436
Senior unsecured notes due 2011	02/11		5.60%	249,867	249,855
Total Senior Unsecured Notes			4.96%	\$ 698,810	\$ 698,656
Exchangeable Senior Debentures due 2025	04/12 (9)		3.88%	\$ 493,268	\$ 492,857
Unsecured Revolving Credit Facilities:					
\$1.595 billion unsecured revolving credit facility	09/12	L+55	—	\$ —	\$ 300,000
\$1.000 billion unsecured revolving credit facility (\$51,472 reserved for outstanding letters of credit)	06/11	L+55	—	—	105,656
Total Unsecured Revolving Credit Facilities			—	\$ —	\$ 405,656

See notes on following page.

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

8. Debt - continued

Notes to preceding tabular information (\$ in thousands):

- (1) On March 12, 2008 we completed a \$260,000 refinancing of the River House Apartment Complex. The financing is comprised of a \$196,000 interest-only seven year 5.43% fixed rate mortgage and a \$64,000 interest-only ten year floating rate mortgage at the Freddie Mac Reference Note Rate plus 1.53% (3.66% at March 31, 2008). We retained net proceeds of \$205,000 after repaying the existing loan.
- (2) On February 11, 2008, we completed a \$335,000 refinancing of the Green Acres regional mall. This interest-only loan has a rate of LIBOR plus 1.40% (4.52% at March 31, 2008) and matures in February 2011, with two one-year extension options. We retained net proceeds of \$193,000 after repaying the existing loan.
- (3) On February 26, 2008, we completed a \$150,000 financing of 2101 L Street. The loan bears interest at LIBOR plus 1.20% (3.81% at March 31, 2008) and matures in February 2011 with two one-year extension options. We retained net proceeds of \$148,000.
- (4) On March 27, 2008, we closed a construction loan providing up to \$124,000 to finance the redevelopment of 1999 K Street. The interest-only loan has a rate of LIBOR plus 1.30% (3.95% at March 31, 2008) and matures in December 2010 with two 6-month extension options.
- (5) On January 18, 2008, we closed a construction loan providing up to \$87,000 to finance the residential redevelopment project at 220 20th Street (formally Crystal Plaza Two). The construction loan bears interest at LIBOR plus 1.15% (3.75% at March 31, 2008) and matures in January 2011 with two six-month extension options.
- (6) On February 20, 2008, we closed a construction loan providing up to \$104,000 to finance the residential redevelopment project at 1229-1231 25th Street NW ("West End 25"). The construction loan bears interest at LIBOR plus 1.30% (3.86% at March 31, 2008) and matures in February 2011 with two six-month extension options.
- (7) On March 24, 2008, we closed a construction loan providing up to \$290,000 to finance the redevelopment of a portion of the Bergen Town Center. The interest-only loan has a rate of LIBOR plus 1.50% (4.06% at March 31, 2008) and matures in March 2011 with two one-year extension options.
- (8) Beginning in the first quarter of 2008, we account for our investment in the India Property Fund on the equity method and no longer consolidate its accounts into our consolidated financial statements, based on the reduction in our ownership interest from 50.6% as of December 31, 2007 to 36.5% as of March 31, 2008.
- (9) Represents the earliest date the holders can require us to repurchase the debentures.

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

9. Fee and Other Income

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

(Amounts in thousands)	For the Three Months	
	Ended March 31,	
	2008	2007
Tenant cleaning revenue	\$ 13,422	\$ 9,843
Management and leasing fees	3,968	7,199
Lease termination fees	2,453	3,441
Other income	8,865	8,572
	<u>\$ 28,708</u>	<u>\$ 29,055</u>

Fee and other income above include management fee income from Interstate Properties, a related party, of \$211,000 and \$206,000 for the three months ended March 31, 2008 and 2007, respectively. The above table excludes fee income from partially owned entities, which is included in income from partially owned entities (see Note 5 – Investments in Partially Owned Entities).

10. Discontinued Operations (including \$112,690,000 net gain on sale of Americold Realty Trust in 2008)

On March 31, 2008, we sold our 47.6% interest in Americold Realty Trust (“Americold”), our Temperature Controlled Logistics segment, for \$220,000,000, which resulted in a net gain of \$112,690,000. Accordingly, during the first quarter of 2008, we classified our Temperature Controlled Logistics segment as a discontinued operation in accordance with the provisions of SFAS No. 144 and reported revenues and expenses related to this segment as “income from discontinued operations” and the related assets and liabilities of this segment as “assets held for sale” and “liabilities held for sale” for all periods presented in the accompanying consolidated financial statements.

The following table sets forth the assets and liabilities related to discontinued operations at March 31, 2008 and December 31, 2007, which consist primarily of the net book value of real estate and the assets and liabilities of Americold.

(Amounts in thousands)	Assets related to		Liabilities related to	
	Discontinued Operations as of		Discontinued Operations as of	
	March 31,	December 31,	March 31,	December 31,
	2008	2007	2008	2007
H Street – land under sales contract	\$ 108,461	\$ 108,470	\$ —	\$ —
Americold	—	1,424,770	1,650	1,332,627
	<u>\$ 108,461</u>	<u>\$ 1,533,240</u>	<u>\$ 1,650</u>	<u>\$ 1,332,627</u>

The following table sets forth the combined results of operations related to discontinued operations for the three months ended March 31, 2008 and 2007.

(Amounts in thousands)	For the Three Months	
	Ended March 31,	
	2008	2007
Revenues	\$ 216,182	\$ 202,217
Expenses	229,104	203,352
Net loss	(12,922)	(1,135)
Net gain on sale of Americold	112,690	—
Net gain on sale of other real estate	580	—
Income (loss) from discontinued operations, net of minority interest	<u>\$ 100,348</u>	<u>\$ (1,135)</u>

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

11. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and potentially dilutive share equivalents. Potentially dilutive share equivalents include our Series A convertible preferred shares, employee stock options and restricted share awards, exchangeable senior debentures due 2025 as well as Operating Partnership convertible preferred units.

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2008	2007
Numerator:		
Income from continuing operations, net of minority interest in the Operating Partnership	\$ 311,849	\$ 168,066
Income (loss) from discontinued operations, net of minority interest	100,348	(1,135)
Net income	412,197	166,931
Preferred share dividends	(14,275)	(14,296)
Numerator for basic income per share – net income applicable to common shares	397,922	152,635
Impact of assumed conversions:		
Interest on 3.875% exchangeable senior debentures	5,255	5,309
Convertible preferred share dividends	52	73
Numerator for diluted income per share – net income applicable to common shares	\$ 403,229	\$ 158,017
Denominator:		
Denominator for basic income per share – weighted average shares	153,301	151,428
Effect of dilutive securities (1):		
Employee stock options and restricted share awards	4,440	6,888
3.875% exchangeable senior debentures	5,559	5,560
Convertible preferred shares	88	125
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	163,388	164,001
INCOME PER COMMON SHARE – BASIC:		
Income from continuing operations	\$ 1.95	\$ 1.02
Income (loss) from discontinued operations, net of minority interest	0.65	(0.01)
Net income per common share	\$ 2.60	\$ 1.01
INCOME PER COMMON SHARE – DILUTED:		
Income from continuing operations	\$ 1.86	\$ 0.97
Income (loss) from discontinued operations, net of minority interest	0.61	(0.01)
Net income per common share	\$ 2.47	\$ 0.96

(1) The effect of dilutive securities in the three months ended March 31, 2008 and 2007 excludes an aggregate of 1,971,579 and 1,684,178 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

12. Comprehensive Income

(Amounts in thousands)	For The Three Months Ended March 31,	
	2008	2007
Net income	\$ 412,197	\$ 166,931
Other comprehensive (loss) income	(20,251)	6,761
Comprehensive income	\$ 391,946	\$ 173,692

Substantially all of other comprehensive (loss) income for the three months ended March 31, 2008 and 2007 relates to income from the mark-to-market of marketable equity securities classified as available-for-sale.

13. Stock-based Compensation

Our Share Option Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, performance shares and limited partnership units to certain of our employees and officers. We account for stock-based compensation in accordance with SFAS No. 123: *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148: *Accounting for Stock-Based Compensation - Transition and Disclosure* and as revised by SFAS No. 123R: *Share-Based Payment* ("SFAS No. 123R"). We adopted SFAS No. 123R, using the modified prospective application, on January 1, 2006. Stock based compensation expense for the three months ended March 31, 2008 and 2007 consists of stock option awards, restricted common share, Operating Partnership unit awards and Out-Performance Plan awards. During the three months ended March 31, 2008 and 2007, we recognized \$8,075,000 and \$5,647,000 of stock-based compensation expense, respectively, of which \$3,128,000 in 2008 relates to our 2006 and 2008 Out-Performance Plans.

2008 Stock Options

On March 31, 2008, our Compensation Committee approved a grant of Vornado stock options to senior executives and employees. The options were granted with an exercise price 17.5% in excess of the average of the high and low price of our share on the New York Stock Exchange on that date. The options are expensed pro rata over the 5-year vesting term in accordance with SFAS No. 123R.

2008 Out-Performance Plan

On March 31, 2008, our Compensation Committee approved a \$75,000,000 out-performance plan (the "2008 OPP") that requires the achievement of performance objectives against both absolute and relative thresholds. The 2008 OPP establishes a potential performance pool in which 71 members of senior management have the opportunity to share in, if the total return to our shareholders (the "Total Return"), resulting from both share appreciation and dividends, for the four-year period from March 31, 2008 to March 31, 2012 exceeds both an absolute and a relative hurdle. The initial value from which to determine the Total Return is \$86.20 per share, a 0.93% premium to the trailing 10-day average closing price for our shares on the date the plan was adopted.

The size of the out-performance pool for the 2008 OPP is 6% of the aggregate "out-performance return" subject to a maximum total award of \$75,000,000 (the "Maximum Award"). The "out-performance return" is comprised of (i) 3% of the total dollar value of the Total Return in excess of 10% per annum (the "Absolute Component"), plus (ii) 3% of the total dollar value of the Total Return in excess of the Relative Threshold (the "Relative Component"), based on the SNL Equity REIT Index (the "Index") over the four-year performance period. In the event that the Relative Component creates a negative award as a result of underperforming the Index, the value of any out-performance award potentially earned under the Absolute Component will be reduced dollar for dollar. In addition, awards potentially earned under the Relative Component will be reduced on a ratable sliding scale to the extent the Total Return is less than 10% per annum and to zero to the extent the Total Return is less than 7% per annum. The size of this out-performance pool, if any, will be determined based on the highest 30-trading day trailing average price of our shares during the final 150 days of the four-year period. During the four-year performance period, participants are entitled to receive 10% of the common dividends paid on Vornado's common shares for each OPP unit awarded, regardless of whether the OPP units are ultimately earned.

The 2008 OPP also provides participants an opportunity to earn partial awards during two interim measurement periods (the "Interim Periods"): (a) one for a period consisting of the first two years of the plan and (b) one for a period consisting of the final two years of the plan. For each Interim Period, participants may be entitled to share in 40% (\$30,000,000) of the maximum \$75,000,000 performance pool if the performance thresholds have been met for the applicable Interim Periods on a pro rated basis. The starting share price for the first Interim Period is \$86.20 per share. The starting share price for the second Interim Period is equal to the greater of our share price on March 31, 2010, or the initial starting share price of \$86.20 per share less dividends paid during the first two years of the plan. If the maximum award is earned during the first Interim Period, participants lose the potential to earn the second Interim Period award, but not the potential to earn the remainder of the maximum award over the four-year period. The size of any out-performance pool for an Interim Period will be determined based on the highest 30-day trailing average price of our shares during the final 120 days of the applicable Interim Period.

Awards earned under the program (including any awards earned for the Interim Periods), will vest 50% on March 31, 2012 and 50% on March 31, 2013. The 2008 OPP is accounted for in accordance with FASB No. 123R. The fair value of the OPP awards on the day of grant, as adjusted for estimated forfeitures, was approximately \$21,500,000, which will be amortized into expense over a five-year period beginning on the date of grant through the final vesting period, using a graded vesting attribution model.

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

14. Commitments and Contingencies

At March 31, 2008, \$51,472,000 was reserved for outstanding letters of credit under our \$1 billion revolving credit facility. Our credit facilities contain financial covenants, which require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

In connection with our investments in partially owned entities, we are committed to fund additional capital aggregating \$128,988,000. Of this amount, \$82,750,000 relates to our equity commitment to the India Property Fund, L.P., and \$19,701,000 relates to capital expenditures committed to the Springfield Mall, in which we have a 97.5% interest.

On November 10, 2005, we committed to fund the junior portion of up to \$30,530,000 of a \$173,000,000 construction loan to an entity developing a mixed-use building complex in Boston, Massachusetts, at the north end of the Boston Harbor. We will earn current-pay interest at 30-day LIBOR plus 11%. The loan will mature in November 2008, with a one-year extension option. As of March 31, 2008, we have funded \$23,545,000 of this commitment.

In June 2007 we formed Penn Plaza Insurance Company, LLC ("PPIC"), a wholly owned consolidated subsidiary, to act as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for "certified" acts of terrorism and for nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"). Coverage for "certified" acts of terrorism is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Prior to the formation of PPIC, we were uninsured for losses under NBCR coverage. Subsequently, we have \$1.5 billion of NBCR coverage under TRIPRA, for which PPIC is responsible for 15% of each NBCR loss and the insurance company deductible of \$1,000,000. We are ultimately responsible for any loss borne by PPIC.

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

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

We enter into agreements for the purchase and resale of U.S. government obligations for periods of up to one week. The obligations purchased under these agreements are held in safekeeping in our name by various money center banks. We have the right to demand additional collateral or return of these invested funds at any time the collateral value is less than 102% of the invested funds plus any accrued earnings thereon. We had \$285,810,000 and \$82,240,000 of cash invested in these agreements at March 31, 2008 and December 31, 2007, respectively.

On January 16, 2008, our Board of Trustees approved the termination of the Vornado Realty Trust Retirement Plan and the Merchandise Mart Properties Pension Plan. The plans were frozen in 1998 and 1999, respectively. The termination is expected to be completed in the third quarter of 2008. Our current estimate of the cost we will incur during the third quarter of 2008 to buy annuities from an insurance company or to make lump-sum payments to plan participants to terminate both plans is approximately \$4,000,000.

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

14. Commitments and Contingencies - continued

Litigation

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to re-allocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007 we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. We are currently engaged in discovery and anticipate that a trial date will be set for some time in 2008. We intend to vigorously pursue our claims against Stop & Shop. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump's claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump's motions and ultimately dismissed all of Mr. Trump's claims, except for his claim seeking access to books and records. In a decision dated October 1, 2007, the Court determined that Mr. Trump already received access to the books and records to which he was entitled, with the exception of certain documents which were subsequently delivered to Mr. Trump. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims. In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we acquired did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

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

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

15. Retirement Plans

On January 16, 2008, our Board of Trustees approved the termination of the Vornado Realty Trust Retirement Plan (“Vornado Plan”) and the Merchandise Mart Properties Pension Plan (“Mart Plan”). The termination is expected to be completed in the third quarter of 2008. Our current estimate of the cost we will incur during the third quarter of 2008 to buy annuities from an insurance company or to make lump-sum payments to plan participants to terminate both plans is approximately \$4,000,000.

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

(Amounts in thousands)	For The Three Months Ended March 31,	
	2008	2007
Interest cost	\$ 292	\$ 293
Expected return on plan assets	(309)	(299)
Amortization of net loss	65	61
Net periodic benefit cost	\$ 48	\$ 55

Employer Contributions

During the quarter ended March 31, 2008, we made no contributions to the plans. We made contributions of \$366,000 to the plans during the three months ended March 31, 2007. We anticipate making contributions of \$2,205,000 to the plans during the remainder of 2008.

16. Costs of Acquisitions Not Consummated

In the first quarter of 2008, we wrote-off \$2,283,000 of costs associated with the Hudson Rail Yards acquisition not consummated. In the first quarter of 2007, we wrote-off \$8,807,000 of costs associated with The Equity Office Properties Trust acquisition not consummated.

17. Marketable Equity Securities

In the first quarter of 2008, we determined that an investment in a marketable equity security was “other-than-temporarily” impaired and recorded a non-cash charge of \$9,073,000, based on the March 31, 2008 closing share price of this security, which is included in “interest and other investment income” on our consolidated statement of income.

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

18. 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, 2008 and 2007.

