SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported):
January 1, 2002

VORNADO REALTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

MARYLAND	1-11954	22-1657560
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Vornado Realty Trust
888 7th Avenue, New York, New York 10019
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (212) 894-7000

N/A
(Former Name or Former Address, if Changed Since Last Report)

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a)-(b) Financial Statements and Pro Forma Financial Information.

Reference is made to the Current Report on Form 8-K filed by Vornado Realty Trust, a Maryland real estate investment trust, with the Securities and Exchange Commission on January 16, 2002 in connection with the consummation of the merger between a wholly-owned subsidiary of Vornado Realty L.P., a Delaware limited partnership and a 79% owned subsidiary of Vornado Realty Trust, through which Vornado Realty Trust conducts its business, and Charles E. Smith Commercial Realty L.P., a Delaware limited partnership. Attached hereto as Exhibits 99.1 and 99.2 and incorporated by reference herein are the required audited financial statements and pro forma financial information, respectively.

(c) Exhibits.

The following documents are filed as exhibits to this report:

3.1 Eighteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of January 1, 2002.

10.1 Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto.

10.2 Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto.

10.3 Tax Reporting and Protection Agreement, dated as of December 31, 2001, by and among Vornado Realty Trust, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C.

23.1 Report of Independent Public Accountants

99.1 Charles E. Smith Commercial Realty L.P. - Consolidated Financial Statements as of and for the Year Ended December 31, 2001, together with the report of Arthur Andersen LLP.

99.2 Vornado Realty Trust - Unaudited Pro Forma Consolidated Financial Statements as of and for the Year Ended December 31, 2001.

SIGNATURE

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 hereunto duly authorized.

VORNADO REALTY TRUST
(Registrant)

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President --
Finance and Administration,
Chief Financial Officer

Date: March 18, 2002

Exhibit Index

3.1	Eighteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of January 1, 2002.
10.1	Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto.
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EIGHTEENTH AMENDMENT TO SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF VORNADO REALTY L.P.

Dated as of January 1, 2002

THIS EIGHTEENTH AMENDMENT TO THE SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF VORNADO REALTY L.P. (this "Amendment") is hereby adopted by Vornado Realty Trust, a Maryland real estate investment trust (defined therein as 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., as amended by the Amendment to 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 Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 1, 1998, and the Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 12, 1998, and the Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 30, 1998, and the Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 3, 1999, and the Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 17, 1999, and the Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999, and the Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 27, 1999, and the Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, and the Tenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, and the Eleventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 24, 1999, and the Twelfth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 1, 2000, and the Thirteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 25, 2000, and the Fourteenth Amendment to

Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 8, 2000, and the Fifteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 15, 2000, the Sixteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 25, 2001, and the Seventeenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 21, 2001 (as so amended and as the same may be further amended, the "Agreement").

WHEREAS, on October 18, 2001, the Partnership, the General Partner, Vornado Merger Sub L.P. (the "Merger Sub"), a wholly-owned subsidiary of the Partnership, Charles E. Smith Commercial Realty L.P., a Delaware limited partnership ("SCR"), Charles E. Smith Commercial Realty L.L.C., a Delaware limited liability company and the sole general partner of SCR, Robert H. Smith, Robert P. Kogod and Charles E. Smith Management, Inc. entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which the parties agreed to the acquisition of SCR by the Partnership through the merger of Merger Sub with and into SCR (the "Merger").

WHEREAS, as a condition to the closing of the transactions contemplated in the Merger Agreement, the General Partner and the Partnership have agreed to amend the Agreement to acknowledge the issuance of the SCR Units (as defined below) and to make certain other related changes;

WHEREAS, in connection with the Merger, the Partnership has agreed to issue 15,612,831 additional Class A Units (such units, the "SCR Units") to those Persons (other than the Partnership and entities wholly-owned by it) who, prior to the Merger, held partnership interests in SCR;

WHEREAS, Section 4.2.A of the Agreement grants the General Partner authority to cause the Partnership to issue interests in the Partnership to a person other than the General Partner in one or more classes or series, with such designations, preferences and relative, participating, optional or other special rights, powers and duties as may be determined by the General Partner in its sole and absolute discretion so long as the issuance does not violate

Section 4.2.E of the Agreement;

WHEREAS, the General Partner has determined that the issuance of the SCR Units will not violate Section 4.2.E of the Agreement;

WHEREAS, Section 7.6.A of the Agreement requires, among other things, that the General Partner obtain the approval of a majority of the disinterested trustees (or directors) of the General Partner, taking into account the fiduciary duties of the General

Partner to the limited partners of the Partnership, before it purchases any property from any affiliate of the Partnership;

WHEREAS, immediately prior to the Merger, the Partnership owns, directly and indirectly, approximately 88% of the outstanding partnership interests in SCR and SCR is, therefore, an affiliate of the Partnership;

WHEREAS, on October 1, 2001, the disinterested directors of the General Partner unanimously approved the Merger;

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

WHEREAS, the General Partner has determined that the amendments effected hereby do not adversely affect or eliminate any of the limited partner rights specified in Section 14.1.C or Section 14.1.D of the Agreement as requiring a particular minimum vote;

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

1. Section 4.2 of the Agreement is hereby supplemented by adding the following paragraph to the end thereof:

"T. Issuance of SCR Units to SCR Unitholders.

(1) In connection with the acquisition by the Partnership of limited partnership interests in Charles E. Smith Commercial Realty L.P. on January 1, 2002 pursuant to the Agreement and Plan of Merger, dated October 18, 2001 among the General Partner, the Partnership, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P. ("SCR"), Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, Robert P. Kogod and Charles E. Smith Management, Inc., the Partnership issued 15,612,831 Class A Units (such Units, the "SCR Units") to the holders of partnership interests in SCR (other than the Partnership or any of its subsidiaries or affiliates) (the "SCR Unitholders") as reflected on amended Exhibit A attached hereto. Notwithstanding any other provision contained in this Agreement, (i) holders from time to time of SCR Units shall not participate in any distribution (whether cash, securities or in any

other form) constituting a "spin-off" of the Partnership's investment in, or any of the assets of, Alexander's, Inc. or any of its affiliates if the Partnership Record Date for determining partners entitled to participate therein is on or before December 31, 2001 and (ii) upon consummation of the merger (the "Effective Time") of Vornado Merger Sub L.P. with and into SCR, each of the SCR Unitholders listed in the books and records of SCR immediately prior to the Effective Time automatically shall be admitted to the Partnership as an Additional Limited Partner, regardless of whether or not such Person has executed this Agreement or a counterpart signature page hereto, and without any further act, approval or vote of any Person. Each such Additional Limited Partner shall, upon such admission, be subject to, and bound by, this Agreement, including, without limitation, all of the terms and conditions of this Agreement and the power of attorney granted in Section 15.11 hereof.

(2) Except as expressly set forth in the third sentence of this subsection (2), Holders from time to time of the SCR Units shall not be entitled to participate in any distributions in respect of those Units for any period prior to their issuance and, notwithstanding any provisions of Section 5.1.B of this Agreement to the contrary, in the event that the SCR Units are issued on or effective as of any date other than the first day of a period to which a distribution is attributable, any distributions to be made to holders of the SCR Units in respect of the distribution period in which the date of issuance falls shall be prorated based on the actual number of days in the entire period to which the distribution is attributable and the number of days in the period that the SCR Units were outstanding. For clarification, under current practices the Partnership's regular quarterly distributions made during any calendar quarter are attributable to the immediately preceding calendar quarter. If, at any time after the date of issuance of the SCR Units, the General Partner declares any distribution in respect of Class A Units other than a regular quarterly distribution (any such distribution, a "Special Distribution"), the Special Distribution is attributable to any period prior to the date of issuance of the SCR Units and the Partnership Record Date for determining partners entitled to participate in the distribution is on or after the date of issuance of the SCR Units, then the holders of SCR Units shall be entitled to participate in that Special Distribution pro rata as if their SCR Units had been outstanding for the entire period to which that Special Distribution is attributable.