(Amounts in thousands)

	For the Three Months Ended March 31, 2008						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽²⁾
Property rentals	\$ 491,022	\$ 176,503	\$ 126,232	\$ 86,721	\$ 57,543	\$ —	\$ 44,023
Straight-line rents:							
Contractual rent increases	17,951	7,283	3,349	5,799	1,377	—	143
Amortization of free rent	4,099	871	1,505	(1,221)	2,353	—	591
Amortization of acquired below-market leases, net	<u>23,264</u>	<u>15,329</u>	<u>1,105</u>	<u>4,954</u>	<u>33</u>	<u>—</u>	<u>1,843</u>
Total rentals	536,336	199,986	132,191	96,253	61,306	—	46,600
Tenant expense reimbursements	87,477	31,523	15,532	33,690	4,589	—	2,143
Fee and other income:							
Tenant cleaning revenue	13,422	17,154	—	—	—	—	(3,732)
Management and leasing fees	3,968	1,402	3,156	365	140	—	(1,095)
Lease termination fees	2,453	1,924	—	375	154	—	—
Other	8,865	3,935	4,220	(379)	1,440	—	(351)
Total revenues	<u>652,521</u>	<u>255,924</u>	<u>155,099</u>	<u>130,304</u>	<u>67,629</u>	<u>—</u>	<u>43,565</u>
Operating expenses	262,605	106,646	52,941	48,054	35,368	—	19,596
Depreciation and amortization	131,505	45,775	37,761	21,136	11,787	—	15,046
General and administrative	49,388	4,786	7,072	7,762	7,471	—	22,297
Costs of acquisition not consummated	2,283	—	—	—	—	—	2,283
Total expenses	<u>445,781</u>	<u>157,207</u>	<u>97,774</u>	<u>76,952</u>	<u>54,626</u>	<u>—</u>	<u>59,222</u>
Operating income (loss)	206,740	98,717	57,325	53,352	13,003	—	(15,657)
Income applicable to Alexander's	7,929	189	—	148	—	—	7,592
Income applicable to Toys "R" Us	80,362	—	—	—	—	80,362	—
(Loss) income from partially owned entities	(30,353)	2,577	1,279	2,907	518	—	(37,634)
Interest and other investment income	14,104	708	679	242	93	—	12,382
Interest and debt expense	(148,179)	(35,631)	(29,622)	(20,246)	(13,021)	—	(49,659)
Minority interest of partially owned entities	406	(945)	—	14	—	—	1,337
Income (loss) before income taxes	131,009	65,615	29,661	36,417	593	80,362	(81,639)
Income tax benefit (expense)	217,329	—	221,677	(2)	(210)	—	(4,136)
Income (loss) from continuing operations	348,338	65,615	251,338	36,415	383	80,362	(85,775)
Income (loss) from discontinued operations, net	100,348	—	—	(520)	—	—	100,868
Income before allocation to minority limited partners	448,686	65,615	251,338	35,895	383	80,362	15,093
Minority limited partners' interest in the Operating Partnership	(31,670)	—	—	—	—	—	(31,670)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	—	—	—	—	—	(4,819)
Net income (loss)	412,197	65,615	251,338	35,895	383	80,362	(21,316)
Interest and debt expense ⁽¹⁾	207,961	34,004	30,628	23,827	13,233	41,495	64,774
Depreciation and amortization ⁽¹⁾	181,185	43,620	39,242	22,202	11,907	34,102	30,112
Income tax (benefit) expense ⁽¹⁾	(122,780)	—	(221,672)	2	210	93,919	4,761
EBITDA	<u>\$ 678,563</u>	<u>\$ 143,239</u>	<u>\$ 99,536</u>	<u>\$ 81,926</u>	<u>\$ 25,733</u>	<u>\$ 249,878</u>	<u>\$ 78,251</u>

The Washington, DC Office segment includes a \$222,174 reduction in income tax expense resulting from a reversal of deferred tax liabilities in connection with the acquisition of H Street. Other segment EBITDA includes, a \$112,690 net gain on sale of our 47.6% interest in Americold, a \$34,200 write-off of pre-development costs, an \$18,362 net loss on the mark-to-market of derivative instruments, \$10,300 for the reversal of a mezzanine loan loss accrual, a \$9,073 impairment loss on a marketable equity security and \$2,283 of expense for costs of acquisitions not consummated.

See notes on page 30.

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

18. Segment Information – continued

(Amounts in thousands)

	For the Three Months Ended March 31, 2007						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽²⁾
Property rentals	\$ 400,243	\$ 137,648	\$ 105,617	\$ 77,721	\$ 61,026	\$ —	\$ 18,231
Straight-line rents:							
Contractual rent increases	14,586	10,414	479	2,897	654	—	142
Amortization of free rent	5,889	398	4,840	272	379	—	—
Amortization of acquired below-market leases, net	14,005	7,292	973	5,239	30	—	471
Total rentals	434,723	155,752	111,909	86,129	62,089	—	18,844
Tenant expense reimbursements	72,466	28,708	9,356	28,697	4,793	—	912
Fee and other income:							
Tenant cleaning revenue	9,843	12,086	—	—	—	—	(2,243)
Management and leasing fees	7,199	855	6,561	344	22	—	(583)
Lease termination fees	3,441	1,798	95	1,505	43	—	—
Other	8,572	3,781	3,099	354	1,282	—	56
Total revenues	536,244	202,980	131,020	117,029	68,229	—	16,986
Operating expenses	212,802	88,252	39,610	40,517	31,581	—	12,842
Depreciation and amortization	89,008	29,805	25,558	17,283	11,091	—	5,271
General and administrative	40,417	3,946	8,385	7,002	7,438	—	13,646
Costs of acquisition not consummated	8,807	—	—	—	—	—	8,807
Total expenses	351,034	122,003	73,553	64,802	50,110	—	40,566
Operating income (loss)	185,210	80,977	57,467	52,227	18,119	—	(23,580)
Income applicable to Alexander's	13,519	188	—	209	—	—	13,122
Income applicable to Toys "R" Us	58,661	—	—	—	—	58,661	—
Income from partially owned entities	8,695	1,287	3,692	1,295	339	—	2,082
Interest and other investment income	53,504	673	313	75	95	—	52,348
Interest and debt expense	(130,698)	(29,468)	(34,522)	(20,008)	(12,847)	—	(33,853)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	909	—	—	—	—	—	909
Minority interest of partially owned entities	350	—	—	47	—	—	303
Income before income taxes	190,150	53,657	26,950	33,845	5,706	58,661	11,331
Income tax (expense) benefit	(89)	—	224	—	(313)	—	—
Income from continuing operations	190,061	53,657	27,174	33,845	5,393	58,661	11,331
Loss from discontinued operations, net	(1,135)	—	(66)	(34)	—	—	(1,035)
Income before allocation to minority limited partners	188,926	53,657	27,108	33,811	5,393	58,661	10,296
Minority limited partners' interest in the Operating Partnership	(17,177)	—	—	—	—	—	(17,177)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	—	—	—	—	—	(4,818)
Net income (loss)	166,931	53,657	27,108	33,811	5,393	58,661	(11,699)
Interest and debt expense ⁽¹⁾	198,771	30,138	35,908	22,797	13,064	46,634	50,230
Depreciation and amortization ⁽¹⁾	163,151	30,742	28,844	18,286	11,237	55,396	18,646
Income tax expense ⁽¹⁾	55,584	—	1,632	—	313	53,397	242
EBITDA	<u>\$ 584,437</u>	<u>\$ 114,537</u>	<u>\$ 93,492</u>	<u>\$ 74,894</u>	<u>\$ 30,007</u>	<u>\$ 214,088</u>	<u>\$ 57,419</u>

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

See notes on the following page.

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

18. Segment Information – continued

Notes to preceding tabular information

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

(2) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2008	2007
Alexander’s	\$ 14,887	\$ 20,333
555 California Street	11,645	—
Lexington MLP	11,077	—
Hotel Pennsylvania	5,413	3,604
Industrial warehouses	1,438	1,373
GMH (see page 11)	—	4,168
Other investments	(2,834)	3,911
	41,626	33,389
Minority limited partners’ interest in the Operating Partnership	(31,670)	(17,177)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(4,818)
Corporate general and administrative expenses	(20,242)	(12,374)
Write-off of pre-development costs (see note (4) on page 14)	(34,200)	—
Costs of acquisitions not consummated	(2,283)	(8,807)
Investment income and other	11,318	51,062
Income from discontinued operations, net (including \$112,690 net gain on sale of Americold in 2008)	118,521	16,144
	<u>\$ 78,251</u>	<u>\$ 57,419</u>

On March 31, 2008, we sold our 47.6% interest in Americold Realty Trust (“Americold”), our Temperature Controlled Logistics segment, for \$220,000,000, which resulted in a net gain of \$112,690,000. Accordingly, during the first quarter of 2008, we classified our Temperature Controlled Logistics segment as a discontinued operation in accordance with the provisions of SFAS No. 144 and reported revenues and expenses related to this segment as “income from discontinued operations” and the related assets and liabilities of this segment as “assets held for sale” and “liabilities held for sale” for all periods presented in the accompanying consolidated financial statements. Accordingly, our reportable segments no longer include a Temperature Controlled Logistics segment.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust as of March 31, 2008, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2008 and 2007. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with 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 standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2008, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 10 that were applied to reclassify the December 31, 2007 consolidated balance sheet of Vornado Realty Trust (not presented herein) for discontinued operations. In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated balance sheet in deriving the accompanying retrospectively adjusted consolidated balance sheet as of December 31, 2007.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
May 6, 2008

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

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They 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" of our Annual Report on Form 10-K for the year ended December 31, 2007. 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 include a discussion of our consolidated financial statements for the three months ended March 31, 2008. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2007 in Management's Discussion and Analysis of Financial Condition. There have been no significant changes to our policies during 2008.

Overview

Business Objective and Operating Strategy

Our business objective is to maximize shareholder value. We measure our success in meeting this objective by our total return to shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index (“RMS”) and the SNL REIT Index (“SNL”) for the following periods ending March 31, 2008:

	Total Return ⁽¹⁾		
	Vornado	RMS	SNL
One-year	(25.4%)	(17.9%)	(17.3%)
Three-years	39.5%	39.9%	39.6%
Five-years	202.3%	130.4%	132.9%
Ten-years	236.4%	175.8%	175.0%

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

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

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

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets.

We have a large concentration of properties in the New York City metropolitan area and in the Washington, DC and Northern Virginia areas. 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 rent charged, attractiveness of location, the quality of the property and breadth and quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

Beginning in the second half of 2007, the residential mortgage and capital markets began showing signs of stress, primarily in the form of escalating default rates on sub-prime mortgages, declining residential home values and increasing inventory nationwide. This “credit” crisis spread to the broader commercial credit markets and has generally reduced the availability of financing and widened spreads. These factors, coupled with a slowing economy, may negatively impact the volume of real estate transactions and cap rates, which would negatively impact stock price performance of public real estate companies, including ours. If these conditions continue to persist in 2008 and beyond, our real estate portfolio may experience lower occupancy and effective rents which would result in a corresponding decrease in net income, funds from operations and cash flows. In addition, the value of our investments in joint ventures, marketable securities and mezzanine loans may also decline as a result of the above factors. Such declines may result in impairment charges and/or valuation allowances which would result in a corresponding decrease in net income and funds from operations.

Overview – continued

Quarter Ended March 31, 2008 Financial Results Summary

Net income applicable to common shares for the quarter ended March 31, 2008 was \$397,922,000, or \$2.47 per diluted share, versus \$152,635,000, or \$0.96 per diluted share, for the quarter ended March 31, 2007. Net income for the quarter ended March 31, 2008 includes \$6,002,000 for our share of net gains on sale of real estate. Net income for the quarters ended March 31, 2008 and 2007 also includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of minority interest, increased net income applicable to common shares for the quarter ended March 31, 2008 by \$258,267,000, or \$1.58 per diluted share and decreased net income applicable to common shares for the quarter ended March 31, 2007 by \$3,115,000, or \$0.02 per diluted share.

Funds from operations applicable to common shares plus assumed conversions (“FFO”) for the quarter ended March 31, 2008 was \$535,211,000, or \$3.28 per diluted share, compared to \$270,165,000, or \$1.65 per diluted share, for the prior year’s quarter. FFO for the quarters ended March 31, 2008 and 2007 includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of minority interest, increased FFO for the quarter ended March 31, 2008 by \$259,331,000, or \$1.59 per diluted share and increased FFO for the quarter ended March 31, 2007 by \$3,011,000, or \$0.02 per diluted share.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2008	2007
Items that affect comparability (income)/expense:		
Reversal of deferred income taxes initially recorded in connection with H Street acquisition	\$ (222,174)	\$ —
Net gain on sale of our 47.6% interest in Americold	(112,690)	—
Write-off of pre-development costs (see below)	34,200	—
Derivative positions in marketable equity securities	18,362	(9,380)
Reversal of MPH mezzanine loan loss accrual	(10,300)	—
Marketable equity security - impairment loss	9,073	—
Costs of acquisitions not consummated	2,283	8,807
Alexander’s stock appreciation rights	205	(4,694)
Prepayment penalties and write-off of unamortized financing costs	—	5,861
H Street litigation costs	—	1,891
Other, net	1,663	—
	(279,378)	2,485
47.6% share of Americold’s FFO (Net losses of \$1,076 and \$948, respectively) – sold on March 31, 2008	(6,098)	(5,803)
	(285,476)	(3,318)
Minority limited partners’ share of above adjustments	26,145	307
Total items that affect comparability	\$ (259,331)	\$ (3,011)

The three months ended March 31, 2008 includes a \$34,200,000 write-off for our share of two joint ventures’ pre-development costs, of which \$23,000,000 represents our 50% share of costs in connection with the abandonment of the “arena move”/Moynihan East portions of the Farley project.

Overview – continued

We did not recognize income on certain assets with an aggregate carrying amount of approximately \$1.3 billion during the quarter ended March 31, 2008, because they were out of service for redevelopment. Assets under development include all or portions of the Bergen Town Center, 2101 L Street, 220 20th Street, 1229-1231 25th Street (“West End 25”), 1999 K Street, 220 Central Park South, 40 East 66th Street, and certain investments in joint ventures including Beverly Connection, Wasserman and 800 17th Street/PNC Place investments.

The percentage increase (decrease) in the same-store Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) of our operating segments for the quarter ended March 31, 2008 over the quarter ended March 31, 2007 and the trailing quarter ended December 31, 2007 are summarized below.

Quarter Ended:	<u>New York Office</u>	<u>Washington, DC Office</u>	<u>Retail</u>	<u>Merchandise Mart</u>
March 31, 2008 vs. March 31, 2007	6.5%	7.2%	5.2%	(2.7)%
March 31, 2008 vs. December 31, 2007	(0.8)%	2.0%	1.3%	(12.5)%

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

Overview - continued

2008 Dispositions:

On March 31, 2008, we sold our 47.6% interest in Americold Realty Trust, our Temperature Controlled Logistics segment, for \$220,000,000 which resulted in a net gain of \$112,690,000. Accordingly, during the first quarter of 2008, we classified our Temperature Controlled Logistics segment as a discontinued operation in accordance with the provisions of SFAS No. 144 and reported revenues and expenses related to this segment as "income from discontinued operations" and the related assets and liabilities of this segment as "assets held for sale" and "liabilities held for sale" for all periods presented in the accompanying consolidated financial statements.

2008 Financings:

On January 18, 2008, we closed a construction loan providing up to \$87,000,000 to finance the residential redevelopment project at 220 20th Street (formally Crystal Plaza Two). The construction loan bears interest at LIBOR plus 1.15% (3.75% at March 31, 2008) and matures in January 2011 with two six-month extension options. As of March 31, 2008, \$7,000,000 was drawn under this loan.

On February 11, 2008, we completed a \$335,000,000 refinancing of the Green Acres regional mall. This interest-only loan has a rate of LIBOR plus 1.40% (4.52% at March 31, 2008) and matures in February 2011, with two one-year extension options. We retained net proceeds of \$193,000,000 after repaying the existing loan.

On February 20, 2008, we closed a construction loan providing up to \$104,000,000 to finance the residential redevelopment project at 1229-1231 25th Street NW ("West End 25"). The construction loan bears interest at LIBOR plus 1.30% (3.86% at March 31, 2008) and matures in February 2011 with two six-month extension options. As of March 31, 2008, \$6,500,000 was drawn under this loan.

On February 26, 2008, we completed a \$150,000,000 financing of our 2101 L Street property located in Washington, DC. The loan bears interest at LIBOR plus 1.20% (3.81% at March 31, 2008) and matures in February 2011 with two one-year extension options. We retained net proceeds of \$148,000,000.

On March 12, 2008 we completed a \$260,000,000 refinancing of the River House Apartment Complex. The financing is comprised of a \$196,000,000 interest-only seven year 5.43% fixed rate mortgage and a \$64,000,000 interest-only ten year floating rate mortgage at the Freddie Mac Reference Note Rate plus 1.53% (3.66% at March 31, 2008). We retained net proceeds of \$205,000,000 after repaying the existing loan.

On March 24, 2008, we closed a construction loan providing up to \$290,000,000 to finance the redevelopment of a portion of the Bergen Town Center. The interest-only loan has a rate of LIBOR plus 1.50% (4.06% at March 31, 2008) and matures in March 2011 with two one-year extension options. As of March 31, 2008, \$158,000,000 was drawn under this loan.

On March 27, 2008, we closed a construction loan providing up to \$124,000,000 to finance the redevelopment of 1999 K Street. The interest-only loan has a rate of LIBOR plus 1.30% (3.95% at March 31, 2008) and matures in December 2010 with two 6-month extension options. As of March 31, 2008, \$31,000,000 was drawn under this loan.

Overview - continued

The following table sets forth certain information for the properties we own directly or indirectly, including leasing activity. The leasing activity presented below is based on leases signed during the period and is not intended to coincide with the commencement of rental revenue recognition on a GAAP basis. Tenant improvements and leasing commissions are presented below based on square feet leased during the period, on a per square foot and per square foot per annum basis based on weighted average lease terms and as a percentage of initial rent per square foot.

(Square feet and cubic feet in thousands)

			Merchandise Mart			
	New York Office	Washington, DC Office	Retail	Office	Showroom	
As of March 31, 2008:						
Square feet/ cubic feet	16,025	17,874	21,820	2,390	6,169	
Number of properties	28	88	176	8	8	
Occupancy rate	97.6%	93.4%	94.2%	92.6%	93.5%	
Leasing Activity:						
Quarter Ended March 31, 2008:						
Square feet	345	879	294	—	203	
Initial rent (1)	\$ 76.16	\$ 37.13	\$ 29.98	\$ —	\$ 26.23	
Weighted average lease terms (years)	8.4	7.8	7.1	—	4.9	
Rent per square foot on relet space:				—		
Square feet	325	698	219	—	199	
Initial Rent (1)	\$ 77.24	\$ 34.58	\$ 29.41	\$ —	\$ 25.82	
Prior escalated rent	\$ 52.87	\$ 27.68	\$ 25.75	\$ —	\$ 25.47	
Percentage increase:				—		
Cash basis	46.1%	24.9%	14.2%	—	1.4%	
GAAP basis	57.2%	23.0%	24.2%	—	10.1%	
Rent per square foot on space previously vacant:						
Square feet	20	181	75	—	4	
Initial rent (1)	\$ 58.58	\$ 47.00	\$ 31.65	\$ —	\$ 46.66	
Tenant improvements and leasing commissions:						
Per square foot	\$ 45.80	\$ 20.45	\$ 6.73	\$ —	\$ 3.83	
Per square foot per annum	\$ 5.46	\$ 2.62	\$ 0.95	\$ —	\$ 0.78	
Percentage of initial rent	7.2%	7.1%	3.2%	—	3.0%	

As of December 31, 2007:

Square feet/ cubic feet	15,994	17,931	21,934	2,390	6,139	
Number of properties	28	84	177	8	8	
Occupancy rate	97.6%	93.3%	94.3%	96.8%	93.7%	

As of March 31, 2007:

Square feet/ cubic feet	14,553	17,582	20,158	2,365	6,366	
Number of properties	27	87	163	8	8	
Occupancy rate	97.9%	91.6%	93.5%	96.1%	92.4%	

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

Recently Issued Accounting Literature

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for financial assets and liabilities on January 1, 2008. The FASB has deferred the implementation of the provisions of SFAS 157 relating to certain non-financial assets and liabilities until January 1, 2009. This standard is not expected to materially affect how we determine fair value, but may result in certain additional disclosures. SFAS 157 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 on active markets, but corroborated by market data; and Level 3 – unobservable inputs 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. Financial assets and liabilities measured at fair value in our consolidated financial statements consist of (i) marketable equity securities—available for sale, (ii) derivative positions in marketable equity securities and (iii) the assets of our officers’ deferred compensation plan (primarily marketable equity securities and equity investments in partially owned entities), for which there is a corresponding liability on our consolidated balance sheet. Financial assets and liabilities carried at fair value as of March 31, 2008 are presented in the table below based on the hierarchy used to measure fair value:

(Amounts in thousands)	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Marketable equity securities	\$ 207,932	\$ 207,932	\$ —	\$ —
Officers’ deferred compensation plan assets	71,258	27,573	—	43,685(2)
Interest rate caps	49	—	49	—
Total Assets, reported at fair value (1)	\$ 279,239	\$ 235,505	\$ 49	\$ 43,685
Derivative positions in marketable equity securities	\$ 1,528	\$ —	\$ 1,528	\$ —
Officers’ deferred compensation plan liabilities	71,258	27,573	—	43,685
Total Liabilities, reported at fair value (1)	\$ 72,786	\$ 27,573	\$ 1,528	\$ 43,685

- (1) We chose not to elect the fair value option prescribed by SFAS 159 for our financial assets and liabilities that had not been previously carried at fair value. These financial assets and liabilities include our outstanding debt, accounts receivable, accounts payable and investments in partially owned entities.
- (2) The fair value of these assets was \$50,578 at December 31, 2007. The \$6,893 decrease from the December 31, 2007 balance is due to a decline in fair value during the three months ended March 31, 2008.

In September 2006, the FASB issued Statement No. 158, *Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS No. 87, 88, 106 and 132R* (“SFAS 158”). SFAS 158 requires an employer to (i) recognize in its statement of financial position an asset for a plan’s over-funded status or a liability for a plan’s under-funded status; (ii) measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions); and (iii) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The adoption of the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of December 31, 2006 did not have a material effect on our consolidated financial statements. The requirement to measure plan assets and benefit obligations to determine the funded status as of the end of the fiscal year and to recognize changes in the funded status in the year in which the changes occur is effective on January 1, 2009. The adoption of the measurement date provisions of this standard is not expected to have a material effect on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS 159”). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 was effective on January 1, 2008. We have not elected the fair value option for any of our existing financial instruments on the effective date and have not determined whether or not we will elect this option for any eligible financial instruments we acquire in the future.

Recently Issued Accounting Literature - continued

In December 2007, the FASB issued Statement No. 141R, *Business Combinations* (“SFAS 141R”). SFAS 141R broadens the guidance of SFAS 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R also broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations; and stipulates that acquisition related costs be expensed rather than included as part of the basis of the acquisition. SFAS 141R expands required disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for all transactions entered into on or after January 1, 2009. The adoption of this standard on January 1, 2009 could materially impact our future financial results to the extent that we acquire significant amounts of real estate, as related acquisition costs will be expensed as incurred compared to our current practice of capitalizing such costs and amortizing them over the estimated useful life of the assets acquired.

In December 2007, the FASB issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* (“SFAS 160”). SFAS 160 requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. SFAS 160 also calls for consistency in the manner of reporting changes in the parent’s ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. SFAS 160 is effective on January 1, 2009. We are currently evaluating the impact SFAS 160 will have on our consolidated financial statements.

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and the impact of derivative instruments and related hedged items on an entity’s financial position, financial performance and cash flows. SFAS 161 is effective on January 1, 2009. We believe that the adoption of this standard on January 1, 2009 will not have a material effect on our consolidated financial statements.

In March 2008, the FASB re-affirmed the scope of a previously proposed FASB Staff Position (the “FSP”) that, if adopted, would affect the accounting for our convertible and exchangeable senior debentures and Series D-13 convertible preferred units. The FSP would require the initial proceeds from the sale of our convertible and exchangeable senior debentures and Series D-13 convertible preferred units to be allocated between a liability component and an equity component. The resulting discount would be amortized using the effective interest method over the period the debt is expected to remain outstanding as additional interest expense. The FSP would be effective for our fiscal year beginning on January 1, 2009 and require retroactive application. The adoption of the FSP on January 1, 2009 would result in the recognition of an aggregate unamortized debt discount of \$170,927,000 (as of March 31, 2008) on our consolidated balance sheet and additional interest expense on our consolidated statements of income. Our current estimate of the incremental interest expense, net of minority interest, for each reporting period is as follows:

(Amounts in thousands)

For the year ended December 31:

2005	\$	3,405
2006		6,065
2007		28,233
2008		35,113
2009		37,856
2010		40,114
2011		41,112
2012		8,192

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2008 and 2007

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, 2008 and 2007.

(Amounts in thousands)

	For the Three Months Ended March 31, 2008						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽²⁾
Property rentals	\$ 491,022	\$ 176,503	\$ 126,232	\$ 86,721	\$ 57,543	\$ —	\$ 44,023
Straight-line rents:							
Contractual rent increases	17,951	7,283	3,349	5,799	1,377	—	143
Amortization of free rent	4,099	871	1,505	(1,221)	2,353	—	591
Amortization of acquired below-market leases, net	23,264	15,329	1,105	4,954	33	—	1,843
Total rentals	536,336	199,986	132,191	96,253	61,306	—	46,600
Tenant expense reimbursements	87,477	31,523	15,532	33,690	4,589	—	2,143
Fee and other income:							
Tenant cleaning revenue	13,422	17,154	—	—	—	—	(3,732)
Management and leasing fees	3,968	1,402	3,156	365	140	—	(1,095)
Lease termination fees	2,453	1,924	—	375	154	—	—
Other	8,865	3,935	4,220	(379)	1,440	—	(351)
Total revenues	652,521	255,924	155,099	130,304	67,629	—	43,565
Operating expenses	262,605	106,646	52,941	48,054	35,368	—	19,596
Depreciation and amortization	131,505	45,775	37,761	21,136	11,787	—	15,046
General and administrative	49,388	4,786	7,072	7,762	7,471	—	22,297
Costs of acquisition not consummated	2,283	—	—	—	—	—	2,283
Total expenses	445,781	157,207	97,774	76,952	54,626	—	59,222
Operating income (loss)	206,740	98,717	57,325	53,352	13,003	—	(15,657)
Income applicable to Alexander's	7,929	189	—	148	—	—	7,592
Income applicable to Toys "R" Us	80,362	—	—	—	—	80,362	—
(Loss) income from partially owned entities	(30,353)	2,577	1,279	2,907	518	—	(37,634)
Interest and other investment income	14,104	708	679	242	93	—	12,382
Interest and debt expense	(148,179)	(35,631)	(29,622)	(20,246)	(13,021)	—	(49,659)
Minority interest of partially owned entities	406	(945)	—	14	—	—	1,337
Income (loss) before income taxes	131,009	65,615	29,661	36,417	593	80,362	(81,639)
Income tax benefit (expense)	217,329	—	221,677	(2)	(210)	—	(4,136)
Income (loss) from continuing operations	348,338	65,615	251,338	36,415	383	80,362	(85,775)
Income (loss) from discontinued operations, net	100,348	—	—	(520)	—	—	100,868
Income before allocation to minority limited partners	448,686	65,615	251,338	35,895	383	80,362	15,093
Minority limited partners' interest in the Operating Partnership	(31,670)	—	—	—	—	—	(31,670)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	—	—	—	—	—	(4,819)
Net income (loss)	412,197	65,615	251,338	35,895	383	80,362	(21,396)
Interest and debt expense ⁽¹⁾	207,961	34,004	30,628	23,827	13,233	41,495	64,774
Depreciation and amortization ⁽¹⁾	181,185	43,620	39,242	22,202	11,907	34,102	30,112
Income tax (benefit) expense ⁽¹⁾	(122,780)	—	(221,672)	2	210	93,919	4,761
EBITDA	\$ 678,563	\$ 143,239	\$ 99,536	\$ 81,926	\$ 25,733	\$ 249,878	\$ 78,251

The Washington, DC Office segment includes a \$222,174 reduction in income tax expense resulting from a reversal of deferred tax liabilities in connection with the acquisition of H Street. Other segment EBITDA includes, a \$112,690 net gain on sale of our 47.6% interest in Americold, a \$34,200 write-off of pre-development costs, an \$18,362 net loss on the mark-to-market of derivative instruments, \$10,300 for the reversal of a mezzanine loan loss accrual, a \$9,073 impairment loss on a marketable equity security and \$2,283 of expense for costs of acquisitions not consummated.

See notes on page 42.

Net Income and EBITDA by Segment for the Three Months Ended March 31, 2008 and 2007 - continued

	For the Three Months Ended March 31, 2007						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽²⁾
Property rentals	\$ 400,243	\$ 137,648	\$ 105,617	\$ 77,721	\$ 61,026	\$ —	\$ 18,231
Straight-line rents:							
Contractual rent increases	14,586	10,414	479	2,897	654	—	142
Amortization of free rent	5,889	398	4,840	272	379	—	—
Amortization of acquired below-market leases, net	14,005	7,292	973	5,239	30	—	471
Total rentals	434,723	155,752	111,909	86,129	62,089	—	18,844
Tenant expense reimbursements	72,466	28,708	9,356	28,697	4,793	—	912
Fee and other income:							
Tenant cleaning revenue	9,843	12,086	—	—	—	—	(2,243)
Management and leasing fees	7,199	855	6,561	344	22	—	(583)
Lease termination fees	3,441	1,798	95	1,505	43	—	—
Other	8,572	3,781	3,099	354	1,282	—	56
Total revenues	536,244	202,980	131,020	117,029	68,229	—	16,986
Operating expenses	212,802	88,252	39,610	40,517	31,581	—	12,842
Depreciation and amortization	89,008	29,805	25,558	17,283	11,091	—	5,271
General and administrative	40,417	3,946	8,385	7,002	7,438	—	13,646
Costs of acquisition not consummated	8,807	—	—	—	—	—	8,807
Total expenses	351,034	122,003	73,553	64,802	50,110	—	40,566
Operating income (loss)	185,210	80,977	57,467	52,227	18,119	—	(23,580)
Income applicable to Alexander's	13,519	188	—	209	—	—	13,122
Income applicable to Toys "R" Us	58,661	—	—	—	—	58,661	—
Income from partially owned entities	8,695	1,287	3,692	1,295	339	—	2,082
Interest and other investment income	53,504	673	313	75	95	—	52,348
Interest and debt expense	(130,698)	(29,468)	(34,522)	(20,008)	(12,847)	—	(33,853)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	909	—	—	—	—	—	909
Minority interest of partially owned entities	350	—	—	47	—	—	303
Income before income taxes	190,150	53,657	26,950	33,845	5,706	58,661	11,331
Income tax (expense) benefit	(89)	—	224	—	(313)	—	—
Income from continuing operations	190,061	53,657	27,174	33,845	5,393	58,661	11,331
Loss from discontinued operations, net	(1,135)	—	(66)	(34)	—	—	(1,035)
Income before allocation to minority limited partners	188,926	53,657	27,108	33,811	5,393	58,661	10,296
Minority limited partners' interest in the Operating Partnership	(17,177)	—	—	—	—	—	(17,177)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	—	—	—	—	—	(4,818)
Net income (loss)	166,931	53,657	27,108	33,811	5,393	58,661	(11,699)
Interest and debt expense ⁽¹⁾	198,771	30,138	35,908	22,797	13,064	46,634	50,230
Depreciation and amortization ⁽¹⁾	163,151	30,742	28,844	18,286	11,237	55,396	18,646
Income tax expense ⁽¹⁾	55,584	—	1,632	—	313	53,397	242
EBITDA	\$ 584,437	\$ 114,537	\$ 93,492	\$ 74,894	\$ 30,007	\$ 214,088	\$ 57,419

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

See notes on following page.

Notes to preceding tabular information:

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

(2) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2008	2007
Alexander’s	\$ 14,887	\$ 20,333
555 California Street	11,645	—
Lexington MLP	11,077	—
Hotel Pennsylvania	5,413	3,604
Industrial warehouses	1,438	1,373
GMH	—	4,168
Other investments	(2,834)	3,911
	41,626	33,389
Minority limited partners’ interest in the Operating Partnership	(31,670)	(17,177)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(4,818)
Corporate general and administrative expenses	(20,242)	(12,374)
Write-off of pre-development costs	(34,200)	—
Costs of acquisitions not consummated	(2,283)	(8,807)
Investment income and other	11,318	51,062
Income from discontinued operations, net (including \$112,690 net gain on sale of Americold in 2008)	118,521	16,144
	<u>\$ 78,251</u>	<u>\$ 57,419</u>

On March 31, 2008, we sold our 47.6% interest in Americold Realty Trust (“Americold”), our Temperature Controlled Logistics segment, for \$220,000,000, which resulted in a net gain of \$112,690,000. Accordingly, during the first quarter of 2008, we classified our Temperature Controlled Logistics segment as a discontinued operation in accordance with the provisions of SFAS No. 144 and reported revenues and expenses related to this segment as “income from discontinued operations” and the related assets and liabilities of this segment as “assets held for sale” and “liabilities held for sale” for all periods presented in the accompanying consolidated financial statements. Accordingly, our reportable segments no longer include a Temperature Controlled Logistics segment.

Results of Operations – Three Months Ended March 31, 2008 Compared to March 31, 2007
Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below market leases, net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were \$652,521,000 for the quarter ended March 31, 2008, compared to \$536,244,000 in the prior year's first quarter, an increase of \$116,277,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Property rentals:	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Other
Increase (decrease) due to:						
Acquisitions:						
1290 Avenue of the Americas	\$ 28,451	\$ 28,451	\$ —	\$ —	\$ —	\$ —
555 California Street	23,742	—	—	—	—	23,742
H Street (effect of consolidating from May 1, 2007 vs. equity method prior)	14,515	—	14,515	—	—	—
Other	12,139	—	866	6,646	4,627	—
Development/Redevelopment	(2,124)	—	(1,549)	(575)	—	—
Amortization of acquired below market leases, net	9,259	8,037	132	(285)	3	1,372
Operations:						
Hotel Pennsylvania	2,776	—	—	—	—	2,776 ⁽¹⁾
Trade shows	(5,200)	—	—	—	(5,200) ⁽²⁾	—
Leasing activity (see page 37)	18,055	7,746	6,318	4,338	(213)	(134)
Total increase (decrease) in property rentals	101,613	44,234	20,282	10,124	(783)	27,756
Tenant expense reimbursements:						
Increase (decrease) due to:						
Acquisitions/development	9,575	4,289	1,625	1,494	—	2,167
Operations	5,436	(1,474) ⁽³⁾	4,551	3,500	(204)	(937)
Total increase (decrease) in tenant expense reimbursements	15,011	2,815	6,176	4,994	(204)	1,230
Fee and other income:						
Increase (decrease) in:						
Lease cancellation fee income	(988)	126	(95)	(1,130)	111	—
Management and leasing fees	(3,231)	547	(3,405) ⁽⁴⁾	21	118	(512)
BMS Cleaning revenue	3,579	5,068	—	—	—	(1,489) ⁽⁵⁾
Other	293	154	1,121	(733)	158	(407)
Total increase (decrease) in fee and other income	(347)	5,895	(2,379)	(1,842)	387	(2,408)
Total increase (decrease) in revenues	\$ 116,277	\$ 52,944	\$ 24,079	\$ 13,276	\$ (600)	\$ 26,578

(1) Revenue per available room ("REVPAR") was \$109.53 for the three months ended March 31, 2008 compared to \$89.14 for the prior year's quarter.

(2) Primarily from the timing of a trade show held in March 2007 versus April 2008.

(3) Primarily from a decrease in real estate taxes and new tenant base years.

(4) Primarily from leasing fees in 2007 in connection with our management of a development project.

(5) Represents the elimination of inter-company cleaning revenue from our other operating segments upon consolidation. See page 44 for the elimination of inter-company cleaning charges.