(3) Section 8.6 of this Agreement is hereby irrevocably modified with respect to all SCR Units such that for any redemption of any such Units that will not qualify as either (A) a "block transfer" within the meaning of Regulations Section 1.7704-1(e)(2) or any successor provision or (B) a transfer that falls within the "lack of actual trading" safe harbor available in Regulations Section

1.7704-1(j) or any successor provision (any such redemption, a "Non-Qualifying Redemption"), the waiting period applicable to the Limited Partner between the date the Partnership receives a Notice of Redemption for the Limited Partner and the Specified Redemption Date and/or the Valuation Date shall be up to sixty (60) days, as determined by the General Partner in its sole discretion, and the General Partner shall have all requisite power and authority to amend the provisions of Section 8.6 of this Agreement applicable in respect of the SCR Units as it deems necessary or appropriate to (x) increase the waiting period between the delivery of a Notice of Redemption and the Specified Redemption Date and/or the Valuation Date to up to sixty (60) days for any Non-Qualifying Redemption and/or (y) implement any other amendment to this Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Regulations Section 1.7704-1(f). In furtherance of the foregoing, each SCR Unitholder appoints the General Partner, any Liquidator and any authorized officers of the General Partner 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 sentence on such SCR Unitholder'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, banckruptcy or termination of the SCR Unitholder as a Limited Partner and shall extend to the SCR Unitholder's heirs, executors, administrators, legal representatives, successors and assigns.

(4) By accepting the SCR Units, each SCR Unitholder covenants and agrees that it does not and will not while it owns, directly or indirectly, equity interests in the Partnership with an aggregate value equal to or exceeding five (5) percent of the total value of the outstanding equity interests in the Partnership own, either directly or under the attribution rules of Section 318(a) of the Code (as modified by Section 856(d)(5) of the Code and using the principles of Section 7704(d)(3)(B) of the Code in determining when interests owned, directly or under the attribution rules, by a partner in an entity that is treated as a partnership for federal tax purposes as owned by such entity), any equity interests in Vornado Operating Company, Vornado Operating L.P., or any direct or indirect tenant or subtenant of the Partnership or any of its subsidiaries (Vornado Operating Company, Vornado Operating L.P., or any direct or indirect tenant or subtenant of the Partnership or any of its subsidiaries, collectively, the "Vornado Tenants"); provided that the foregoing covenant shall not be treated as breached by a Limited Partner unless at such time the ownership of equity interests by such Limited Partner in one or more Vornado Tenants would cause

either (a) the General Partner to fail to qualify as a REIT for purposes of Section 856 of the Code or (b) the Partnership to be treated as a publicly traded partnership treated as a corporation under Section 7704(a) of the Code. If at any time the Limited Partner would, but for the provisions of this paragraph (4), own both (i) five (5) percent or more (by value) of the outstanding equity interests in the Partnership and (ii) an equity interest in one or more Vornado Tenants in breach of the covenant set forth in the first sentence of this Section 4.2.T.(4) (applied taking into account the proviso in the first sentence of this Section 4.2.T.(4)), then, effective immediately prior to such point in time, the smallest portion of the interests in the Partnership owned (directly or indirectly) by the Limited Partner that is necessary to cause such Limited Partner to be considered to own (directly or indirectly) interests in the Partnership with a value that is not in excess of four and nine tenths (4.9) percent of the value of the Partnership's outstanding equity interests, shall become "Excess Units". While interests in the Partnership are Excess Units, such interests will be deemed to have been transferred by operation of law to a trust (the "Special Trust") for the exclusive benefit of an organization described in Section 501(c)(3) of the Code and designated by the General Partner. The Partnership, as trustee for the Special Trust, shall be entitled to receive all distributions made in respect of Excess Units. Any distributions made in respect of Excess Units prior to the discovery that interests in the Partnership had become Excess Units shall be repaid by the recipients thereof to the Partnership as trustee of the Special Trust. The trustee shall exercise all rights associated with interests in the Partnership that have become Excess Units during the period that such interests are Excess Units. The Partnership shall have the right to transfer the Excess Units held in the Special Trust to any person. The Limited Partner (or its successor) shall be entitled to receive, from the proceeds of such a transfer, an amount not in excess of the lesser of (i) the fair market value of the interests that became Excess Units on the date that they became Excess Units and (ii) the net consideration received by the Partnership for the transfer of the Excess Units after deducting any expenses incurred by the Partnership in connection therewith. Excess Units shall cease to be treated as Excess Units following such a transfer and instead shall have the attributes that existed immediately before becoming Excess Units. In the event that a liquidating distribution is made in respect of Excess Units, the Limited Partner (or its successor) shall be entitled to receive a portion of such distribution not in excess of the fair market value of the interests that became Excess Units on the date that they became Excess Units. The Partnership agrees that, if it becomes aware that partnership interests held by a Limited Partner or any person that owns ten (10) percent or more of the capital stock of the Limited Partner (in the case of a Limited Partner that is a corporation) or twenty five (25) percent or more of the capital or profits interests of a Limited Partner (in the case of a Limited Partner that is treated as a partnership for U.S. federal income tax

purposes) have become Excess Units, then it will make commercially reasonable efforts to cause a transfer of such Excess Units as promptly as practicable (provided, however, that it shall not be required to incur any material expense or expend any significant time or manpower in such efforts). The Limited Partner has no liability under this paragraph (4) for damages, monetary or otherwise, as a result of a breach of the covenant under this paragraph (4) other than having its interests become Excess Units under this paragraph (4) and, as a result, being liable to pay over any distribution or other amounts which the Limited Partner receives to which it is not entitled under the Excess Units provisions of this paragraph (4). The General Partner may, in its sole and absolute discretion exercised in good faith, take any commercially reasonable and appropriate actions to enforce the provisions of this paragraph (4).

(5) To the extent that the provisions Articles 7 and 8 of the Tax Protection Agreement being entered into by the Partnership concurrently with the issuance of the SCR Units (and the related definitions in the Tax Protection Agreement and the related Schedules to the Tax Protection Agreement), copies of which are attached hereto as Exhibit X, address matters addressed in, and/or provide for rights required to be provided for in Article VI and/or Exhibit B and Exhibit C to the Agreement, the referenced portions of the Tax Protection Agreement constitute amendments to Article VI and/or Exhibit B and Exhibit C to the Agreement, as applicable, insofar as that Article and/or Exhibit B and Exhibit C apply to the SCR Units."

2. Section 11.3.A of the Agreement is hereby deleted in its entirety and replaced with the following:

"A. General. Subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E and 11.6 below, prior to the first anniversary of the date of issuance, the Limited Partnership Interest of any Partner may not be offered for sale, sold, contracted for sale, pledged, transferred or otherwise disposed in whole or in part, directly, indirectly or beneficially (including without limitation, through a cash-settled derivative instrument), without the prior written consent of the General Partner, which consent the General Partner may grant or withhold in its sole discretion. Any attempt to affect any such sale, pledge, transfer or other disposition shall be void ab initio. Commencing with the first anniversary of the date of issuance, but subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, a Limited Partner (other than the General Partner or the General Partner Entity or any Subsidiary of either of them) may transfer all or any portion of its Limited Partnership Interest to any person provided that the Limited Partner obtains the prior written consent of the General Partner, which consent may be withheld only pursuant to one of the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 or 11.6 below or if the General Partner determines in its sole discretion exercised in good faith that such a transfer would cause the Partnership or any or all of the

Partners other than the Limited Partner seeking to transfer its rights as a Limited Partner to be subject to tax liability as a result of such transfer."