Results of Operations – Three Months Ended March 31, 2008 Compared to March 31, 2007
Expenses

Our expenses, which consist of operating, depreciation and amortization and general and administrative expenses, were \$445,781,000 for the quarter ended March 31, 2008, compared to \$351,034,000 in the prior year's quarter, an increase of \$94,747,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Operating:	<u>Total</u>	<u>New York Office</u>	<u>Washington, DC Office</u>	<u>Retail</u>	<u>Merchandise Mart</u>	<u>Other</u>
Increase (decrease) due to:						
Acquisitions:						
1290 Avenue of the Americas	\$ 11,753	\$ 11,753	\$ —	\$ —	\$ —	\$ —
555 California Street	11,209					11,209
H Street (effective of consolidating from May 1, 2007 vs. equity method prior)	7,227	—	7,227	—	—	—
Other	7,405	—	800	2,577	4,028	—
Development/Redevelopment	132	—	(559)	691	—	—
Hotel activity	935	—	—	—	—	935
Trade shows activity	(1,223)	—	—	—	(1,223) ⁽¹⁾	—
Operations	12,365	6,641 ⁽²⁾	5,863	4,270	982	(5,391) ⁽³⁾
Total increase in operating expenses	49,803	18,394	13,331	7,538	3,787	6,753
Depreciation and amortization:						
Increase due to:						
Acquisitions/Development	35,824	13,862	9,567	3,145	—	9,250
Operations (due to additions to buildings and improvements)	6,673	2,108	2,636	708	696	525
Total increase in depreciation and amortization	42,497	15,970	12,203	3,853	696	9,775
General and administrative:						
Increase (decrease) due to:						
Acquisitions/Development and Other	4,205	152	(273)	390	—	3,936
Operations	4,766	688	(1,040)	370	33	4,715 ⁽⁴⁾
Total increase (decrease) in general and administrative	8,971	840	(1,313)	760	33	8,651
Costs of acquisitions not consummated	(6,524)	—	—	—	—	(6,524)
Total increase in expenses	\$ 94,747	\$ 35,204	\$ 24,221	\$ 12,151	\$ 4,516	\$ 18,655

(1) Primarily from the timing of a trade show held in March 2007 versus April 2008.

(2) Primarily from a \$4,512 increase in BMS operating expenses and a \$1,611 write-off of receivables arising from the straight-lining of rent resulting from a lease termination.

(3) Primarily from an increase in the elimination of inter-company fees of our operating segments upon consolidation.

(4) Primarily from an increase in compensation expense and professional fees.

Income Applicable to Alexander's

Our 32.8% share of Alexander's net income (comprised of equity in net income, management, leasing, and development fees) was \$7,929,000 for the three months ended March 31, 2008, compared to \$13,519,000 for the prior year's first quarter, a decrease of \$5,590,000. This decrease was primarily due to \$205,000 of expense for our share of accrued stock appreciation rights compensation expense in the current quarter as compared to \$4,694,000 for our share of income from the reversal of accrued stock appreciation rights compensation expense in the prior year's quarter.

Income Applicable to Toys

Our 32.7% share of Toys' net income (comprised of equity in net income, interest income on loans receivable, and management fees) was \$80,362,000 for the three months ended March 31, 2008, or \$174,281,000 before our share of Toys' income tax expense, compared to \$58,661,000, or \$112,058,000 before our share of Toys' income tax expense for the prior year's quarter. The increase in our income applicable to Toys' before income tax expense of \$62,223,000 results primarily from (i) an increase in Toys' net sales due to improvements in comparable store sales across all divisions and benefits arising from foreign currency translation, (ii) decreased interest expense primarily due to reduced borrowings and reduced amortization of deferred financing costs, partially offset by, (iii) an increase in selling, general and administrative expenses, which as a percentage of net sales were 20.9% and 20.6% for the thirteen week period ended February 2, 2008 and the fourteen week period ended February 3, 2007, respectively.

(Loss) Income from Partially Owned Entities

Summarized below are the components of (loss) income from partially owned entities for the three months ended March 31, 2008 and 2007.

(Amounts in thousands)

Equity in Net Income (Loss):	For The Three Months Ended March 31,	
	2008	2007
Beverly Connection:		
50% share of equity in net loss	\$ (1,691)	\$ (1,327)
Interest and fee income	3,415	2,277
	<u>1,724</u>	<u>950</u>
Lexington MLP – 7.5% share of equity in net income (1)	1,827	—
India real estate ventures – 4% to 36.5% share of equity in net loss (2)	(414)	—
GMH Communities L.P. – 13.5% share of equity in net loss (3)	—	(312)
H Street partially owned entities – 50% share of equity in net income (4)	—	2,834
Other (5) (6)	(33,490)	5,223
	<u>\$ (30,353)</u>	<u>\$ 8,695</u>

- (1) Effective as of the December 31, 2006 merger of Newkirk Master Limited Partnership with Lexington MLP, we recognize our share of Lexington MLP's net earnings on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, the three months ended March 31, 2007 did not include our share of Lexington MLP's net earnings for its first quarter ended March 31, 2007.
- (2) As of March 31, 2008, we are a partner in four joint ventures established to develop real estate in India's leading cities. Our investment in these ventures aggregated \$79,405 as of March 31, 2008, and we are committed to fund an additional \$96,750 as these ventures require capital. During the three months ended March 31, 2008, we funded \$32,250 of cash to the India Property Fund L.P. (the "Fund") and have a remaining capital commitment to the Fund of \$82,750. As of March 31, 2008, and December 31, 2007, our ownership interest in the Fund was 36.5% and 50.6%, respectively. Based on the reduction of our ownership interest in 2008, we no longer consolidate the accounts of the Fund into our consolidated financial statements and beginning January 1, 2008 we account for our investment in the Fund on the equity method.
- (3) As of March 31, 2008, we own 7,337,857 GMH limited partnership units, which are exchangeable on a one-for-one basis into common shares of GMH Communities Trust ("GCT") (NYSE: GCT), and 2,517,247 common shares of GCT, or 13.8% of the limited partnership interest of GMH. We account for our investment in GMH on the equity method and record our pro rata share of GMH's net income or loss on a one-quarter lag basis as we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements. On February 12, 2008, GCT announced that it has entered into two definitive agreements in connection with the sale of its military and student housing divisions for an aggregate sales price of approximately \$9.61 per share/unit. In addition, GCT anticipates selling its remaining assets prior to the closing of the merger. The merger, which has been unanimously approved by GCT's Board of Trustees, is subject to GCT shareholder approval and customary closing conditions. Beginning on January 1, 2008, we are reserving for 100% of our share of GMH's net income (which amounted to \$687 for the three months ended March 31, 2008) until the sale transactions have been finalized.
- (4) On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these entities. As of April 30, 2007, we consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.
- (5) Includes our equity in net earnings of partially owned entities including, partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde Group LLC, and others.
- (6) The three months ended March 31, 2008 includes a \$34,200 write-off for our share of two joint ventures' pre-development costs, of which \$23,000 represents our 50% share of costs in connection with the abandonment of the "arena move"/Moynihan East portions of the Farley project.

Results of Operations – Three Months Ended March 31, 2008 Compared to March 31, 2007

Interest and Other Investment Income

Interest and other investment income (mark-to-market of derivative positions, interest income on mortgage loans receivable, other interest income and dividend income) was \$14,104,000 for the three months ended March 31, 2008, compared to income of \$53,504,000 in the prior year's quarter, a decrease of \$39,400,000. This decrease resulted primarily from:

(Amounts in thousands)

Derivative positions in marketable equity securities – net loss of \$18,362 this quarter compared to a net gain of \$9,380 in the prior year's quarter	\$ (27,742)
Decrease in interest income as a result of lower average cash balances and lower yields (\$788,368 in this quarter compared to \$1,742,000,000 in the prior year's quarter)	(15,390)
Partial reversal of MPH mezzanine loan loss accrual (see below)	10,300
Marketable equity security - impairment loss	(9,073)
Other, net	2,505
	<u>\$ (39,400)</u>

On June 5, 2007, we acquired a 42% interest in two MPH mezzanine loans totaling \$158,700,000, for \$66,000,000 in cash. The loans, which were due on February 8, 2008 and have not been repaid, are subordinate to \$2.9 billion of mortgage and other debt and secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56. As of December 31, 2007, we reduced the net carrying amount of the loans to \$9,000,000, by recognizing a \$57,000,000 non-cash charge which is included as a reduction of "interest and other investment income" on our consolidated statement of income. On April 2, 2008, we sold a sub-participation interest in the loans for \$19,300,000. The sub-participation did not meet the criteria for sale accounting under Statement of Financial Accounting Standard No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS 140") because the sub-participant is not free to pledge or exchange the asset. As of March 31, 2008, we have reduced our valuation allowance from \$57,000,000 to \$46,700,000, resulting in the recognition of \$10,300,000 of "interest and other investment income" in the quarter ended March 31, 2008.

Interest and Debt Expense

Interest and debt expense was \$148,179,000 for the three months ended March 31, 2008, compared to \$130,698,000 in the prior year's quarter, an increase of \$17,481,000. This increase resulted primarily from \$21,884,000 of interest expense on \$1,633,898,000 of debt resulting from property acquisitions during 2007, partially offset by a \$6,555,000 increase in the amount of capitalized interest related to a larger amount of assets under development.

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

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

Minority Interest of Partially Owned Entities

Minority interest of partially owned entities represents the minority partners' pro rata share of the net income or loss of consolidated partially owned entities, including 1290 Avenue of the Americas, 555 California Street, 220 Central Park South, Wasserman and the Springfield Mall. In the three months ended March 31, 2008 we recorded \$406,000 of income as compared to \$350,000 of income in the prior year's quarter.

Results of Operations – Three Months Ended March 31, 2008 Compared to March 31, 2007

Income Tax Benefit (Expense)

The provision for income taxes was a benefit of \$217,329,000 for the quarter ended March 31, 2008, compared to expense of \$89,000 for the prior year's quarter, a decrease in expense of \$217,418,000. The decrease in expense results primarily from \$222,174,000 for the reversal of deferred taxes recorded in connection with the acquisition of H Street. In connection with purchase accounting for H Street, in July 2005 and April 2007 we recorded an aggregate of \$222,174,000 of deferred tax liabilities representing the differences between the tax basis and the book basis of the acquired assets and liabilities multiplied by the effective tax rate. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of January 16, 2008, we have completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008. Consequently, in the first quarter of 2008, the deferred tax liabilities were eliminated and we recognized \$222,174,000 as an income tax benefit on our consolidated statement of income.

Discontinued Operations (including \$112,690,000 net gain on sale of Americold in 2008)

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2008 and 2007 include the operating results of Americold, which was sold on March 31, 2008; 19.6 acres of land we acquired as part of our acquisition of H Street, of which 11 acres were sold in September 2007; Vineland, New Jersey, which was sold on July 16, 2007; Crystal Mall Two, which was sold on August 9, 2007; and Arlington Plaza, which was sold on October 17, 2007.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2008	2007
Total revenues	\$ 216,182	\$ 202,217
Total expenses	229,104	203,352
Net loss	(12,922)	(1,135)
Net gain on sale of Americold	112,690	—
Net gain on sale of real estate	580	—
Income (loss) from discontinued operations, net of minority interest	\$ 100,348	\$ (1,135)

Minority Limited Partners' Interest in the Operating Partnership

Minority limited partners' interest in the Operating Partnership was \$31,670,000 for the three months ended March 31, 2008, compared to \$17,177,000 for the prior year's first quarter, an increase of \$14,493,000. This increase results primarily from higher net income subject to allocation to the minority limited partners.

Perpetual Preferred Unit Distributions of the Operating Partnership

Perpetual preferred unit distributions of the Operating Partnership were \$4,819,000 for the three months ended March 31, 2008, compared to \$4,818,000 for the prior year's first quarter.

Preferred Share Dividends

Preferred share dividends were \$14,275,000 for the three months ended March 31, 2008, compared to \$14,296,000 for the prior year's first quarter.

Results of Operations – Three Months Ended March 31, 2008 Compared to March 31, 2007
EBITDA by Segment

Below are the details of the changes in EBITDA by segment for the three months ended March 31, 2008 from the three months ended March 31, 2007.

(Amounts in thousands)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other
Three Months ended March 31, 2007	\$ 584,437	\$ 114,537	\$ 93,492	\$ 74,894	\$ 30,007	\$ 214,088	\$ 57,419
2008 Operations:							
Same store operations ⁽¹⁾		7,563	6,356	3,586	(899)		
Acquisitions, dispositions and non-same store income and expenses		21,139	(312)	3,446	(3,375)		
Three Months ended March 31, 2008	\$ 678,563	\$ 143,239	\$ 99,536	\$ 81,926	\$ 25,733	\$ 249,878	\$ 78,251
% increase (decrease) in same store operations		6.5%	7.2%	5.2%	(2.7)%		

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

Cash Flows for the Three Months Ended March 31, 2008

Our cash and cash equivalents was \$1,541,074,000 at March 31, 2008, a \$386,479,000 increase over the balance at December 31, 2007. This increase resulted from \$221,575,000 of net cash provided by operating activities, \$167,308,000 of net cash provided by financing activities, partially offset by \$2,404,000 of net cash used in investing activities. Property rental income represents our primary source of net cash provided by operating activities. Our property rental income is primarily dependent upon the occupancy and rental rates of our properties. Other sources of liquidity to fund our cash requirements include proceeds from debt financings, including mortgage loans and corporate level unsecured borrowings; our \$1 billion revolving credit facility; proceeds from the issuance of common and preferred equity; and asset sales. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, distributions to our common and preferred shareholders, as well as acquisition and development costs.

Our consolidated outstanding debt was \$12,168,503,000 at March 31, 2008, a \$272,465,000 increase over the balance at December 31, 2007. This increase resulted primarily from debt associated with property refinancings during the current quarter. As of March 31, 2008 and December 31, 2007, \$0 and \$405,656,000, respectively, was outstanding under our revolving credit facilities. During 2008 and 2009, \$70,976,000 and \$439,168,000 of our outstanding debt matures, respectively. We may refinance such debt or choose to repay all or a portion, using existing cash balances or our revolving credit facility.

Our share of debt of unconsolidated subsidiaries was \$3,093,044,000 at March 31, 2008, a \$196,829,000 decrease from the balance at December 31, 2007. This decrease resulted primarily from our \$221,379,000 share of a decrease in Toys "R" Us outstanding debt.

Cash flows provided by operating activities of \$221,575,000 was primarily comprised of (i) net income of \$412,197,000, net of \$212,444,000 of non-cash adjustments, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, minority interest expense, (ii) distributions of income from partially owned entities of \$9,978,000, and (iii) the net change in operating assets and liabilities of \$11,862,000.

Net cash used in investing activities of \$2,404,000 was primarily comprised of (i) development and redevelopment expenditures of \$106,688,000, (ii) investments in partially owned entities of \$74,552,000, (iii) additions to real estate of \$50,838,000, (iv) acquisitions of real estate of \$4,874,000, (v) investments in notes and mortgage loans receivable of \$4,632,000, partially offset by, (vi) proceeds from the sale of real estate and investments (primarily Americold) of \$199,331,000, (vii) distributions of capital from partially owned entities of \$22,163,000 and (viii) proceeds received from repayments on mortgage loans receivable of \$19,099,000.

Net cash provided by financing activities of \$167,308,000 was primarily comprised of (i) proceeds from borrowings of \$956,499,000, partially offset by, (ii) repayments of borrowings of \$605,342,000, (iii) dividends paid on common shares of \$138,030,000, (iv) distributions to minority partners of \$28,308,000 and (v) dividends paid on preferred shares of \$14,292,000.

Capital Expenditures

Capital expenditures are categorized as follows:

Recurring -- capital improvements expended to maintain a property's competitive position within the market and tenant improvements and leasing commissions for costs to re-lease expiring leases or renew or extend existing leases.

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

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

LIQUIDITY AND CAPITAL RESOURCES - continued

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2008.

(Amounts in thousands)

	<u>Total</u>	<u>New York Office</u>	<u>Washington, DC Office</u>	<u>Retail</u>	<u>Merchandise Mart</u>	<u>Other</u>
Capital Expenditures						
(Accrual basis):						
Expenditures to maintain the assets:						
Recurring	\$ 15,841	\$ 6,021	\$ 4,144	\$ 467	\$ 3,589	\$ 1,620
Non-recurring	2,222	1,541	11	—	—	670
Total	18,063	7,562	4,155	467	3,589	2,290
Tenant improvements:						
Recurring	26,720	9,362	14,839	1,729	790	—
Non-recurring	126	—	—	126	—	—
Total	26,846	9,362	14,839	1,855	790	—
Leasing Commissions:						
Recurring	9,505	6,345	3,141	19	—	—
Non-recurring	—	—	—	—	—	—
Total	9,505	6,345	3,141	19	—	—
Tenant improvements and leasing commissions:						
Per square foot	\$ 21.23	\$ 45.80	\$ 20.45	\$ 6.73	\$ 3.83	\$ —
Per square foot per annum	\$ 2.69	\$ 5.46	\$ 2.62	\$ 0.95	\$ 0.78	\$ —
Total Capital Expenditures and Leasing Commissions (accrual basis)	\$ 54,414	\$ 23,269	\$ 22,135	\$ 2,341	\$ 4,379	\$ 2,290
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	30,081	9,937	6,323	2,988	10,833	—
Expenditures to be made in future periods for the current period	(33,282)	(14,741)	(15,587)	(1,874)	(1,080)	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$ 51,213	\$ 18,465	\$ 12,871	\$ 3,455	\$ 14,132	\$ 2,290
Development and Redevelopment Expenditures (1):						
Bergen Town Center	\$ 27,414	\$ —	\$ —	\$ 27,414	\$ —	\$ —
Wasserman venture	10,819	—	—	—	—	10,819
40 East 66 th Street	8,966	—	—	—	—	8,966
1999 K Street	8,089	—	8,089	—	—	—
2101 L Street	5,168	—	5,168	—	—	—
Manhattan Mall	4,353	—	—	4,353	—	—
220 Central Park South	3,416	—	—	—	—	3,416
Springfield Mall	3,179	—	—	3,179	—	—
Green Acres Mall	1,405	—	—	1,405	—	—
North Bergen, New Jersey	176	—	—	176	—	—
Other	33,703	4,927	12,364	10,854	2,313	3,245
	\$ 106,688	\$ 4,927	\$ 25,621	\$ 47,381	\$ 2,313	\$ 26,446

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

Cash Flows for the Three Months Ended March 31, 2007

Our cash and cash equivalents was \$2,884,674,000 at March 31, 2007, a \$651,357,000 increase over the balance at December 31, 2006. This increase resulted from \$81,263,000 of net cash provided by operating activities, \$1,875,790,000 of net cash provided by financing activities, partially offset by \$1,305,696,000 of net cash used in investing activities. Property rental income represents our primary source of net cash provided by operating activities.

Cash flows provided by operating activities of \$81,263,000 was primarily comprised of (i) net income of \$166,931,000, after adjustments of \$26,486,000 for non-cash items, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, minority interest expense, (ii) distributions of income from partially owned entities of \$6,902,000, partially offset by, (iii) the net change in operating assets and liabilities of \$119,056,000.

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

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

LIQUIDITY AND CAPITAL RESOURCES - continued

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2007.

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

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

SUPPLEMENTAL INFORMATION

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the three-building 555 California Street complex (“555 California Street”) containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco’s financial district. The purchase price for our 70% interest in the real estate, excluding \$225,394,000 of net working capital and closing costs, was approximately \$1.8 billion, consisting of \$1.0 billion of cash and \$797,000,000 of existing debt. Our share of the debt is comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. The operations of 1290 Avenue of the Americas are included in the New York Office segment and the operations of 555 California Street are included in the other segment. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

The following table presents our pro forma condensed consolidated statement of income for the quarter ended March 31, 2007, as if the above transaction occurred on January 1, 2007. The unaudited pro forma information is not necessarily indicative of what our actual results would have been had the transaction been consummated on January 1, 2007, nor does it represent the results of operations for any future periods. In our opinion all adjustments necessary to reflect this transaction have been made.

Condensed Consolidated Statements of Income	For the Quarter Ended March 31,	
	Actual 2008	Pro Forma 2007
(Amounts in thousands, except per share amounts)		
Revenues	\$ 652,521	\$ 601,824
Income before allocation to minority limited partners	\$ 448,686	\$ 177,995
Minority limited partners’ interest in the Operating Partnership	(31,670)	(16,120)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(4,818)
Net income	412,197	157,057
Preferred share dividends	(14,275)	(14,296)
Net income applicable to common shares	\$ 397,922	\$ 142,761
Net income per common share – basic	\$ 2.60	\$ 0.94
Net income per common share - diluted	\$ 2.47	\$ 0.90

Three Months Ended March 31, 2008 vs. Three Months Ended December 31, 2007

Our revenues and expenses are subject to seasonality during the year which impacts quarter-by-quarter net earnings, cash flows and funds from operations. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income, which we recorded on a one-quarter lag basis in our first quarter, accounts for more than 80% of Toys' fiscal year net income. The Office and Merchandise Mart segments have historically experienced higher utility costs in the first and third quarters of the year. The Merchandise Mart segment also has experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income.

Below are the details of the changes in EBITDA by segment for the three months ended March 31, 2008 from the three months ended December 31, 2007.

(Amounts in thousands)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other
For the three months ended December 31, 2007	\$ <u>464,924</u>	\$ 138,827	\$ 131,679	\$ 89,218	\$ 33,072	\$ <u>14,686</u>	\$ <u>57,442</u>
2008 Operations:							
Same store operations ⁽¹⁾		(1,124)	2,075	1,020	(4,765)		
Acquisitions, dispositions and non-same store income and expenses		5,536	(34,218)	(8,312)	(2,574)		
For the three months ended March 31, 2008	\$ <u>678,563</u>	\$ <u>143,239</u>	\$ <u>99,536</u>	\$ <u>81,926</u>	\$ <u>25,733</u>	\$ <u>249,878</u>	\$ <u>78,251</u>
% (decrease) increase in same store operations		<u>(0.8)%</u>	<u>2.0%</u>	<u>1.3%</u>	<u>(12.5)%</u>		

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

The following table reconciles Net income to EBITDA for the quarter ended December 31, 2007.

(Amounts in thousands)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other
Net income (loss) for the three months ended December 31, 2007	\$ 105,214	\$ 65,828	\$ 65,228	\$ 46,716	\$ 6,062	\$ (32,680)	\$ (45,940)
Interest and debt expense	213,482	34,596	31,011	22,315	13,382	45,908	66,270
Depreciation and amortization	176,413	40,455	36,518	20,187	13,324	32,606	33,323
Income tax (benefit) expense	(30,185)	(2,052)	(1,078)	—	304	(31,148)	3,789
EBITDA for the three months ended December 31, 2007	\$ <u>464,924</u>	\$ <u>138,827</u>	\$ <u>131,679</u>	\$ <u>89,218</u>	\$ <u>33,072</u>	\$ <u>14,686</u>	\$ <u>57,442</u>

FUNDS FROM OPERATIONS (“FFO”)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles (“GAAP”), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in Our Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flows as a measure of liquidity. The calculations of both the numerator and denominator used in the computation of income per share are disclosed in footnote 11 – Income Per Share, in the notes to our consolidated financial statements on page 23 of this Quarterly Report on Form 10-Q.

FFO for the Three Months Ended March 31, 2008, and 2007

FFO applicable to common shares plus assumed conversions was \$535,211,000, or \$3.28 per diluted share for the three months ended March 31, 2008, compared to \$270,165,000, or \$1.65 per diluted share for the prior year’s quarter. Details of certain items that affect comparability are discussed in the financial results summary of our “Overview.”

(Amounts in thousands except per share amounts)	For The Three Months Ended March 31,	
	2008	2007
Reconciliation of Net Income to FFO:		
Net income	\$ 412,197	\$ 166,931
Depreciation and amortization of real property	129,860	93,665
Net gains on sale of real estate	(580)	—
Proportionate share of adjustments to equity in net income of Toys to arrive at FFO:		
Depreciation and amortization of real property	16,652	33,923
Income tax effect of Toys adjustments included above	(5,828)	(11,883)
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	11,586	9,061
Net gains on sale of real estate	(5,422)	—
Minority limited partners’ share of above adjustments	(14,286)	(12,618)
FFO	544,179	279,079
Preferred share dividends	(14,275)	(14,296)
FFO applicable to common shares	529,904	264,783
Interest on 3.875% exchangeable senior debentures	5,255	5,309
Series A convertible preferred dividends	52	73
FFO applicable to common shares plus assumed conversions	\$ 535,211	\$ 270,165
Reconciliation of Weighted Average Shares:		
Weighted average common shares outstanding	153,301	151,428
Effect of dilutive securities:		
3.875% exchangeable senior debentures	5,559	5,560
Employee stock options and restricted share awards	4,440	6,888
Series A convertible preferred shares	88	125
Denominator for diluted FFO per share	163,388	164,001
FFO applicable to common shares plus assumed conversions per diluted share	\$ 3.28	\$ 1.65

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)

	As at March 31, 2008			As at December 31, 2007	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate	\$ 1,385,022	4.18%	\$ 13,850	\$ 1,113,181	5.86%
Fixed rate	10,783,481	5.20%	—	10,782,857	5.24%
	<u>\$ 12,168,503</u>	5.08%	<u>13,850</u>	<u>\$ 11,896,038</u>	5.29%
Pro-rata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	\$ 236,311	4.88%	2,363	\$ 193,655	6.74%
Variable rate – Toys	867,302	5.50%	8,673	1,072,431	7.14%
Fixed rate (including \$1,012,560, and \$1,010,487 of Toys debt in 2008 and 2007)	1,989,431	6.91%	—	2,023,787	6.88%
	<u>\$ 3,093,044</u>	6.36%	<u>11,036</u>	<u>\$ 3,289,873</u>	6.96%
Minority limited partners' share of above			(2,489)		
Total change in annual net income			<u>\$ 22,397</u>		
Per share-diluted			<u>\$ 0.14</u>		

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, 2008, variable rate debt with an aggregate principal amount of \$410,998,000 and a weighted average interest rate of 4.25% was subject to LIBOR caps. These caps are based on a notional amount of \$412,000,000 and cap LIBOR at a weighted average rate of 6.34%. As of March 31, 2008, we have investments in mezzanine loans with an aggregate carrying amount of \$127,504,000 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

As of March 31, 2008, the carrying amount of our debt exceeds its aggregate fair value by approximately \$151,600,000, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt.

Derivative Instruments in Marketable Equity Securities

We have, and may in the future enter into, derivative positions in marketable equity securities that do not qualify for hedge accounting treatment. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense.

During the three months ended March 31, 2008 we recognized a net loss of \$18,362,000. During the three months ended March 31, 2007 we recognized net gains of \$9,380,000, after all expenses and LIBOR charges.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2008, such disclosure controls and procedures were effective.

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

Item 1. Legal Proceedings

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

Stop & Shop

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey (“USDC-NJ”) claiming that we had no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to re-allocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court’s decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court’s decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court’s decision which was denied on March 13, 2007. We are currently engaged in discovery and anticipate that a trial date will be set for some time in 2008. We intend to vigorously pursue our claims against Stop & Shop. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump’s claims arose out of a dispute over the sale price of and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump’s motions and ultimately dismissed all of Mr. Trump’s claims, except for his claim seeking access to books and records. In a decision dated October 1, 2007, the Court determined that Mr. Trump had already received access to the books and records to which he was entitled, with the exception of certain documents which were subsequently delivered to Mr. Trump. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims.

In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump’s claim that the general partners of the partnerships we acquired did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

Item 1A. Risk Factors

There were no material changes to the Risk Factors disclosed in our annual report on Form 10-K for the year ended December 31, 2007.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: May 6, 2008

By: /s/ Joseph Macnow

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

EXHIBIT INDEX

Exhibit No.

- 3.1 - Articles of Restatement of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on July 30, 2007 - Incorporated by reference to Exhibit 3.75 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-11954), filed on July 31, 2007 *
- 3.2 - Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
- 3.3 - Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
- 3.4 - Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
- 3.5 - Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 *
- 3.6 - Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998 *
- 3.7 - Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999 *
- 3.8 - Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999 *
- 3.9 - Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
- 3.10 - Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
- 3.11 - Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
- 3.12 - Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *
- 3.13 - Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *

* _____
Incorporated by reference.

3.41	-	Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.42	-	Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.43	-	Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.4 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.44	-	Forty First Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of March 31, 2008	
4.1	-	Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado Finance LLC, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
4.2	-	Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 24, 2002	*
4.3	-	Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005	*
4.4	-	Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee – Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on November 27, 2006	*
		<i>Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.</i>	
10.1	**	Vornado Realty Trust’s 1993 Omnibus Share Plan - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996	*
10.2	**	Vornado Realty Trust’s 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997	*
10.3	-	Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992	*
10.4	-	Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
	*	Incorporated by reference.	
	**	Management contract or compensatory agreement.	

- | | | | |
|-------|----|---|---|
| 10.5 | - | Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 | * |
| 10.6 | - | Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 | * |
| 10.7 | ** | Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997 | * |
| 10.8 | - | Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 | * |
| 10.9 | ** | Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005 - Incorporated by reference to Exhibit 10.15 to Vornado Realty Trust Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006 | * |
| 10.10 | ** | Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 | * |
| 10.11 | - | Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002 | * |
| 10.12 | - | Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 | * |
| 10.13 | - | Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 | * |
| 10.14 | ** | Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002 | * |
| 10.15 | ** | First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002 | * |

* Incorporated by reference.

** Management contract or compensatory agreement.

- 10.16 - Registration Rights Agreement, dated as of July 21, 1999, by and between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002 *
- 10.17 - Form of Registration Rights Agreement between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002 *
- 10.18 - Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.19 - 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.20 - Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.21 - 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.22 - Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002 *
- 10.23 ** - Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002 *
- 10.24 - Registration Rights Agreement by and between Vornado Realty Trust and Bel Holdings LLC dated as of November 17, 2003 - Incorporated by reference to Exhibit 10.68 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004 *
- 10.25 - Registration Rights Agreement, dated as of May 27, 2004, by and between Vornado Realty Trust and 2004 Realty Corp. - Incorporated by reference to Exhibit 10.75 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- 10.26 - Registration Rights Agreement, dated as of December 17, 2004, by and between Vornado Realty Trust and Montebello Realty Corp. 2002 - Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *

* Incorporated by reference.

** Management contract or compensatory agreement.

10.27	**	-	Form of Stock Option Agreement between the Company and certain employees – Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.28	**	-	Form of Restricted Stock Agreement between the Company and certain employees – Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.29	**	-	Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated February 22, 2005 and effective as of January 1, 2005 – Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005	*
10.30		-	Contribution Agreement, dated May 12, 2005, by and among Robert Kogod, Vornado Realty L.P. and certain Vornado Realty Trust’s affiliates – Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006	*
10.31	**	-	Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006	*
10.32	**	-	Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on May 1, 2006	*
10.33	**	-	Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement – Incorporated by reference to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on May 1, 2006	*
10.34		-	Revolving Credit Agreement, dated as of June 28, 2006, among the Operating Partnership, the banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas, Lasalle Bank National Association, and UBS Loan Finance LLC, as Documentation Agents and Vornado Realty Trust – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on June 28, 2006	*
10.35	**	-	Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006	*
10.36	**	-	Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph Macnow dated July 27, 2006 – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006	*
10.37		-	Guaranty, made as of June 28, 2006, by Vornado Realty Trust, for the benefit of JP Morgan Chase Bank – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006	*
10.38	**	-	Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006	*

* Incorporated by reference.

** Management contract or compensatory agreement.

10.39	**	-	Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander's Inc. – Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007	*
10.40	**	-	Amendment to 59 th Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. – Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007	*
10.41		-	Stock Purchase Agreement between the Sellers identified and Vornado America LLC, as the Buyer, dated as of March 5, 2007 – Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007	*
10.42	**	-	Employment Agreement between Vornado Realty Trust and Mitchell Schear, as of April 19, 2007 – Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007	*
10.43		-	Revolving Credit Agreement, dated as of September 28, 2007, among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks signatory thereto, each as a Bank, JPMorgan Chase Bank, N.A. as Administrative Agent, Bank of America, N.A. as Syndication Agent, Citicorp North America, Inc., Deutsche Bank Trust Company Americas, and UBS Loan Finance LLC as Documentation Agents, and J.P. Morgan Securities Inc. and Bank of America Securities LLC as Lead Arrangers and Bookrunners. - Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007	*
10.44		-	Second Amendment to Revolving Credit Agreement, dated as of September 28, 2007, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and J.P. Morgan Chase Bank N.A., as Administrative Agent for the Banks - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007	*
10.45		-	Form of Vornado Realty Trust 2002 Omnibus Share Plan Non-Employee Trustee Restricted LTIP Unit Agreement – Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-11954) filed on February 26, 2008	*
10.46		-	Form of Vornado Realty Trust 2008 Out-Performance Plan Award Agreement	
15.1		-	Letter Regarded Unaudited Interim Financial Information	
31.1		-	Rule 13a-14 (a) Certification of the Chief Executive Officer	
31.2		-	Rule 13a-14 (a) Certification of the Chief Financial Officer	
32.1		-	Section 1350 Certification of the Chief Executive Officer	
32.2		-	Section 1350 Certification of the Chief Financial Officer	
	*		Incorporated by reference.	
	**		Management contract or compensatory agreement.	

**VORNADO REALTY TRUST
2008 OUTPERFORMANCE PLAN
AWARD AGREEMENT**

2008 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 2008 outperformance plan ("2008 OPP") awards pursuant to the Company's 2002 Omnibus Share Plan, as amended (as amended, restated and supplemented from time to time, the "2002 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. 2008 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 2002 Plan, or in the event the 2002 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 2002 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 2008 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 2008 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 2008 OPP awards shall be administered by the Committee, which in the administration of the 2008 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. In addition, as used herein:

"2006 OPP" means the Company's 2006 Outperformance Plan under the 2002 Plan as approved by the Board on March 17, 2006.

"2006 OPP Units" means those Partnership Units issued pursuant to the Company's 2006 OPP awards.

"2008 OPP Units" means those Partnership Units issued pursuant to this and all other 2008 OPP awards.

"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 of the Company, 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, in the case of each (A) and (B), to the extent such Common Shares or Units are issued after the Effective Date or the Stage Two Effective Date, as applicable, and on or before such date of determination in a capital raising transaction, in exchange for assets or securities or

upon the acquisition of another Person, 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 through the reinvestment of dividends or other distributions. For the avoidance of doubt, “Additional Shares” shall exclude, without limitation: (i) 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, (ii) 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, (iii) 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 (iv) 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 \$86.20.

“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, in the case of each (A) and (B), to the extent repurchased or redeemed by the Company after the Effective Date or the Stage Two Effective Date, as applicable, 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 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 definition, 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) the Grantee’s conviction of, or plea of guilty or *nolo contendere* to, a felony; (ii) the Grantee’s willful and continued failure to use reasonable best efforts to substantially perform his duties (other than such failure resulting from the Grantee’s incapacity due to physical or mental illness or subsequent to the issuance of a notice of

termination by the Grantee 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 the Grantee has not used reasonable best efforts to substantially perform his duties; or (iii) the Grantee's willful misconduct that is materially economically injurious to the Company or to any of its Affiliates. For purposes of clause (B) of this definition, no act, or failure to act, by the Grantee shall 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 or any of its Affiliates. Cause shall not exist under clause (B)(ii) or (B)(iii) above unless and until the Company (I) gives the Grantee reasonable (but in no event less than fifteen (15) days) notice of a meeting with the executive officer(s) to whom the Grantee reports for the purpose of determining whether "cause" for termination exists and an opportunity for the Grantee, together with his or her counsel, to be heard, and (II) delivers to the Grantee a written finding that in the good faith opinion of such executive officer(s), the Grantee was guilty of the conduct set forth in clause (B)(ii) or (B)(iii) and specifying the particulars thereof in detail.