3. Section 11.6.C of the Agreement is hereby deleted in its entirety and replaced with the following:

"C. Timing of Transfers. Transfers pursuant to this Article XI may only be made on the first day of a calendar month, unless the General Partner otherwise agrees.

4. Subsection A of Section 12.2 of the Agreement is hereby amended to read in its entirety as follows:

"A. General. No Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent shall be given or withheld in the General Partner's sole and absolute discretion. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement, including, without limitation, pursuant to Section 4.1.C hereof, or who acquires or otherwise receives Partnership Units in any permitted transfer shall be admitted to the Partnership as an Additional Limited Partner only with the consent of the General Partner and only upon furnishing to the General Partner such documents or other instruments as the General Partner may require in its discretion, which may include, among other things, a written instrument, in a form acceptable to the General Partner, by which that Person confirms to the General Partner that it has accepted all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 15.11 hereof. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person and the number of Partnership Units issued to such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission. Regardless of the means by which any Additional Limited Partner is admitted to the Partnership, each Additional Limited Partner shall, automatically upon such admission, become subject to and bound by all of the terms and conditions of this Agreement, including, without limitation, the provisions of Section 15.11 hereof."

5. Exhibit A of the Agreement is hereby deleted and is replaced in its entirety by new Exhibit A attached hereto as Attachment 1.

6. Except as expressly amended hereby, the Agreement shall remain in full force and effect.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the General Partner has executed this Amendment as of the date first written above.

VORNADO REALTY TRUST

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President - Finance and Administration and Chief Financial Officer

Acknowledged and agreed:

CHARLES E. SMITH COMMERCIAL REALTY L.L.C., as Representative of each of the persons receiving SCR Units as described in Section 1 above:

By: /s/ PAUL F. LARNER

Name: Paul F. Larner
Title: Chief Financial Officer

Exhibit X

TAX REPORTING AND PROTECTION AGREEMENT

BY AND AMONG

VORNADO REALTY TRUST,

VORNADO REALTY L.P.,

CHARLES E. SMITH COMMERCIAL REALTY L.P.,

AND

CHARLES E. SMITH COMMERCIAL REALTY, L.L.C.,
as Representative of, and for the Benefit of,
the Holders of Units of Partnership Interest in
Charles E. Smith Commercial Realty L.P.

Dated as of
December 31, 2001

TAX REPORTING AND PROTECTION AGREEMENT

THIS TAX REPORTING AND PROTECTION AGREEMENT (this "Agreement") is entered into as of December 31, 2001, by and among VORNADO REALTY TRUST ("Vornado REIT"), a Maryland real estate investment trust and the sole general partner of Vornado Realty L.P.; VORNADO REALTY L.P., a Delaware limited partnership ("Vornado OP"); CHARLES E. SMITH COMMERCIAL REALTY L.P., a Delaware limited partnership ("SCR"); and CHARLES E. SMITH COMMERCIAL REALTY, L.L.C., a Delaware limited liability company and the sole general partner of SCR ("SCR GP"), as representative of the current holders of partnership interests in SCR (other than Vornado CESCR LLC and Vornado CESCR II LLC) (the "SCR Unitholders"). SCR GP is entering into this Agreement in its capacity as a general partner of SCR, in the capacity as representative of, and for the benefit of, each SCR Unitholder, and for its own account. Vornado REIT and Vornado OP hereby agree that each of the SCR Unitholders is a third party beneficiary of this agreement with all of the rights and privileges set forth herein.

WHEREAS, Vornado REIT, Vornado OP, Vornado Merger Sub L.P. ("Vornado Merger Sub"), SCR, Robert H. Smith, and Robert P. Kogod have entered into that certain Agreement and Plan of Merger dated as of October 18, 2001 (the "SCR Merger Agreement") whereby Vornado REIT and Vornado OP will acquire SCR through a merger of Vornado Merger Sub with and into SCR, with the existing units of limited partnership interest in SCR (other than those held by Vornado CESCR LLC and Vornado CESCR II LLC) (the "Old SCR Units") being converted into units of limited partnership interest in Vornado OP (the "Vornado OP Units") and the partners of Vornado Merger Sub becoming the sole interest holders in SCR (the "Merger");

WHEREAS, (i) Vornado Merger Sub, which is owned entirely by Vornado OP and an entity that is owned entirely by Vornado OP and disregarded for federal income tax purposes, is disregarded as an entity for federal income tax purposes under Treasury Regulation ss. 301.7701-3, and (ii) following the merger, SCR will be owned entirely by Vornado OP and another entity that is owned entirely by Vornado OP and that is disregarded for federal income tax purposes under Treasury Regulation ss. 301.7701-3, with the result that SCR will be disregarded as an entity for federal income tax purposes following the Merger, and Vornado OP will be treated as owning directly all of the assets of SCR, it is intended for federal income tax purposes that the Merger, regardless of form, be treated as a contribution by SCR of all of its assets, subject to all of its liabilities, to Vornado OP in exchange for partnership interests in Vornado OP under Section 721 of the Internal Revenue Code of 1986, as amended (the "Code"), followed by a distribution by SCR of those partnership interests in Vornado OP to the current holders of partnership units in SCR (other than Vornado CESCR LLC and Vornado CESCR II LLC) in accordance with their respective interests in SCR in liquidation of SCR; and

WHEREAS, in accordance with Section 4.2 of the SCR Merger Agreement and in consideration for the agreement of SCR to consummate the Merger, the parties desire to enter into this Agreement regarding certain tax matters associated with the Merger.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein and in the SCR Merger Agreement, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

To the extent not otherwise defined herein, capitalized terms used in this Agreement have the meanings ascribed to them in the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P. dated October 20, 1997, as amended to the date hereof, a copy of which is attached hereto as Exhibit A (the "Vornado OP Partnership Agreement").

704(c) Value: Means the fair market value of each of the Protected Properties as agreed to by Vornado OP and SCR and as set forth in Schedule 3 hereto.

Ceiling Rule Disparity: As defined in Section 7(a).

Cumulative Net Ceiling Rule Disparity: As defined in Section 7(a).

Curative Allocation: Means, (i) for the Fiscal Year ending December 31, 2002, an amount of income per Non-Rock Spring Protected Unit equal to $1.2613 (which amount shall be prorated for 2002 if the Merger occurs after January 1, 2002, based upon the number of days in 2002 following the Merger divided by 365), (ii) for the Fiscal Year ending December 31, 2003, an amount of income per Non-Rock Spring Protected Unit equal to $1.4781 and (iii) for each Fiscal Year following 2003 through and including 2041, an amount of income per Non-Rock Spring Protected Unit equal to $1.6423 (which amount per Non-Rock Spring Protected Unit shall be pro rated between the transferor and transferee with respect to a Non-Rock Spring Protected Unit that is transferred during any Fiscal Year, based upon the number of days in such Fiscal Year prior to the day on which such Non-Rock Spring Protected Unit was transferred and the number of days remaining in such Fiscal Year). If any taxable year of Vornado OP is less than 365 days, then the Curative Allocation shall be pro rated based upon the ratio of the number of days in such "short taxable year" to 365.