"Change of 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 of 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)), (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 (F) 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 voting 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 outstanding voting common equity interests immediately prior to such liquidation and such ongoing entity assumes all existing obligations of the Company to the Grantee under this Agreement; or

(v) Approval by the shareholders of the Company or the general partner and/or limited partners of the Partnership of a dissolution or liquidation of the partnership and satisfaction or effective waiver of all material contingencies to such liquidation or dissolution.

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

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

for application pursuant to the proviso clauses in the definitions of “Stage Two Absolute Baseline” and “Stage Two Hurdle Rate”, the number of calendar days that have elapsed since the Stage Two Effective Date to and including the date as of which a Change of Control is consummated (or, with respect to a Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control), divided by 731; and (C) 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 of Control is consummated (or, with respect to a Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control), divided by 1,461.

“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 of 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 of Control for one Common Share.

“Continuous Service” means the continuous service, without interruption or termination, as a 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.

“Effective Date” means March 31, 2008.

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

“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 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 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 one hundred percent (100%) plus the Target Final Absolute Return Percentage; plus

- (B) with respect to each Additional Share issued after the Effective Date, the Additional Share Baseline Value of such Additional Share, multiplied by the sum of (i) one hundred percent (100%) plus (ii) the product of the Target Final Absolute Return Percentage multiplied by a fraction (x) the numerator of which is the number of days from the issuance of such Additional Share to and including the Final Valuation Date and (y) the denominator of which is the number of days from and including the Effective Date to and including the Final Valuation Date; plus
- (C) with respect to each Buyback Share repurchased or redeemed after the Effective Date, the Baseline Value, multiplied by the sum of (i) one hundred percent (100%) plus (ii) the product of the Target Final Absolute Return Percentage multiplied by a fraction (x) the numerator of which is the number of days from the Effective Date to and including the date such Buyback Share was repurchased or redeemed and (y) the denominator of which is the number of days from and including the Effective Date to and including the Final Valuation Date;

provided that if the Final Valuation Date occurs prior to March 31, 2012 as a result of a Change of 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 forty percent (40%), 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 three percent (3%); provided that in no event shall the Final Absolute TRS Pool exceed the difference between (i) the Maximum Final Outperformance Pool Amount and (ii) the sum of (x) the Stage One Total Outperformance Pool and (y) the Stage Two Total Outperformance Pool.

“Final Adjustment Factor” means a factor carried out to the sixth decimal determined by a straight-line interpolation between: (A) zero (0) if the Final Hurdle Rate is twenty-eight percent (28%) or less; and (B) one (1) if the Final Hurdle Rate is forty percent (40%) or more.

“Final Hurdle Rate” means a percentage consisting of the Company’s TRS Percentage over the period starting on the Effective Date and ending on the Final Valuation Date; provided that if the Final Valuation Date occurs prior to March 31, 2012 as a result of a Change of 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 the Company's TRS Percentage over the period starting on the Effective Date and ending on the date of the Change of Control (or, with respect to a Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control) divided by the CoC Fraction.

"Final OPP Unit Equivalent" has the meaning set forth in Section 3.

"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 TRS Pool" means, as of the Final Valuation Date, a dollar amount (which can be positive or negative) 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 three percent (3%); and (C) multiply the lesser of (i) the resulting amount or (ii) \$75,000,000 by the Final Adjustment Factor; provided that in no event shall the Final Relative TRS Pool exceed the difference between (x) the Maximum Final Outperformance Pool Amount

and (y) the sum of (I) the Stage One Total Outperformance Pool and (II) the Stage Two Total Outperformance Pool.

“Final Total Outperformance Pool” means, as of the Final Valuation Date, a dollar amount calculated as follows: (A) take the algebraic sum of (i) the Final Absolute TRS Pool and (ii) the Final Relative TRS Pool (whether the latter amount is positive or negative) and (B) subtract from the resulting amount the sum of (i) the Stage One Total Outperformance Pool and (ii) the Stage Two Total Outperformance Pool, if any; provided that if the resulting amount is a negative number, then the Final Total Outperformance Pool shall be zero; and provided, further, that in no event shall the Final Total Outperformance Pool exceed the difference between (x) the Maximum Final Outperformance Pool Amount and (y) the sum of (I) the Stage One Total Outperformance Pool and (II) the Stage Two Total Outperformance Pool.

“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 fifty (150) consecutive days immediately preceding the Final Valuation Date; plus (B) an amount equal to the sum of the total dividends and other distributions actually declared between the Effective Date and the Final Valuation Date (excluding dividends and distributions paid in the form of additional Common Shares or Units) so long as the “ex-dividend” date with respect thereto falls prior to the Final Valuation Date, in respect of Common Shares and Class A Units (it being understood, for the avoidance of doubt, that such total dividends and distributions shall be calculated by multiplying the amount of each per share dividend or distribution declared by the actual number of securities outstanding as of each record date with respect to the applicable dividend or distribution payment date, and not by multiplying the aggregate amount of distributions paid on one Partnership Unit that was outstanding as of the Effective Date between the Effective Date and the Final Valuation Date by the number of Final Total Shares).

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

“Final Valuation Date” means the earliest of: (A) March 31, 2012; or (B) in the event of a Change of Control that is not a Transactional Change of Control, the date on which such Change of Control shall occur; or (C) in the event of a Transactional Change of Control and subject to the consummation of such Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control.

“Good Reason” for termination of the Grantee’s employment for purposes of 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, so long as the Grantee terminates his or her

employment within one hundred and twenty (120) days after the Grantee has actual knowledge of the occurrence, without the written consent of the Grantee, of one of the following events that has not been cured within thirty (30) days after written notice thereof has been given by Grantee to the Company, then “good reason” shall mean: (i) the assignment to the Grantee of duties materially and adversely inconsistent with his or her duties as of the Effective Date or a material and adverse alteration in the nature of the Grantee’s duties and/or responsibilities, reporting obligations, titles or authority; (ii) a material reduction by the Company in the Grantee’s base salary or a failure by the Company to pay any such amounts when due; (iii) the relocation of the Grantee’s own office location to a location more than thirty (30) miles from such location as of the Effective Date without the Grantee’s consent; (iv) any purported termination of the Grantee’s employment for Cause which is not effected substantially in accordance with the definition thereof; or (v) the Company’s failure to provide benefits comparable to those provided the Grantee as of the Effective Date, other than any such failure which affects all employees of a similar level.

“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 Stage One Relative Baseline, Stage Two Relative Baseline or Final Relative Baseline, as applicable.

“Initial Shares” means 167,898,670 Common Shares, which includes: (A) 153,502,595 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) 14,334,346 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) 61,729 Common Shares representing the Shares Amount for all of the Partnership Units into which all LTIP Units and 2006 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 2006 OPP Units are currently vested, and excluding all 2008 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 2006 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, 2006 OPP Units and 2008 OPP Units or other 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 \$75,000,000.

“Maximum Stage One Outperformance Pool Amount” means \$30,000,000.

“Maximum Stage Two Outperformance Pool Amount” means \$30,000,000.

“OPP Units” means collectively all 2006 OPP Units and all 2008 OPP Units.

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

- (A) for application pursuant to Section 4(b)(ii)(I) or Section 4(e)(ii)(I) hereof, the number of calendar days that have elapsed since the Effective Date to and including the effective date of such Qualified Termination or the date of death or Disability, divided by 730 (it being understood that if such Qualified Termination or death or Disability occurs after the Stage One Valuation Date, then the Partial Service Factor to be used for purposes of Section 4(b)(ii)(I) or Section 4(e)(ii)(I) shall be one (1)); provided, however, that if, after the effective date of such Qualified Termination or the date of death or Disability and before March 31, 2010, a Change of Control occurs, then there shall be subtracted from the foregoing denominator (730) a number of days equal to the days that would elapse between the date as of which the Change of Control is consummated (or, with respect to a Transactional Change of Control, the date of the Public Announcement of the Transactional Change of Control) and March 31, 2010;
- (B) for application pursuant to Section 4(b)(ii)(II) or Section 4(e)(ii)(II) hereof, the number of calendar days that have elapsed since the Stage Two Effective Date to and including the effective date of such Qualified Termination or the date of death or Disability, divided by 731 (it being understood that if such Qualified Termination or death or Disability occurs prior to the Stage Two Effective Date, then the Partial Service Factor to be used for purposes of Section 4(b)(ii)(II) or Section 4(e)(ii)(II) shall be zero); provided, however, that if, after the effective date of such Qualified Termination or the date of death or Disability and before March 31, 2012, a Change of Control occurs, then there shall be subtracted from the foregoing denominator (731) a number of days equal to the days that would elapse between the date as of which the Change of Control is consummated (or, with respect to a Transactional Change of Control, the date of the Public Announcement of the Transactional Change of Control) and March 31, 2012; and

(C) for application pursuant to Section 4(b)(ii)(III) or Section 4(e)(ii)(III) hereof, the number of calendar days that have elapsed since the Effective Date to and including the effective date of such Qualified Termination or the date of death or Disability, divided by 1,461; provided, however, that if, after the effective date of such Qualified Termination or the date of death or Disability and before March 31, 2012, a Change of Control occurs, then there shall be subtracted from the foregoing denominator (1,461) a number of days equal to the days that would elapse between the date as of which the Change of Control is consummated (or, with respect to a Transactional Change of Control, the date of the Public Announcement of the Transactional Change of Control) and March 31, 2012.

“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.

“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 of 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 of 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 of 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 of 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 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 Stage One Valuation Date, Stage Two Valuation Date, or Final Valuation Date, as applicable, and the Committee determines that there is no successor to such index or (B) the Committee reasonably determines that the SNL Equity REIT Index is no longer suitable for the purposes of this Agreement, then the Committee in its good faith reasonable discretion shall select for subsequent periods, or if the Committee in its reasonable good faith discretion so determines, for any portion of or the entire period from the Effective Date to the Final Valuation Date, a substitute comparable index for purposes of calculating the Stage One Relative Baseline, Stage Two Relative Baseline or Final Relative Baseline, as applicable.

"Stage One Absolute Baseline" means, as of the Stage One 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 Stage One Valuation Date, and then multiplied by.
 - (ii) the sum of one hundred percent (100%) plus the Target Stage One Absolute Return Percentage; plus
- (B) with respect to each Additional Share issued between the Effective Date and the Stage One Valuation Date, the Additional Share Baseline Value of such Additional Share, multiplied by the sum of (i) one hundred percent (100%) plus (ii) the product of the Target Stage One 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 Stage One Valuation Date and (y) the

denominator of which is the number of days from and including the Effective Date to and including the Stage One Valuation Date; plus

- (C) with respect to each Buyback Share repurchased or redeemed between the Effective Date and the Stage One Valuation Date, the Baseline Value, multiplied by the sum of (i) one hundred percent (100%) plus (ii) the product of the Target Stage One 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 Stage One Valuation Date;

provided that if the Stage One Valuation Date occurs prior to March 31, 2010 as a result of a Change of Control, then for purposes of this definition in connection with the calculation of the Stage One Absolute TRS Pool as of the Stage One Valuation Date, then the Target Stage One Absolute Return Percentage to be used in such calculation shall be reduced to twenty percent (20%) 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.

“Stage One Absolute TRS Pool” means, as of the Stage One Valuation Date, a dollar amount calculated as follows (or, if the resulting amount is a negative number, zero): (A) subtract the Stage One Absolute Baseline from the Stage One Total Return, in each case as of the Stage One Valuation Date; and (B) multiply the resulting amount by three percent (3%); provided that in no event shall the Stage One Absolute TRS Pool exceed the Maximum Stage One Outperformance Pool Amount.

“Stage One Adjustment Factor” means a factor carried out to the sixth decimal determined by a straight-line interpolation between (A) zero (0) if the Stage One Hurdle Rate is fourteen percent (14%) or less; and (B) one (1) if the Stage One Hurdle Rate is twenty percent (20%) or more.

“Stage One Hurdle Rate” means a percentage consisting of the Company’s TRS Percentage over the period starting on the Effective Date and ending on the Stage One Valuation Date; provided that if the Stage One Valuation Date occurs prior to March 31, 2010 as a result of a Change of Control, then for purposes of determining the Stage One Adjustment Factor to be used in calculating the Stage One Relative TRS Pool as of the Stage One Valuation Date, the Stage One Hurdle Rate shall instead be the Company’s TRS Percentage over the period starting on the Effective Date and ending on the date of the Change of Control (or, with respect to a Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control) divided by the CoC Fraction.

“Stage One Relative Baseline” means, as of the Stage One 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 Stage One 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 Stage One 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 Stage One 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.

“Stage One Relative TRS Pool” means, as of the Stage One Valuation Date, a dollar amount (which can be positive or negative) calculated as follows: (A) subtract the Stage One Relative Baseline from the Stage One Total Return, in each case as of the Stage One Valuation Date; (B) multiply the resulting amount by three percent (3%); and (C) multiply the lesser of (i) the resulting amount or (ii) Maximum Stage One Outperformance Pool Amount by the Stage One Adjustment Factor.

“Stage One Total Outperformance Pool” means, as of the Stage One Valuation Date, a dollar amount equal to the algebraic sum of (A) the Stage One Absolute TRS Pool and (B) the Stage One Relative TRS Pool (whether the latter amount is positive or negative); provided that if the resulting amount is a negative number, then the Stage One Total Outperformance Pool shall be zero; and provided, further, that in no event shall the Stage One Total Outperformance Pool exceed the Maximum Stage One Outperformance Pool Amount.

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

“Stage One Total Return” means (without double-counting), as of the Stage One Valuation Date, an amount equal to the sum of (A) the Stage One 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 Stage One 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 Stage One 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 Stage One Valuation Date, with respect to Common Shares and Class A Units (it being understood, for the avoidance of doubt, that such total dividends and distributions shall be calculated by multiplying the amount of each per share dividend or per Class A Unit distribution declared by the actual number of securities outstanding as of each record date with respect to the applicable dividend or distribution payment date, and not by multiplying the aggregate amount of distributions paid on one Partnership Unit that was outstanding as of the Effective Date between the Effective Date and the Stage One Valuation Date by the number of Stage One Total Shares).

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

“Stage One Valuation Date” means the earliest of: (A) March 31, 2010; or (B) in the event of a Change of Control that is not a Transactional Change of Control, the date on which such Change of Control shall occur; or (C) in the event of a Transactional Change of Control and subject to the consummation of such Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control.

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

- (A) the Stage Two Baseline Value multiplied by:
 - (i) the difference between (x) the Stage Two Initial Shares and (y) all Buyback Shares repurchased or redeemed between the Stage Two Effective Date and the Stage Two Valuation Date, and then multiplied by.
 - (ii) the sum of one hundred percent (100%) plus the Target Stage Two Absolute Return Percentage; plus
- (B) with respect to each Additional Share issued between the Stage Two Effective Date and the Stage Two Valuation Date, the Additional Share Baseline Value of such Additional Share, multiplied by the sum of (i) one hundred percent (100%) plus (ii) the product of the Target Stage Two 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 Stage Two Valuation Date and (y) the denominator of which is the number of days from and including the Stage Two Effective Date to and including the Stage Two Valuation Date; plus

- (C) with respect to each Buyback Share repurchased or redeemed between the Stage Two Effective Date and the Stage Two Valuation Date, the Stage Two Baseline Value, multiplied by the sum of (i) one hundred percent (100%) plus (ii) the product of the Target Stage Two Absolute Return Percentage multiplied by a fraction (x) the numerator of which is the number of days from the Stage Two 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 Stage Two Effective Date to and including the Stage Two Valuation Date;

provided that if the Stage Two Valuation Date occurs prior to March 31, 2012 as a result of a Change of Control, then for purposes of this definition in connection with the calculation of the Stage Two Absolute TRS Pool as of the Stage Two Valuation Date, then the Target Stage Two Absolute Return Percentage to be used in such calculation shall be reduced to twenty percent (20%) 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.

“Stage Two Absolute TRS Pool” means, as of the Stage Two Valuation Date, a dollar amount calculated as follows (or, if the resulting amount is a negative number, zero): (A) subtract the Stage Two Absolute Baseline from the Stage Two Total Return, in each case as of the Stage Two Valuation Date; and (B) multiply the resulting amount by three percent (3%); provided that in no event shall the Stage Two Absolute TRS Pool exceed the Maximum Stage Two Outperformance Pool Amount.

“Stage Two Adjustment Factor” means a factor carried out to the sixth decimal determined by a straight-line interpolation between: (A) zero (0) if the Stage Two Hurdle Rate is fourteen percent (14%) or less; and (B) one (1) if the Stage Two Hurdle Rate is twenty (20%) or more.

“Stage Two Baseline Value” means the greater of: (A) the Common Share Price as of the Stage Two Effective Date and (B) the Baseline Value minus an amount equal to the sum of the total dividends and other distributions per Common Share actually declared between the Effective Date and the Stage Two Effective 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 Stage Two Effective Date.

“Stage Two Effective Date” means March 31, 2010.

“Stage Two Hurdle Rate” means a percentage consisting of the Company’s TRS Percentage over the period starting on the Stage Two Effective Date and ending on the Stage Two Valuation Date; provided that if the Stage Two Valuation Date occurs prior to March 31, 2012 as a result of a Change of Control, then for purposes of determining the Stage Two Adjustment Factor to be used in calculating the Stage Two Relative TRS Pool as of the Stage Two Valuation Date, the Stage Two Hurdle Rate shall instead be the Company’s TRS Percentage over the period starting on the Stage Two Effective Date and ending on the date of the Change of Control (or, with respect to a Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control) divided by the CoC Fraction.