Existing Nonrecourse Debt: Means all of the outstanding indebtedness of SCR and its Subsidiaries at the time of the closing of the Merger that is treated as a Nonrecourse Liability and that is secured by any of the Protected Properties (or is treated for purposes of Treasury Regulation ss. 1.752-3(a)(2) as secured by any of the Protected Properties). The Existing Nonrecourse Debt and the Protected Properties secured thereby are set forth on Schedule 4 hereto).

Existing SCR Indebtedness: As defined in Section 2(d)(1).

Extended Tax Protected Period: As defined in the definition of Protected Period.

Guaranteed Amount: Means the aggregate amount of each Guaranteed Debt that is guaranteed at any time by SCR Partner Guarantors. The Guaranteed Amount with respect to each Guaranteed Debt as of the date hereof is set forth on Schedule 8 hereto.

Guaranteed Debt: Means each of the loans listed on Schedule 8 hereto that is guaranteed by SCR Partner Guarantors on the date hereof, and any other loans incurred (or assumed) by Vornado OP or any of its Subsidiaries that are guaranteed by SCR Partner Guarantors at any time hereafter pursuant to Article 3 hereof.

Initial Guarantee Shortfall: Means, as to each SCR Partner Guarantor, the excess of the amount of indebtedness that such SCR Partner Guarantor has committed to guarantee at the time of the Merger, which amount as to each SCR Partner Guarantor is set forth on Schedule 9 hereto, over the Scheduled Guarantee Amount for such SCR Partner Guarantor. The Initial Guarantee Shortfall for each SCR partner Guarantor as of the date hereof is set forth on Schedule 9 hereto. The Initial Guarantee Shortfall with respect to an SCR Partner Guarantor shall be reduced as set forth in Section 3(b).

Lock-up Agreement: Means as to each SCR Unitholder who enters into the a Lock-Up Agreement in the form of Schedule 6 hereto, such Lock-up Agreement that such SCR Unitholder has entered into.

Nonrecourse Liability: Means a "nonrecourse liability" as defined in Treasury Regulations ss. 1.752-1(a)(2).

Non-Rock Spring Protected Units: Means all Protected Units other than the Protected Units issued in the Merger with respect to SCR Units that previously were issued to the former partners of First Rock Spring Limited Partnership in connection with the contribution of their interests in First Rock Spring Limited Partnership to SCR on or about January 31, 2000.

Other Qualified Indebtedness: As defined in Section 2(d)(1).

Protected Units: Means those Vornado OP Units issued to the SCR Unitholders in connection with the Merger, or any partnership interests in Vornado OP (or any other entity that is treated as a partnership for federal income tax purposes) thereafter issued by Vornado OP to the SCR Unitholders in exchange for such Protected Units or with respect to such Protected Units. The term Protected Units shall not include any other Vornado OP Units hereafter acquired by an SCR Unitholder, whether from Vornado OP (except as described in

the immediately preceding sentence) or otherwise.

Protected Properties: Means, except as otherwise specifically provided herein, those properties and assets set forth on Schedule 2 hereto 1/ and any other

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(1) The Protected Properties will include all buildings and land in which SCR owns a direct or indirect interest at the time of the Merger, all partnership or LLC interests owned directly or indirectly by SCR at the time of the Merger, the management business

[Footnote continued]

properties or assets hereafter acquired by Vornado OP or any direct or indirect Subsidiary of Vornado OP that are treated as "substituted basis property" as defined in Section 7701(a)(42) of the Code with respect to such Protected Properties.

Protected Period: Means with respect to each SCR Unitholder, the period ending at 12:01 A.M. on January 1, 2012 (the "Initial Ten-Year Period"), provided, however, that the Protected Period with respect to each SCR Unitholder who enters into a Lock-Up Agreement in the form of Schedule 6 hereto shall be extended for an additional 10-year period, which shall end at 12:01 A.M. on January 1, 2022 (the additional 10-year period is referred to as the "Extended Tax Protected Period"), provided further that in the event of the death of all of Robert H. Smith, Robert P. Kogod, Clarice R. Smith and Arlene R. Kogod (a) during the Initial Ten-Year Period, no SCR Unitholder shall have an Extended Tax Protected Period beyond the Initial Ten-Year Period or (b) after the Initial Ten-Year Period, the Extended Tax Protected Period shall terminate with respect to each SCR Unitholder on the date of death of the last to survive of Robert H. Smith, Clarice R. Smith, Robert P. Kogod, or Arlene R. Kogod. In addition, the Extended Tax Protected Period shall be subject to early termination as set forth in Article 12 below.

Qualified Guarantee: As defined in Section 3(b).

Qualified Guarantee Indebtedness: As defined in Section 3(b).

Qualified Replacement Indebtedness: As defined in Section 2(d)(1).

SCR Merger Closing Date: Means December 31, 2001.

SCR Partner Guarantors: Means those SCR Unitholders who, as of the time of the determination, have guaranteed any portion of any of the Guaranteed Debt. The SCR Partner Guarantors as of the date hereof, the aggregate amount of all Guaranteed Debt that each such SCR Partner has guaranteed as of the date hereof, and each SCR Partner Guarantor's dollar amount share of the Guaranteed Amount with respect to each Guaranteed Debt as of the date hereof are set forth on Schedules 8 and 9 hereto.

SCR Unitholders: Means the SCR Unitholders set forth on Schedule 1 hereto,2/ and any Person who holds Protected Units who acquires such Protected Units

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[Footnote continued]

conducted by SCR and all stock or securities of any corporate entity to which all or any portion of such management business is transferred in connection with or following the Merger and in which Vornado OP owns a direct or indirect interest.

(2) The term SCR Unitholders shall include each SCR Unitholder that receives Vornado OP Units in the Merger.

from an SCR Unitholder in a transaction in which gain or loss is not recognized in whole or in part for federal income tax purposes and in which such transferee's adjusted basis, as determined for federal income tax purposes, is determined in whole or in part by reference to the adjusted basis of the SCR Unitholder in such Protected Units.

Scheduled Guarantee Amount: Means, as to each SCR Partner Guarantor, the aggregate amount of all Guaranteed Debt that, as of the SCR Merger Closing Date, such SCR Partner Guarantor shall have guaranteed. The Scheduled Guarantee Amount for each such SCR Partner Guarantor is set forth on Schedule 9 to this Agreement. The Scheduled Guarantee Amount for an SCR Partner Guarantor shall be increased by the amount of any Qualified Guarantee Indebtedness guaranteed by such SCR Partner Guarantor pursuant to Section 3(b). The Scheduled Guarantee Amount for an SCR Partner Guarantor shall be reduced only if (i) such SCR Partner Guarantor notifies Vornado OP in writing that the Scheduled Guarantee Amount is thereafter to be reduced (which notice shall not affect any guarantees then existing by the SCR Partner Guarantor but, as to the dollar amount of the reduction specified in such notice, shall relieve Vornado OP of its obligation under this Agreement to maintain the Guaranteed Debt with respect to such SCR Partner Guarantor or to offer replacement debt to be guaranteed by the SCR Partner Guarantor), or (ii) in the event that any Guaranteed Debt is to be repaid or refinanced and Vornado OP offers in writing to the SCR Partner Guarantor the opportunity to enter into a Qualified Guarantee with respect to other Qualified Guarantee Indebtedness that meets all of the conditions set forth in Section 3(e) and the other applicable provisions of Article 3, the SCR Partner Guarantor fails, within 30 days after receipt of such offer from Vornado OP, to execute a guarantee with respect to such replacement Guaranteed Debt (provided that the amount of the reduction in the Scheduled Guarantee Amount with respect to such SCR Partner Guarantor shall not exceed the lesser of the dollar amount of the guarantee offered by Vornado and not accepted by the SCR Partner Guarantor or such SCR Partner Guarantor's share of the Guaranteed Amount with respect to the Guaranteed Debt being repaid or refinanced).