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

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

- (A) the Stage Two 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 Stage Two 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 Stage Two Effective Date and ending on the Stage Two Valuation Date; plus
- (B) with respect to each Additional Share issued after the Stage Two 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 Stage Two Valuation Date; plus
- (C) with respect to each Buyback Share repurchased or redeemed after the Stage Two Effective Date, the Stage Two Baseline Value multiplied by the sum of (i) one hundred percent (100%) plus (ii) the Index Return Percentage for the period beginning on the Stage Two 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.

“Stage Two Relative TRS Pool” means, as of the Stage Two Valuation Date, a dollar amount (which can be positive or negative) calculated as follows: (A) subtract the Stage Two Relative Baseline from the Stage Two Total Return, in each case as of the Stage Two Valuation Date; (B) multiply the resulting amount by three percent (3%); and (C) multiply the lesser of (i) the resulting amount or (ii) Maximum Stage Two Outperformance Pool Amount by the Stage Two Adjustment Factor.

“Stage Two Total Outperformance Pool” means, as of the Stage Two Valuation Date, a dollar amount equal to the algebraic sum of: (A) the Stage Two Absolute TRS Pool and (B) the Stage Two Relative TRS Pool (whether the latter amount is positive or negative); provided that if the resulting amount is a negative number, then the Stage Two Total Outperformance Pool shall be zero; and provided, further, that in no event shall the Stage Two Total Outperformance Pool exceed the Maximum Stage Two Outperformance Pool Amount.

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

“Stage Two Total Return” means (without double-counting), as of the Stage Two Valuation Date, an amount equal to the sum of (A) the Stage Two 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 Stage Two Valuation Date, plus (B) an amount equal to the sum of the total dividends and other distributions actually declared between the Stage Two Effective Date and the Stage Two 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 Stage Two Valuation Date, with respect to Common Shares and Class A Units (it being understood, for the avoidance of doubt, that such total dividends and distributions shall be calculated by multiplying the amount of each per share dividend or per Class A Unit distribution declared by the actual number of securities outstanding as of each record date with respect to the applicable dividend or distribution payment date, and not by multiplying the aggregate amount of distributions paid on one Partnership Unit that was outstanding as of the Stage Two Effective Date between the Stage Two Effective Date and the Stage Two Valuation Date by the number of Stage Two Total Shares).

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

“Stage Two Valuation Date” means the earliest of: (A) March 31, 2012; or (B) in the event of a Change of Control that is not a Transactional Change of Control, the date on which such Change of Control shall occur; or (C) in the event of a Transactional Change of Control and

subject to the consummation of such Transactional Change of Control, the date of the Public Announcement of such Transactional Change of Control; provided that the Stage Two Valuation Date cannot be after the Final Valuation Date.

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

“Target Final Absolute Return Percentage” means forty percent (40%), except as otherwise defined for purposes of the definition of Final Absolute Baseline in certain circumstances, as described in the proviso clause of such definition.

“Target Stage One Absolute Return Percentage” means twenty percent (20%), except as otherwise defined for purposes of the definition of Stage One Absolute Baseline in certain circumstances, as described in the proviso clause in such definition.

“Target Stage Two Absolute Return Percentage” means twenty percent (20%), except as otherwise defined for purposes of the definition of Stage Two Absolute Baseline in certain circumstances, as described in the proviso clause in such definition.

“Total OPP Unit Equivalent” means the sum of: (A) Stage One OPP Unit Equivalent, if any, plus (B) the Stage Two OPP Unit Equivalent, if any; plus (C) the Final OPP Unit Equivalent, if any.

“Transactional Change of Control” means (A) a Change of 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 of 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 of Control” (or similar term) in the applicable Service Agreement does not track such clauses (ii) or (iii), then the term “Transactional Change of Control” shall mean a Change of 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 of Control.

(a) The Grantee is hereby granted this Award consisting of the number of 2008 OPP Units set forth on Schedule A hereto (the “Award OPP Units”), which (A) will be subject to forfeiture to the extent provided in this Section 3 and (B) will be subject to vesting as provided in Sections 3(e) hereof. At any time prior to the Final Valuation Date, the Committee may grant additional 2008 OPP awards to the extent that the sum of all the 2008 OPP grantees’ Participation Percentages is less than one hundred percent (100%) as a result of either reservation of a portion of the 2008 OPP Participation Percentage for future awards or forfeiture of granted 2008 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 four-year period (or a shorter period in certain circumstances as provided herein) as indicated by the calculations required by this Section 3 and (ii) the passage of time (five years or a shorter period in certain circumstances as provided herein) as provided in Section 3(e). Vesting will occur at the times, in the amounts and upon the conditions set forth in this Section 3 and in Section 4, provided that, except as otherwise expressly set forth in this Agreement, the Continuous Service of the Grantee continues through and on the each applicable vesting date.

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

- (i) determine the Stage One Absolute TRS Pool (if any);
- (ii) determine the Stage One Relative TRS Pool;
- (iii) determine the Stage One Total Outperformance Pool (if any);
- (iv) multiply (x) the Stage One Total Outperformance Pool calculated as of the Stage One Valuation Date by (y) the Grantee’s Participation Percentage as of the Stage One Valuation Date; and

- (v) 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 Stage One 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 “Stage One OPP Unit Equivalent.” A number of Award OPP Units equal to the Stage One OPP Unit Equivalent shall thereafter no longer be subject to forfeiture pursuant to this Section 3, but shall still be subject to vesting pursuant to Section 3(e) hereof. If the Stage One OPP Unit Equivalent is smaller than the number of Award OPP Units previously issued to the Grantee pursuant to Section 3(a) hereof, then the balance of the Award OPP Units shall continue to be subject to forfeiture pursuant to this Section 3. If the Stage One 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 Stage One 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.

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

- (i) determine the Stage Two Absolute TRS Pool (if any);
- (ii) determine the Stage Two Relative TRS Pool;
- (iii) determine the Stage Two Total Outperformance Pool (if any);
- (iv) multiply (x) the Stage Two Total Outperformance Pool calculated as of the Stage Two Valuation Date by (y) the Grantee’s Participation Percentage as of the Stage Two Valuation Date; and
- (v) 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 Stage Two 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 “Stage Two OPP Unit Equivalent”. A number of Award OPP Units equal to the Stage Two OPP Unit Equivalent (plus the Stage One OPP Unit Equivalent, if any) shall thereafter no longer be subject to forfeiture pursuant to this Section 3, but shall still be subject to vesting pursuant to Section 3(e) hereof. If the Stage Two OPP Unit Equivalent (plus the Stage One OPP Unit Equivalent, if any) is smaller than the number of Award OPP Units previously issued to the Grantee, (including any additional LTIP Units added to the Award OPP Units under Section 3(b), above) then the balance of the Award OPP Units shall continue to be subject to forfeiture pursuant to this Section 3. If the Stage Two OPP Unit Equivalent (plus the Stage One OPP Unit Equivalent, if any) is greater than the number of Award OPP Units previously issued to the Grantee, then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Second Valuation Date, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws.

(d) 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;
- (iii) determine the Final Total Outperformance Pool (if any);
- (iv) 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
- (v) divide the resulting amount by the highest Common Share Price among those calculated as of every day within the period of one hundred and fifty (150) days immediately preceding the Final Valuation Date (appropriately adjusted to the extent that the Shares Amount for one Partnership Unit is greater or less than one Common Share).

The resulting number is hereafter referred to as the “Final OPP Unit Equivalent”. If the Final OPP Unit Equivalent (plus the Stage One OPP Unit Equivalent and Stage Two OPP Unit Equivalent, if any) is smaller than the number of Award OPP Units previously issued to the Grantee, then the Grantee, as of the Final Valuation Date, shall forfeit a number of Award OPP Units equal to the difference, and thereafter the term Award OPP Units will refer only to the remaining Award OPP Units that were not so forfeited. If the Final OPP Unit Equivalent (plus the Stage One OPP Unit Equivalent and Stage Two OPP Unit Equivalent, if any) is greater than the number of Award OPP Units previously issued to the Grantee (including any additional LTIP Units added to the Award OPP Units under Section 3(b) or 3(c) above), then, upon the performance of the calculations set forth in this Section 3(d): (A) the Company shall cause the Partnership to issue to the Grantee, as of the Final Valuation Date, a number of additional LTIP Units equal to the difference; (B) such additional LTIP Units shall be added to the Award OPP Units previously issued, if any, and thereby become part of this Award; (C) the Company and the Partnership shall take such corporate and Partnership action as is necessary to accomplish the grant of such additional LTIP Units; and (D) thereafter the term Award OPP Units will refer collectively to the Award OPP Units, if any, issued prior to such additional grant plus such additional LTIP Units; provided that such issuance will be subject to the Grantee executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. If the Final OPP Unit Equivalent (plus the Stage One OPP Unit Equivalent and Stage Two OPP Unit Equivalent, if any) is the same as the number of Award OPP Units previously issued to the Grantee, then there will be no change to the number of Award OPP Units under this Award pursuant to this Section 3.

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

- (i) fifty percent (50%) of the Total OPP Unit Equivalent shall become vested on March 31, 2012; and
- (ii) fifty percent (50%) of the Total OPP Unit Equivalent shall become vested on March 31, 2013.

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

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

(g) If the calculations provided in this Section 3 are triggered by a Change of Control, one hundred percent (100%) of the Grantee's Total OPP Unit Equivalent shall vest immediately and automatically upon the occurrence of such Change of Control. If a Change of Control occurs after the Final Valuation Date, all unvested Award OPP Units that have not previously been forfeited pursuant to the calculations set forth in this Section 3 hereof shall vest immediately and automatically upon the occurrence of such Change of Control.

(h) In the event of a Change of 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 of 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 of Control. For avoidance of doubt, in the event of a Change of Control, the performance of all calculations and actions pursuant to Section 3(b), 3(c) and 3(d) hereof and the exercise of any election, voting or other rights pursuant to this Section 3(h) shall be conditioned upon the final consummation of such Change of Control.

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

(a) If the Grantee is a party to a Service Agreement and his or her Continuous Service terminates, the provisions of Sections 4(b), 4(c), 4(d), 4(e), 4(f) and 4(g) hereof shall govern the treatment of the Grantee's Award OPP Units exclusively, unless the Service Agreement contains provisions that expressly refer to this Section 4(a) and provides that those provisions of the Service Agreement shall instead govern the treatment of the Grantee's Award OPP Units upon such termination. The foregoing sentence will be deemed an amendment to any applicable Service Agreement to the extent required to apply its terms consistently with this Section 4, such that, by way of illustration, any provisions of the Service Agreement with respect to accelerated vesting or payout or the lapse of forfeiture restrictions relating to the Grantee's incentive or other compensation awards in the event of certain types of termination of the Grantee's Continuous Service with the Company (such as, for example, termination at the end of the term, termination without Cause by the employer or termination for Good Reason by the employee) shall not be interpreted as requiring that any calculations set forth in Section 3 hereof be performed, or vesting occur with respect to this Award other than as specifically provided in this Section 4. In the event that an entity to which the Grantee

provides services ceases to be an Affiliate of the Company, such action shall be deemed to be a termination of the Grantee's Continuous Service for purposes of this Agreement, provided that the Committee, in its sole and absolute discretion, may make provision in such circumstances for the lapse of forfeiture restrictions and/or accelerated vesting of some or all of the Grantee's unvested Award OPP Units that have not previously been forfeited, effective immediately prior to such event, or determine that the Grantee's Continuous Service to the Company or any other of its Affiliates has not been terminated. Notwithstanding any of the foregoing, in the event of any conflict between the provisions of the Grantee's Service Agreement, if any, and the provisions of this Section 4 with respect to death or Disability, the provisions of such Service Agreement shall govern the treatment of the Grantee's Award OPP Units in the event of death or Disability.

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

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

(ii) each of (I) the Stage One OPP Unit Equivalent calculated pursuant to Section 3(b), (II) the Stage Two OPP Unit Equivalent calculated pursuant to Section 3(c) and (III) the Final OPP Unit Equivalent calculated pursuant to Section 3(d) 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 Stage One OPP Unit Equivalent, Stage Two OPP Unit Equivalent and Final OPP Unit Equivalent, respectively, for all purposes under this Agreement; and

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

adjusted pursuant to Section 4(b)(ii) above, would have become vested pursuant to Section 3(e) hereof absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(b)(iii) is to prevent a situation where grantees of 2008 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 2008 OPP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(e) hereof.

(c) In the event of Qualified Termination on or after the Final Valuation Date, then all of the Grantee's unvested Award OPP Units that have not previously been forfeited pursuant to the calculations set forth in Section 3(b), Section 3(c) or Section 3(d) hereof, but remain subject to time-based vesting pursuant to Section 3(e) hereof as of the time of such Qualified Termination shall no longer be subject to forfeiture pursuant to Section 3(e) hereof; provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(e) hereof will apply to the Grantee after the effective date of a Qualified Termination, the Grantee will not have the right to Transfer (as defined in Section 7 hereof) his or her Award OPP Units or request redemption of his or her Award Partnership Units under the Partnership Agreement until such dates as of which his or her Total OPP Unit Equivalent would have become vested pursuant to Section 3(e) absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(c) is to prevent a situation where grantees of 2008 OPP awards who have had a Qualified Termination would be able to realize the value of their Award OPP Units or Award Partnership Units (through Transfer or redemption) before other grantees of OPP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(e) hereof.

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

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

- (i) the calculations provided in Section 3(b), Section 3(c) and Section 3(d) hereof shall be performed as of the Stage One Valuation Date, Stage

Two Valuation Date and Final Valuation Date, respectively, as if the Grantee's death or Disability had not occurred; and

(ii) each of (I) the Stage One OPP Unit Equivalent calculated pursuant to Section 3(b), (II) the Stage Two OPP Unit Equivalent calculated pursuant to Section 3(c) and (III) the Final OPP Unit Equivalent calculated pursuant to Section 3(d) 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 Stage One OPP Unit Equivalent, Stage Two OPP Unit Equivalent and Final OPP Unit Equivalent, respectively, for all purposes under this Agreement;

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

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

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

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

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

5. Payments by Award Recipients; Status as Partner. No amount shall be payable to the Company or the Partnership by the Grantee at any time in respect of this Agreement. The Grantee shall have no rights with respect to this Agreement (and the Award evidenced hereby) unless he or she shall have accepted this Agreement by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) unless the Grantee is already a Partner (as defined in the Partnership Agreement), signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A). Upon acceptance of this Agreement by the Grantee, the Partnership Agreement shall be amended to reflect the issuance to the Grantee of the LTIP Units so accepted. Thereupon, the Grantee shall have all the rights of a Limited Partner of the Partnership with respect to the number of 2008 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 Award OPP Units (to the extent provided in Section 6(c) below) shall be the Stage One Valuation Date, the Stage Two Valuation Date or the Final Valuation Date, as applicable, except that if the provisions of Section 4(b) hereof become applicable to the Grantee, the Distribution Participation Date for the Grantee shall be accelerated to the date the calculations provided in Section 3 hereof are performed with respect to the Award OPP Units that are no longer subject to forfeiture pursuant to Section 4(b) hereof.

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

- (i) if the Distribution Participation Date is the Stage One Valuation Date, the Stage One OPP Unit Equivalent;
- (ii) if the Distribution Participation Date is the Stage Two Valuation Date, the Stage Two OPP Unit Equivalent; and
- (iii) if the Distribution Participation Date is the Final Valuation Date (or an earlier date if the Distribution Participation Date is accelerated pursuant to Section 6(b)), the Total OPP Unit Equivalent.

(d) Subject to Sections 6(b) and 6(c), prior to each applicable Distribution Participation Date, Award OPP Units shall be entitled to ten percent (10%) of any distributions payable on the Class A Units.

(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(f) 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 2008 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"), provided that vested Award OPP Units or Award Partnership Units that have been held for a period of at least two (2) years beginning on the Effective Date may be Transferred to (i) the Grantee's Family Members by gift or pursuant to domestic relations order in settlement of marital property rights or (iii) 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, provided that the transferee agrees 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. Additionally, 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 2008 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 2008 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) Amendments. 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 2008 OPP Units under the Share Plan. This Award and the other 2008 OPP awards constitute awards of OP Units (as defined in the 2002 Plan) by the Company under the 2002 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 2008 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 2008 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 and 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 2008 OPP Units or any other securities issued pursuant to this Agreement or upon conversion or exchange of 2008 OPP Units. The Grantee agrees that any resale of the shares of Common Shares received upon the exchange of Units into which 2008 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 2008 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 2008 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]

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President and Chief Financial Officer

VORNADO REALTY L.P.

By: Vornado Realty Trust, its sole general partner

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President and Chief Financial Officer

GRANTEE

Name:

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

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

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

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

4. The Limited Partner hereby confirms that, notwithstanding any provisions of the Partnership Agreement to the contrary, the Award OPP Units shall not be redeemable by the Limited Partner pursuant to Section 8.6 of the Partnership Agreement.
 5. (a) The Limited Partner hereby irrevocably consents in advance to any amendment to the Partnership Agreement, as may be recommended by the General Partner, intended to avoid the Partnership being treated as a publicly-traded partnership within the meaning of Section 7704 of the Internal Revenue Code, including, without limitation, (x) any amendment to the provisions of Section 8.6 of the Partnership Agreement intended to increase the waiting period between the delivery of a Notice of Redemption (as defined in the Partnership Agreement) and the Specified Redemption Date (as defined in the Partnership Agreement) and/or the Valuation Date (as defined in the Partnership Agreement) to up to sixty (60) days or (y) any other amendment to the Partnership Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Treasury Regulations Section 1.7704-1(f).