Subsidiary: Means any partnership, limited liability company, trust or other entity either (a) whose disposition of a Protected Property or any direct or indirect interest in a Protected Property or (b) a direct or indirect disposition of an interest in which by Vornado OP would result in the allocation of taxable gain to one or more SCR Unitholders pursuant to Section 704(c) of the Code and the Treasury Regulations thereunder.

Successor Partnership: As defined in Section 2(b).

Taxes: Means all federal, state, local and foreign taxes (including, without limitation, income, profit, franchise, sales, use, real property, personal property, ad valorem, excise, employment, social security and wage withholding taxes) and installments and estimated taxes, assessments, deficiencies, levies, imposts, duties, withholdings, or other similar charges of every kind, character or description imposed by any governmental authorities, and any interest, penalties or additions to tax imposed thereon or in connection therewith.

ARTICLE 2
RESTRICTIONS ON DISPOSITIONS OF PROTECTED PROPERTIES

(a) General Prohibition on Disposition. Vornado OP agrees for the benefit of each SCR Unitholder, for the term of the Protected Period applicable to such SCR Unitholder, not to directly or indirectly sell, exchange, transfer, or otherwise dispose of any Protected Property or any interest therein (without regard to whether such disposition is voluntary or involuntary). Without limiting the foregoing, the term "sale, exchange, transfer or disposition" by Vornado OP shall be deemed to include, and the prohibition shall extend to:

(i) any direct or indirect disposition by any direct or indirect Subsidiary (including SCR) of any Protected Property or any interest therein;

(ii) any direct or indirect disposition by Vornado OP of all or any portion of its interest in SCR;

(iii) any direct or indirect disposition by Vornado OP or any Subsidiary of Vornado OP of all or any portion of its interest in any entity that (A) was a Subsidiary of SCR or (B) is a Subsidiary of Vornado and owns a direct or indirect interest in a Protected Property (which prohibition shall include, without limitation, any transaction involving a distribution or deemed distribution by a Subsidiary to Vornado OP under Section 731 of the Code);

(iv) any direct or indirect distribution by Vornado OP of any Protected Property (or any direct or indirect interest therein) that is subject to Section 704(c)(1)(B) of the Code and the Treasury Regulations thereunder; and

(v) any distribution by Vornado OP to an SCR Unitholder that is subject to Section 737 of the Code and the Treasury Regulations thereunder (except as, and to the extent, permitted under Section 2(f) below);

Without limiting the foregoing, a disposition shall include any transfer, voluntary or involuntary, in a foreclosure proceeding, pursuant to a deed in lieu of foreclosure, or in a bankruptcy proceeding, except as set forth in Section 2(d) below. This Section 2(a) shall not be violated by an actual or deemed distribution of money (within the meaning of Section 731 of the Code) by Vornado OP that results in the recognition of gain solely by reason of Section 731 of the Code.

(b) Exceptions Where No Gain Recognized. Notwithstanding the restriction set forth in Section 2(a), Vornado OP or any Subsidiary (including SCR) may dispose of a Protected Property (or an interest therein) if such disposition qualifies as a like-kind exchange under Section 1031 of the Code, or an involuntary conversion under Section 1033 of the Code, or other transaction (including, but not limited to, a contribution of property to any entity that qualifies for the nonrecognition of gain under Section 721 or Section 351 of the Code, or a merger or consolidation of Vornado OP (or SCR, as applicable) with or into another entity that qualifies for taxation as a "partnership" for federal income tax purposes (a "Successor Partnership")) that, as to each of the foregoing, does not result in the recognition of any taxable income or gain to

any SCR Unitholder with respect to any of the Protected Units; provided, however, that:

(1) in the event of a disposition under Section 1031 or Section 1033 of the Code, any property that is acquired in exchange for or as a replacement for a Protected Property shall thereafter be considered a Protected Property;

(2) in the case of a Section 1031 like-kind exchange, if such exchange is with a "related party" within the meaning of Section 1031(f)(3) of the Code, any direct or indirect disposition by such related party of the Protected Property or any other transaction prior to the expiration of the two (2) year period following such exchange that would cause Section 1031(f)(1) to apply with respect to the Protected Property (including by reason of the application of Section 1031(f)(4)) shall be considered a violation of Section 2(a) by Vornado OP;

(3) if the Protected Property is transferred to another entity in a transaction in which gain or loss is not recognized, the direct and indirect interest of Vornado OP in such entity shall thereafter be considered a Protected Property, and if the acquiring entity's disposition of the Protected Property would cause an SCR Unitholder to recognize gain or loss as a result thereof, the transferred Protected Property still shall be considered a Protected Property;

(4) if Vornado OP directly or indirectly receives any property that is in whole or in part a "substituted basis property" as defined in Section 7701(a)(42) of the Code with respect to a Protected Property (including, without limitation, a Protected Property by reason of clause (3) above), such substituted basis property shall thereafter be considered a Protected Property;

(5) in the event that at the time of the exchange or other disposition the Protected Property is secured, directly or indirectly, by indebtedness that is guaranteed by an SCR Unitholder (or for which an SCR Unitholder otherwise has personal liability) and that is not then in default and the transferee is not a Subsidiary of Vornado OP that both is more than 50% owned, directly or indirectly by Vornado OP and is and will continue to be under the legal control of Vornado OP (which shall include a partnership or limited liability company in which Vornado OP or a wholly owned subsidiary of Vornado OP is the sole managing general partner or sole managing member, as applicable), (a) either (I) such indebtedness shall be repaid in full or (II) Vornado shall obtain from the lenders with respect to such indebtedness a full and complete release of liability for each of the SCR Unitholders that has guaranteed, or otherwise has liability for, such indebtedness, and (b) if such indebtedness is a Guaranteed Debt and the Protected Period of the SCR Partner Guarantors with respect to such Guaranteed Debt shall not have expired, Vornado OP shall comply with its covenants set forth in Article 3 below with respect to such Guaranteed Debt and the SCR

Partner Guarantors that are considered to have liability for such Guaranteed Debt (determined under Section 3(d), treating such events as a repayment of the Guaranteed Debt); and

(6) in the event of a merger or consolidation involving Vornado OP (or any Subsidiary) and a Successor Partnership, the Successor Partnership shall have agreed in writing for the benefit of the SCR Unitholders that all of the restrictions of this Article 2 shall continue to apply with respect to the Protected Properties.

(c) Mergers. Any merger or consolidation involving Vornado OP or any Subsidiary of Vornado OP, whether or not Vornado OP is the surviving entity in such merger or consolidation, that results in an SCR Unitholder being required to recognize part or all of the gain that would have been recognized for federal income tax purposes upon a fully taxable disposition of one or more Protected Properties at the time of the Merger shall be deemed to be a disposition of the Protected Properties for purposes of Section 2(a).

(d) Exceptions for Certain Foreclosures, Bankruptcies and Involuntary Transfers. Notwithstanding the restriction set forth in Section 2(a), and in addition to the exceptions set forth in Section 2(b), Vornado OP or any Subsidiary (including SCR) may dispose of a Protected Property (or an interest therein), without such disposition being considered to be a violation of Article 2 or Vornado OP incurring any liability under Article 5 as a result of this Article 2, as follows:

(1) pursuant to the foreclosure of a loan secured, directly or indirectly, by a Protected Property, or in connection with the bankruptcy of an entity owning a direct or indirect interest in the Protected Property if all of the following conditions are satisfied (A) if a foreclosure, the foreclosure (I) is of indebtedness that was incurred by SCR prior to the time of the Merger and was in place at the time of the Merger ("Existing SCR Indebtedness"), (II) is of indebtedness incurred to refinance Existing SCR Indebtedness and the amount of such replacement indebtedness at the time it was incurred did not exceed the sum of the then outstanding Existing SCR Indebtedness being refinanced, plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing and such replacement indebtedness was provided by an institutional lender in connection with its business of lending money ("Qualified Replacement Indebtedness"), or (III) is of indebtedness that, at the time incurred, did not exceed (taking into account all other indebtedness then outstanding and either secured by the Protected Property or owed by the entity incurring such indebtedness and its direct or indirect subsidiaries) seventy percent (70%) of the fair market value of the Protected Property at such time (as determined in good faith by Vornado OP) ("Other Qualified Indebtedness"); (B) if a bankruptcy, the only indebtedness of the entity in bankruptcy for borrowed money (other than obligations to trade creditors incurred in the ordinary course of business) is Existing SCR Indebtedness, Qualified Replacement Indebtedness and/or Other

Qualified Indebtedness; (C) at all times from the time of the Merger to the time of the foreclosure or bankruptcy, as applicable, the direct or indirect percentage ownership interest of Vornado OP in the Protected Property was not less than the lesser of fifty-one percent (51%) or the percentage interest of SCR in such Protected Property at the time of the Merger; (D) Vornado OP at all times since the Merger shall have had and shall have exercised the legal right to control the operations of the Protected Property (and any entities through which Vornado OP owns a direct or indirect interest therein); (E) if such Existing SCR Indebtedness, Qualified Replacement Indebtedness, or Other Qualified Indebtedness shall have matured, Vornado OP shall have used commercially reasonable efforts commencing a commercially reasonable period prior to the stated maturity of such indebtedness to cause such indebtedness to be refinanced, provided that such refinancing can be obtained on commercially reasonable terms; and (F) Vornado OP shall have used commercially reasonable efforts (considering its own best interests) to prevent such foreclosure or bankruptcy (provided that such required efforts shall not include contributing capital or otherwise providing funds to repay such indebtedness);

(2) an event (other than a foreclosure or bankruptcy, unless such foreclosure satisfies clause (1) above) described in Section 1033 of the Code, other than a disposition resulting from or made in connection with the mere threat or imminence of a requisition or condemnation; provided that Vornado OP agrees to cause any real property purchases that it and/or its Subsidiaries undertake and complete after the occurrence of the event described in this Section 2(d)(2) and prior to the expiration of the applicable replacement period under Section 1033 (determined taking into account Section 1033(g) of the Code) and that otherwise would qualify as replacement property for purposes of Section 1033 of the Code with respect to the Protected Property to be treated as replacement acquisitions for the purposes of this Section 2(d)(2) (other than acquisitions made with Vornado OP Units, acquisitions made as part of a Section 1031 exchange and acquisitions made as part of another Section 1033 transaction.

(e) Issuances of Additional Equity Interests. Notwithstanding Section 2(a), the issuance of additional partnership interests in Vornado OP pursuant to the Vornado Partnership Agreement shall not be considered to be prohibited by this Section 2 unless such partnership interests are in a form that either their issuance, or any exercise by a holders of any rights thereunder, would be considered to result in a direct or indirect taxable disposition by Vornado OP or any Subsidiary of one or more of the Protected Properties or any interest therein (determined taking into account, without limitation, Sections 704(c)(1)(B), 707(a), and 737 of the Code and the Treasury Regulations thereunder).

(f) Limited Exception for Certain Distributions by Vornado OP. Section 2(a)(v) shall not be construed to prohibit any distribution of property (such as, but not limited to, debt securities and equity securities in a corporation, a limited liability

company, or another partnership) made by Vornado OP with respect to Vornado OP Units so long as all of the following conditions are satisfied:

(i) the distributed property received by each holder of Protected Units is registered under the Securities Exchange Act of 1934, is listed for trading on the New York Stock Exchange, the NASDAQ National Market System, or another comparable national exchange or market system, and is freely transferable by the recipient thereof under the applicable federal and state securities laws; and

(ii) any gain required to be recognized by a holder of Protected Units by reason of such distribution does not exceed the fair market value of the distributed property at the time of such distribution.

ARTICLE 3
GUARANTEES OF DEBT AND RESTRICTIONS ON REFINANCING OF GUARANTEED DEBT

(a) Initial Guaranteed Debt. Either in connection with the Merger or in connection with prior debt financings undertaken by SCR, the SCR Partner Guarantors have entered into those certain guarantee agreements whereby the SCR Partner Guarantors have guaranteed the Guaranteed Debt in an aggregate amount equal to the Guaranteed Amount. Schedule 8 hereto sets forth, as of the date hereof, the amount of all Guaranteed Debt and each SCR Partner Guarantor's share of the Guaranteed Amount with respect to each Guaranteed Debt.

(b) Requirement to Offer Additional Guaranteed Debt. Not later than December 31, 2004, Vornado OP shall offer to each SCR Partner Guarantor in writing the opportunity to guarantee other Vornado OP indebtedness (which other indebtedness may be, but is not required to be, indebtedness of SCR or one of its Subsidiaries) in an amount equal to the Initial Guarantee Shortfall for such SCR Partner Guarantor. In order for the offer of Vornado OP to satisfy the requirements of this Section 3(b), (i) the indebtedness to be guaranteed, and the terms of the guaranty must satisfy all of the conditions set forth in Section 3(e) (indebtedness satisfying all such conditions is referred to as "Qualified Guarantee Indebtedness"); (ii) the guarantee by the SCR Partner Guarantors must be pursuant to a Guaranty Agreement substantially in the form attached hereto as Schedule 7 that satisfies the conditions set forth in Sections 3(e)(i) and (iii) (a "Qualified Guarantee"); (iii) the amount required to be guaranteed by each SCR Partner Guarantor cannot exceed such SCR Partner Guarantor's then existing Initial Guarantee Shortfall; and (iv) the offer of Vornado OP to such SCR Partner Guarantors pursuant hereto must be in writing and the SCR Partner Guarantors must have not less than thirty (30) days to elect to enter into such guarantees. If, and to the extent that, an SCR Partner Guarantor elects to guarantee Qualified Guarantee Indebtedness pursuant to an offer made in accordance with this Section 3(b), such indebtedness thereafter shall being considered a Guaranteed Debt and subject to all of this Article 3, and the Initial Guarantee Shortfall of such SCR Partner Guarantor shall be reduced by the amount of such guarantee. If an offer is made by Vornado OP to an SCR Partner Guarantor pursuant to this Section 3(b) that complies with all of the requirements of this Section

3(b) and such SCR Partner Guarantor does not join in the guarantee pursuant to such offer (or joins in the guarantee for less than lesser of the amount offered or its then remaining Initial Guarantee Shortfall), Vornado OP thereafter shall have no obligation to such SCR Partner Guarantor with respect to that portion of such SCR Partner Guarantor's Initial Guarantee Shortfall that corresponds to the amount of the indebtedness that the SCR Partner Guarantor elected not to guarantee (and such SCR Partner Guarantor's Initial Guarantee Shortfall shall be considered to have been reduced accordingly).