(b) The Limited Partner hereby appoints the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing paragraph 5(a) on the Limited Partner's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.
 6. The Limited Partner agrees that it will not transfer any interest in the Partnership Units (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership or (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others.
 7. The Limited Partner acknowledges that the General Partner shall be a third party beneficiary of the representations, covenants and agreements set forth in Sections 4 and 6 hereof. The Limited Partner agrees that it will transfer, whether by assignment or
-

otherwise, Partnership Units only to the General Partner or to transferees that provide the Partnership and the General Partner with the representations and covenants set forth in Sections 4 and 6 hereof.

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

Signature Line for Limited Partner:

Name: _____

Date: _____, 2008

Address of Limited Partner:

EXHIBIT B

GRANTEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Grantee hereby represents, warrants and covenants as follows:

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

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

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

merits and risks of an investment in the Partnership and potential investment in the Company and of making an informed investment decision, (II) is capable of protecting his own interest or has engaged representatives or advisors to assist him in protecting his interests, and (III) is capable of bearing the economic risk of such investment.

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

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

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

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

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

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

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

EXHIBIT C

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

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

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

Name: _____ (the "Taxpayer")

Address: _____

Social Security No./Taxpayer Identification No.: _____

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

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

3. The date on which the LTIP Units were transferred is _____, 2008. The taxable year to which this election relates is calendar year 2008.

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

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

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

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

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

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

Dated: _____

Name: _____

SCHEDULE TO EXHIBIT C

Vesting Provisions of LTIP Units

The LTIP Units are subject to time-based and performance-based vesting with the final vesting percentage equaling the product of the time-based vesting percentage and the performance-based vesting percentage. Performance-based vesting will be from zero percent (0%) to one hundred percent (100%) based on Vornado Realty Trust's (the "Company's") per-share total return to shareholders for the period from March 31, 2008 to March 31, 2012 (or earlier under certain circumstances). Under the time-based vesting hurdles, fifty percent (50%) of the LTIP Units will vest on March 31, 2012 and the remaining fifty percent will vest on March 31, 2013, provided that the Taxpayer continues his or her service relationship with the Company, the Partnership or an affiliate of the Company through such dates, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with the Company under specified circumstances. Unvested LTIP Units are subject to forfeiture in the event of failure to vest based on the passage of time and the determination of the performance-based percentage.

SCHEDULE A TO 2008 OUTPERFORMANCE PLAN AWARD AGREEMENT

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

Initials of Company representative: _____

Initials of Grantee: _____

May 6, 2008

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, 2008 and 2007, as indicated in our report dated May 6, 2008; 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, 2008, is incorporated by reference in:

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

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

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

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

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

CERTIFICATION

I, Steven Roth, certify that:

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

May 6, 2008

/s/ Steven Roth

Steven Roth

Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

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

May 6, 2008

/s/ Joseph Macnow

Joseph Macnow

Executive Vice President and Chief Financial Officer

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for quarter ended March 31, 2008 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 6, 2008

/s/ Steven Roth

Name: Steven Roth
Title: Chief Executive Officer

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for quarter ended March 31, 2008 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 6, 2008

/s/ Joseph Macnow

Name: Joseph Macnow
Title: Chief Financial Officer

**FORTY-FIRST
AMENDMENT
TO
SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.
Dated as of March 31, 2008**

THIS FORTY-FIRST AMENDMENT TO THE SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF VORNADO REALTY L.P. (this "Amendment"), dated as of March 31, 2008, is hereby adopted by Vornado Realty Trust, a Maryland real estate investment trust (the "General Partner"), as the general partner of Vornado Realty L.P., a Delaware limited partnership (the "Partnership"). For ease of reference, capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997, as amended by the Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 16, 1997, and further amended by the Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 1, 1998, the Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 12, 1998, the Fourth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 30, 1998, the Fifth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 3, 1999, the Sixth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 17, 1999, the Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999, the Eighth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 27, 1999, the Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, the Tenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, the Eleventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 24, 1999, the Twelfth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May

1, 2000, the Thirteenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 25, 2000, the Fourteenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 8, 2000, the Fifteenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 15, 2000, the Sixteenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 25, 2001, the Seventeenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 21, 2001, the Eighteenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of January 1, 2002, the Nineteenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 1, 2002, the Twentieth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 9, 2003, the Twenty-First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 31, 2003, the Twenty-Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 17, 2003, the Twenty-Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 27, 2004, the Twenty-Fourth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of August 17, 2004, the Twenty-Fifth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 17, 2004, the Twenty-Sixth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 17, 2004, the Twenty-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 20, 2004, the Twenty-Eighth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 30, 2004, the Twenty-Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of June 17, 2005, the Thirtieth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of August 31, 2005, the Thirty-First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 9, 2005, the Thirty-Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 19, 2005, the Thirty-Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 25, 2006, the Thirty-Fourth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 2, 2006, the Thirty-Fifth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of August 17, 2006, the Thirty-Sixth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 2, 2006, the Thirty-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of June 28, 2007, the Thirty-Eighth Amendment to the Second Amended and Restated Agreement of Limited

Partnership of Vornado Realty L.P., dated as of June 28, 2007, and the Thirty-Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of June 28, 2007 and the and the Fortieth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of June 28, 2007 (as so amended, the "Agreement").

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

WHEREAS, the General Partner has determined that the amendment effected hereby does not adversely affect or eliminate any of the limited partner rights specified in Section 14.1.C or Section 14.1.D of the Agreement;

WHEREAS, the General Partner desires by this Amendment to amend the Agreement as of the date hereof.

NOW, THEREFORE, the General Partner hereby amends the Agreement as follows:

1. Article I of the Agreement is amended by inserting the following definitions in alphabetical order:

"2006 Outperformance Plan" has the meaning set forth in Section 2.B of Exhibit AH of this Agreement.

"2008 Outperformance Plan" has the meaning set forth in Section 2.B of Exhibit AH of this Agreement.

"Adjustment Event" has the meaning set forth in Section 4 of Exhibit AH of this Agreement.

"Book-Up Target" for each LTIP Unit means the lesser of (i) the Class A Unit Economic Balance as determined on the date such LTIP Unit was granted and as reduced (not to less than zero) by allocations of Liquidating Gains pursuant to Section 6.1.F(i) and reallocations of Economic Capital Account Balances to such LTIP Unit as a result of a forfeiture of an LTIP Unit, as determined by the General Partner and (ii) the amount required to be allocated to such LTIP Unit for the Economic Capital Account Balance, to the extent attributable to such LTIP Unit, to be equal to the Class A Unit Economic Balance. Notwithstanding the foregoing, the Book-Up Target shall be equal to zero for any LTIP Unit for which the Economic Capital Account Balance attributable to such LTIP Unit has, at any time, reached an amount equal to the Class A Unit Economic Balance determined as of such time.

"Constituent Person" has the meaning set forth in Section 7.G of Exhibit AH of this Agreement.

“Conversion Date” has the meaning set forth in Section 7.C of Exhibit AH of this Agreement.

“Conversion Notice” has the meaning set forth in Section 7.C of Exhibit AH of this Agreement.

“Conversion Right” has the meaning set forth in Section 7.A of Exhibit AH of this Agreement.

“Distribution Participation Date” has the meaning set forth in Section 2.A of Exhibit AH of this Agreement.

“Forced Conversion” has the meaning set forth in Section 7.D of Exhibit AH of this Agreement.

“Forced Conversion Notice” has the meaning set forth in Section 7.D of Exhibit AH of this Agreement.

“Liquidating Gains” means any net capital gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including any Liquidating Transaction), including but not limited to net capital gain realized in connection with an adjustment to the Carrying Value of Partnership assets under Section 1.D of Exhibit B of this Agreement.

“Liquidating Losses” means any net capital loss realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including any Liquidating Transaction), including but not limited to net capital loss realized in connection with an adjustment to the Carrying Value of Partnership assets under Section 1.D of Exhibit B of this Agreement.

“LTIP Unitholder” means a holder of LTIP Units.

“LTIP Unit Distribution Amount” has the meaning set forth in Section 2.A of Exhibit AH of this Agreement.

“LTIP Unit Initial Sharing Percentage” means (i) with respect to an LTIP Unit issued pursuant to the 2008 Outperformance Plan, ten percent (10%), (ii) with respect to an LTIP Unit issued prior to March 31, 2008, one hundred percent (100%), and (iii) with respect to any other LTIP Unit, such percentage as set forth in the related Vesting Agreement or other applicable documentation pursuant to which such LTIP Unit is awarded or, if no such percentage is stated, one hundred percent (100%).

“Transaction” has the meaning set forth in Section 7.F of Exhibit AH of this Agreement

“Unvested LTIP Units” has the meaning set forth in Section 1 of Exhibit AH of this Agreement.

“Vested LTIP Units” has the meaning set forth in Section 1 of Exhibit AH of this Agreement.

“Vesting Agreement” has the meaning set forth in Section 1 of Exhibit AH of this Agreement.

2. The definition of “Class A Unit Economic Balance” is amended by replacing the text thereof with the following:

“means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner’s share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner’s ownership of Class A Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.1.F, divided by (ii) the number of the General Partner’s Class A Units.”

3. The definition of “Economic Capital Account Balance” is amended by replacing the text thereof with the following:

“means, with respect to holders of LTIP Units, their Capital Account balances, plus the amount of their shares of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to their ownership of LTIP Units.”

4. Section 6.1.A(xi) of the Agreement is amended by replacing the text thereof with the following:

“(xi) eleventh, to all holders of Units (other than Class A Preferred Units and any other Units issued by the Partnership from time to time that, by their terms, are not entitled to participate in distributions under Section 5.1.B(x)) in proportion to their respective Percentage Interests.”

5. Section 6.1.F of the Agreement is amended by replacing the text thereof with the following:

F. Special Allocations With Respect to LTIP Units.

(i) After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E above, and notwithstanding the provisions of Sections 6.1.A and 6.1.B above, but subject to the prior allocation of income and gain under Subsections 6.1.A(i) through (vi) above, any remaining Liquidating Gains shall first be allocated to the holders of LTIP Units until the Economic Capital Account Balances of such holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Class A Unit Economic Balance, multiplied by (ii) the number of their LTIP Units; provided that no such Liquidating Gains will be allocated with respect to any particular LTIP Unit unless and to the extent that such Liquidating Gains, when aggregated with other

Liquidating Gains realized since the issuance of such LTIP Unit, exceed Liquidating Losses realized since the issuance of such LTIP Unit.

(ii) Liquidating Gain allocated to an LTIP Unitholder under this Section 6.1.F will be attributed to specific LTIP Units of such LTIP Unitholder for purposes of determining (i) allocations under this Section 6.1.F, (ii) the effect of the forfeiture or conversion of specific LTIP Units on such LTIP Unitholder's Economic Capital Account Balance and (iii) the ability of such LTIP Unitholder to convert specific LTIP Units into Class A Units. Such Liquidating Gain will be attributed to LTIP Units in the following order: (i) first, to Vested LTIP Units held for more than two years, (ii) second, to Vested LTIP Units held for two years or less, (iii) third, to Unvested LTIP Units that have remaining vesting conditions that only require continued employment or service to the Partnership, the General Partner or an Affiliate of either for a certain period of time (with such Liquidating Gains being attributed in order of vesting from soonest vesting to latest vesting), and (iv) fourth, to other Unvested LTIP Units (with such Liquidating Gains being attributed in order of issuance from earliest issued to latest issued). Within each such category, Liquidating Gain will be allocated serially (i.e., entirely to the first unit in the category, then entirely to the next unit in the category, and so on, until a full allocation is made to the last unit in the category) in the order of smallest Book-Up Target to largest Book-Up Target until the Economic Capital Account Balance of such LTIP Unitholder attributable to such LTIP Unitholder's ownership of each LTIP Unit in the category is equal to the Class A Unit Economic Balance; provided, however, that if there is not sufficient Liquidating Gain for the Economic Capital Account Balance of such LTIP Unitholder attributable to such LTIP Unitholder's ownership of each LTIP Unit to be equal to the Class A Unit Economic Balance and the Book-Up Target for any LTIP Unit is less than the amount required to be allocated to the LTIP Unit for the Economic Capital Account attributable to the LTIP Unit to equal the Class A Unit Economic Balance, then Liquidating Gains shall be allocated pursuant to the waterfall set forth in 6.1.F(ii)(i)-(iv) above until the Book-Up Target of each such LTIP Unit in each category has been reduced to zero and, thereafter, any remaining Liquidating Gain shall be further allocated pursuant to such waterfall until the Economic Capital Account Balance of an LTIP Unitholder attributable to such LTIP Unitholder's ownership of each LTIP Unit in the category is equal to the Class A Unit Economic Balance.

(iii) After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto, and notwithstanding the provisions of Sections 6.1.A and 6.1.B above, in the event that, due to distributions with respect to Class A Units in which the LTIP Units do not participate or otherwise, the Economic Capital Account Balance of any present or former holder of LTIP Units, to the extent attributable to the holder's ownership of LTIP Units, exceeds the target balance specified above, the amount of such excess shall be re-allocated to such LTIP Unitholder's remaining LTIP Units to the same extent and in the same manner as would apply pursuant to Section 6.1.F(iv) below in the event of a forfeiture of

LTIP Units. To the extent such excess may not be re-allocated, any remaining Liquidating Losses shall be allocated to such LTIP Unitholder to the extent necessary to reduce or eliminate the disparity; provided, however, that if Liquidating Losses are insufficient to completely eliminate all such disparities, such losses shall be allocated among the LTIP Unitholders as reasonably determined by the General Partner.

(iv) If an LTIP Unitholder forfeits any LTIP Units to which Liquidating Gain has previously been allocated under this Section 6.1.F the Capital Account associated with such forfeited LTIP Units will be re-allocated to that LTIP Unitholder's remaining LTIP Units using a methodology similar to that described in Section 6.1.F(ii) above to the extent necessary to cause such LTIP Unitholder's Economic Capital Account Balance attributable to each LTIP Unit to equal the Class A Unit Economic Balance.

(v) In the event that Liquidating Gains or Liquidating Losses are allocated under this Section 6.1.F, Net Income allocable under the remaining Subsections of Section 6.1.A (*i.e.* Subsections 6.1.A(vii) and after) and any Net Losses shall be recomputed without regard to the Liquidating Gains or Liquidating Losses so allocated.

(vi) The parties agree that the intent of this Section 6.1.F is to make the Capital Account balance associated with each LTIP Unit economically equivalent to the Capital Account balance associated with the General Partner's Class A Units (on a per-unit basis), but only if the Partnership has recognized cumulative net gains with respect to its assets since the issuance of the relevant LTIP Unit.

5. Section 2.A of Exhibit AH of the Agreement is hereby supplemented by adding the following sentence to the end thereof:

"Notwithstanding anything in the forgoing to the contrary, prior to the Distribution Participation Date with respect to an LTIP Unit, such LTIP Unit will only be entitled to receive such distributions, other than distributions representing proceeds of a sale or other disposition of all or substantially all of the assets of the Partnership, in an amount equal to the product of the LTIP Unit Initial Sharing Percentage for such LTIP Unit and the amount otherwise distributable with respect to such LTIP Unit pursuant to this Section 2.A."

6. Section 2.B of Exhibit AH of the Agreement is amended by replacing the text thereof with the following:

"B. Distribution Participation Date. The "Distribution Participation Date" for an LTIP Unit will be either (i) with respect to LTIP Units awarded pursuant to the General Partner's 2006 Outperformance Plan (the "2006 Outperformance Plan"), the applicable Valuation Date (as defined in the Vesting Agreement of each Person awarded LTIP Units under the 2006 Outperformance Plan), (ii) with respect to LTIP Units awarded pursuant to the General Partner's 2008

Outperformance Plan (the “2008 Outperformance Plan”), the date on which such LTIP Units are entitled to receive one hundred percent (100%) of the distributions payable with respect to the Class A Units pursuant to the Vesting Agreement of each Person awarded LTIP Units under the 2008 Outperformance Plan or (iii) with respect to other LTIP Units, such date as may be specified in the Vesting Agreement or other documentation pursuant to which such LTIP Units are issued, or if no Distribution Participation Date is so specified, the date on which such LTIP Unit is issued.”

7. Section 3 of Exhibit AH of the Agreement is hereby supplemented by adding the following sentence to the end thereof:

“Until the Distribution Participation Date, each LTIP Unit will only be entitled to receive such allocations in an amount equal to the product of the LTIP Unit Initial Sharing Percentage for such LTIP Unit and the amount otherwise allocable with respect to such LTIP Unit pursuant to this Section 3.”

8. Section 4 of Exhibit AH of the Agreement is hereby amended by replacing the text of the first sentence thereof with the following:

“The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Class A Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided that the foregoing is not intended to alter the special allocations pursuant to Section 6.1.F of the Agreement, differences between non-liquidating distributions to be made with respect to the LTIP Units and Class A Units prior to the Distribution Participation Date for such LTIP Units, differences between liquidating distributions to be made with respect to the LTIP Units and Class A Units pursuant to Section 13.2 of the Agreement or Section 2.A of this Exhibit AH in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to the Class A Units due to insufficient special allocations pursuant to Section 6.1.F of the Partnership Agreement or related provisions.”

9. Section 7.B of Exhibit AH of the Agreement is amended by replacing the text of the last sentence thereof with the following:

“Notwithstanding the foregoing, in no event may an LTIP Unitholder convert a Vested LTIP Unit the Book-Up Target of which has not been reduced to zero.”

10. Section 7.F of Exhibit AH of the Agreement is amended by replacing the text thereof with the following:

“F. Treatment of Capital Account. For purposes of making future allocations under Section 6.1.F of the Agreement, the Economic Capital Account Balance of the applicable LTIP Unitholder shall be reduced, as of the date of conversion, by the amount of such Economic Capital Account Balance attributable to the converted LTIP Units.”

IN WITNESS WHEREOF, the undersigned has caused this Amendment to be executed as of the date first written above.

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Name: Joseph Macnow

Title: Executive Vice President and Chief Financial Officer