(c) Covenant With Respect to Guaranteed Debt Collateral. Vornado OP covenants with the SCR Partner Guarantors with respect to the Guaranteed Debt that (A) it will comply with the requirements set forth in Section 2(b)(5) upon any disposition of any collateral for a Guaranteed Debt, whether during or following the applicable Protected Period, and (B) it will not at any time, whether during or following the applicable Protected Period, pledge the collateral with respect to a Guaranteed Debt to secure any other indebtedness (unless such other indebtedness is, by its terms, subordinate in all respects to the Guaranteed Debt for which such collateral is security) or otherwise voluntarily dispose of or reduce the amount of such collateral unless either (i) after giving effect thereto the conditions in Section 3(e)(ii) would continue to be satisfied with respect to the Guaranteed Debt and the Guaranteed Debt otherwise would continue to be Qualified Guarantee Indebtedness, or (ii) Vornado OP (A) obtains from the lender with respect to the original Guaranteed Debt a full and complete release of any SCR Partner Guarantor unless the SCR Partner Guarantor expressly requests that it not be released, and (B) if the applicable Protected Period has not expired as to all SCR Partner Guarantors with respect to such original Guaranteed Debt, offers to each SCR Partner Guarantor with respect to such original Guaranteed Debt as to whom the Protected Period has not expired, not less than 30 days prior to such pledge or disposition, the opportunity to enter into a Qualified Guarantee of other Vornado OP indebtedness that constitutes Qualified Guarantee Indebtedness (with such replacement indebtedness thereafter being considered a Guaranteed Debt and subject to this Article 3) in an amount equal to the amount of such original Guaranteed Debt that was guaranteed by such SCR Partner Guarantor.

(d) Repayment or Refinancing of Guaranteed Debt. Vornado OP shall not, at any time during the Protected Period applicable to an SCR Partner Guarantor, repay or refinance all or any portion of any Guaranteed Debt unless (i) after taking into account such repayment, each SCR Partner Guarantor would be entitled, pursuant to Treasury Regulation ss. 1.752-2 (and not Treasury Regulation ss. 1.752-3), to include in its basis for its Protected Units an amount of Guaranteed Debt equal to its Scheduled Guarantee Amount, or (ii) alternatively, Vornado OP, not less than 30 days prior to such repayment or refinancing, offers to the applicable SCR Partner Guarantors the opportunity to enter into a Qualified Guarantee with respect to other Qualified Guarantee Indebtedness in an amount sufficient so that, taking into account such guarantees of such other Qualified Guarantee Indebtedness, each SCR Partner Guarantor who elects to guarantee such other Qualified Guarantee Indebtedness in the amount specified by Vornado OP would be entitled, pursuant to Treasury Regulation ss. 1.752-2 (and not Treasury Regulation ss. 1.752-3), to include in its adjusted tax basis for its Protected Units debt equal to the Scheduled Guarantee Amount for such SCR Partner Guarantor.

(e) Criteria for Indebtedness to be Guaranteed and Guarantees. The Guaranteed Debt (and any additional or replacement Guaranteed Debt offered pursuant to Sections 3(b), 3(c), 3(d), and 3(g) hereof) and the guarantees with respect thereto shall at all times meet the following conditions:

(i) each such guarantee shall be a "bottom dollar guarantee" in that the lender for the Guaranteed Debt is required to pursue all other collateral and security for the Guaranteed Debt (other than any "bottom dollar guarantees" permitted pursuant to this clause (i) and/or Section 3(f) below) prior to seeking to collect on such a guarantee, and the lender shall have recourse against the guarantee only if, and solely to the extent that, the total amount recovered by the lender with respect to the Guaranteed Debt after the lender has exhausted its remedies as set forth above is less than the aggregate of the Scheduled Guarantee Amounts with respect to such Guaranteed Debt (plus the aggregate amounts of any other guarantees (x) that are in effect with respect to such Guaranteed Debt at the time the guarantees pursuant to this Section 3 are entered into, or (y) that are entered into after the date the guarantees pursuant to this Section 3 are entered into with respect to such Guaranteed Debt and that comply with Section 3(f) below, but only to the extent that, in either case, such guarantees are "bottom dollar guarantees" with respect to the Guaranteed Debt), and the aggregate liability of each SCR Partner Guarantor for all Guaranteed Debt shall be limited to the amount actually guaranteed by such SCR Partner Guarantor;

(ii) the fair market value of the collateral against which the lender has recourse pursuant to the Guaranteed Debt, determined as of the time the guaranty is entered into (an independent appraisal relied upon by the lender in making the loan shall be conclusive evidence of such fair market value when the guarantee is being entered into in connection with the closing of such loan), shall not be less than 3.333 times the sum of (x) the aggregate of the Scheduled Guarantee Amounts with respect to such Guaranteed Debt plus (y) the dollar amount of any other indebtedness that is senior to or pari pasu with the Guaranteed Debt and as to which the lender thereunder has recourse against property that is collateral for the Guaranteed Debt, plus (z) the aggregate amounts of any other guarantees (A) that are in effect with respect to such Guaranteed Debt at the time the guarantees pursuant to this Section 3 are entered into, or (B) that are entered into after the date the guarantees pursuant to this Section 3 are entered into with respect to such Guaranteed Debt and that comply with Section 3(f) below, but only to the extent that in either case, such guarantees are "bottom dollar guarantees" with respect to the Guaranteed Debt);

(iii) (A) the executed guarantee must be delivered to the lender and (B) the execution of the guarantee by the SCR Partner Guarantors must be acknowledged by the lender as an inducement to it to make a new loan, to continue an existing loan (which continuation is not otherwise required), or to grant of a material consent under an existing loan

(which consent is not otherwise required to be granted) or, alternatively, the guarantee must be with respect to a loan that, under the terms thereof, (I) is governed by New York law and either the loan is secured by property located in New York, the lender has a significant place of business in New York (with any bona fide branch or office of the lender through which the loan is made, negotiated, or administered being deemed a "significant place of business" for the purposes hereof), or the lender obtained in connection with such loan an opinion of counsel to the effect that such provisions regarding New York law are enforceable, or (II) is governed by the laws of another state that has a statutory provision or applicable controlling judicial decisions that are comparable to Section 5-1401 of the New York General Obligations Law and the conditions set forth in clause (I) with respect to New York would be satisfied with respect to such other state;

(iv) the aggregate amount of guarantees, indemnities, and other similar undertakings with respect to such debt must not exceed the face amount of the debt;

(v) as to each SCR Partner Guarantor that is executing a guarantee pursuant hereto, there must be no other Person that would be considered to "bear the economic risk of loss," within the meaning of Treasury Regulation ss. 1.752-2, or would be considered to be "at risk" for purposes of Section 465(b) with respect to that portion of such debt for which such SCR Partner Guarantor is being made liable for purposes of satisfying Vornado OP's obligations to such SCR Partner Guarantor under this Article 3; provided that so long as the initial lender is not Vornado REIT or a person considered to be a partner in Vornado OP or related to such a partner (determined excluding persons qualifying for the de minimis exception set forth in Treasury Regulation ss. 1.752-2(d)(1)), Vornado OP will not be considered to have violated this limitation by reason of actions of persons (other than Vornado REIT and its subsidiaries and their officers and directors) that are neither consented to in writing nor facilitated by Vornado OP or Vornado REIT (except that the foregoing proviso shall not apply to other similar "bottom dollar guarantees" existing and permitted pursuant to Section 3(e)(i) and/or added pursuant to Section 3(f));

(vi) the obligor with respect to the debt to be guaranteed is Vornado OP or a Subsidiary of Vornado OP in which Vornado OP owns, directly and indirectly, not less than 51% of the economic interests and which is and will continue to be under the legal control of Vornado OP (which shall include a partnership or limited liability company in which Vornado OP or a wholly owned subsidiary of Vornado OP is the sole managing general partner or sole managing member, as applicable).

(f) Limitation on Additional Guarantees With Respect to Debt Secured by Collateral for Guaranteed Debt. Vornado OP shall not offer the opportunity or make available a guaranty of any Guaranteed Debt or other debt that is secured, directly or indirectly, by any collateral for Guaranteed Debt unless (i) such debt by its terms is subordinate in all respects to the Guaranteed Debt or, if such others guarantees are of

the Guaranteed Debt itself, such guarantees by their terms must be paid in full before the lender can have recourse to the SCR Partner Guarantors (i.e., the first dollar amount of recovery by the applicable lenders must be applied to the Guaranteed Amount); provided that the foregoing shall not apply with respect to additional guarantees of Guaranteed Debt so long as the conditions set forth in Sections 3(e)(ii) and (v) would be satisfied immediately after the implementation of such additional guarantee (determined in the case of Section 3(e)(ii), based upon the fair market value of the collateral for such Guaranteed Debt at the time the additional guarantee is entered into and adding the amount of such additional guarantee(s) to the sum of the applicable Scheduled Guarantee Amounts with respect to such Guaranteed Debt plus any other preexisting "bottom dollar guarantee" previously permitted pursuant to this Section 3(f) or Sections 3(e)(i) and (ii) above, for purposes of making the computation provided for in Section 3(e)(ii)), and (ii) such other guarantees do not have the effect of reducing the amount of the Guaranteed Debt that is includible by any SCR Partner Guarantor in its adjusted tax basis for its SCR Partnership Units pursuant to Treasury Regulation ss. 1.752-2.

(g) Amortization of Guaranteed Debt. In the event that the principal amount of a Guaranteed Debt is decreased as a result of amortization of such Guaranteed Debt such that the principal amount of the Guaranteed Debt (reduced by the amount of any other guarantees, indemnities or similar arrangements that apply with respect to such debt) is less than the Scheduled Guarantee Amount with respect to such Guaranteed Debt, then Vornado OP shall make available to the applicable SCR Partner Guarantors the opportunity to guarantee other Qualified Guarantee Indebtedness in an amount equal to the Scheduled Guarantee Amounts with respect to such debt (pursuant to a Qualified Guaranty that satisfies the conditions set forth in Section 3(e) above), with such replacement indebtedness thereafter being subject to this Article 3. Vornado OP shall have the right, but not the obligation, to offer to one or more SCR Partner Guarantors the opportunity to enter into a Qualified Guarantee with respect to Qualified Guarantee Indebtedness in an amount up to (but not in excess of) the projected reductions in such SCR Partner Guarantor's "share" of an amortizing Guaranteed Debt below such SCR Partner Guarantor's Scheduled Guarantee Amount with respect thereto during the next three years (or if less, the balance of such SCR Partner Guarantor's Protected Period) (an "Advance Replacement Guarantee Offer"). If Vornado OP makes an Advance Replacement Guarantee Offer in writing to an SCR Partner Guarantor and such SCR Partner Guarantor does not enter into the Qualified Guarantee offered in connection therewith, this Section 3(g) shall not be considered to have been violated with respect to such SCR Partner Guarantor by reason of amortization of the Guaranteed Debt with respect to which the Advance Replacement Guarantee Offer was made, up to the amount for which such Advance Replacement Guarantee Offer was made and not accepted.

(h) Process. Whenever Vornado OP is required under this Article 3 to offer to one or more of the SCR Partner Guarantors an opportunity to guarantee Qualified Guarantee Indebtedness, Vornado OP shall be considered to have satisfied its obligation if the other conditions in this Article 3 are satisfied and, not less than thirty (30) days prior to the date that such guarantee would be required to be executed in order to satisfy this Article 3, Vornado OP sends by first class mail, return receipt requested, to the last known address of each such SCR Partner Guarantor (as reflected in the records of Vornado OP) the Guaranty Agreement to be executed (which shall be substantially in the form of the Schedule 7 hereto, with such changes thereto as are necessary to reflect the

relevant facts) and a brief letter explaining the relevant circumstances (including that the offer is being made pursuant to this Article 3, the circumstances giving rise to the offer, a brief summary of the terms of the Qualified Guarantee Indebtedness to be guaranteed, a brief description of the collateral for the Qualified Guarantee Indebtedness, a statement of the amount to be guaranteed, the address to which the executed Guaranty Agreement must be sent and the date by which it must be received, and a statement to the effect that, if the SCR Partner the fails to execute and return the Guaranty Agreement within the time period specified, the SCR Partner Guarantor thereafter would lose its rights under this Article 3 with respect to the amount of debt that Vornado OP is required to offer to be guaranteed and for which the guarantee is being offered, and depending upon the SCR Partner Guarantor's circumstances and other circumstances related to Vornado OP, the SCR Partner could be required to recognize taxable gain as a result thereof, either currently or prior to the expiration of the applicable Protected Period, that otherwise would have been deferred). If a notice is properly sent in accordance with this procedure, Vornado OP shall have not responsibility as a result of the failure of an SCR Partner Guarantor either to receive such notice or to have responded thereto within the specified time period. 3/

(i) Reduction in Obligations of SCR Guarantor Partners. If an offer to guarantee debt is made by Vornado OP to an SCR Partner Guarantor pursuant to this Section 3 that complies with all of the applicable requirements of this Section 3, an SCR Partner Guarantor may elect not to join in a guarantee at all, or to join in a guarantee for less than the full amount offered, but if such SCR Partner Guarantor does not join in the guarantee pursuant to such offer (or joins in the guarantee for less than the amount offered (provided that the amount offered does not exceed its then remaining Initial Guarantee Shortfall and the portion of Scheduled Guarantee Amount for which a replacement guarantee is being offered)), Vornado OP thereafter shall have no obligation to such SCR Partner Guarantor with respect to that portion of such SCR Partner Guarantor's Initial Guarantee Shortfall and/or Scheduled Guarantee Amount that corresponds to the amount of the indebtedness that the SCR Partner Guarantor elected not to guarantee (and such SCR Partner Guarantor's Initial Guarantee Shortfall or Scheduled Guarantee Amount, as applicable, shall be considered to have been reduced accordingly).

(j) Limitation on Liability. So long as Vornado OP shall have complied with all of the applicable provisions of this Section 3 and Section 8(a)(i), neither Vornado OP nor Vornado REIT shall have any liability to an SCR Partner Guarantor under this Section 3 by reason of a successful assertion by the Internal Revenue Service that guarantees of Guaranteed Debt, whether entered into prior to the Merger or subsequent to the Merger and pursuant to this Section 3, are not effective to cause the affected SCR Partner Guarantors to be allocated debt pursuant to Treasury Regulation 1.752-2 or considered to be "at risk" for purposes of Section 465(b).

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(3) Prior to the closing of the Merger, the parties may agree to an approved form of a notice pursuant hereto, which if agreed upon shall be added as a Schedule to this Agreement.

(k) Presumption as to Schedule 7. The form of the Guaranty Agreement attached hereto as Schedule 7 shall be conclusively presumed to satisfy the conditions set forth in Section 3(e)(i) and to have caused the Guaranteed Debt to be considered allocable to the SCR Guarantor Partner who enters into such Guaranty Agreement pursuant to Treasury Regulation ss. 1.752-2 so long as all of the following conditions are met with respect such Guaranteed Debt:

(i) there are no other guarantees in effect with respect to such Guaranteed Debt (other than the guarantees contemporaneously being entered into by the SCR Partner Guarantors pursuant to this Article 3);

(ii) the collateral securing such Guaranteed Debt is not, and shall not thereafter become, collateral for any other indebtedness that is senior to or pari pasu with such Guaranteed Debt;

(iii) no additional guarantees with respect to such Guaranteed Debt will be entered into during the applicable Protected Period pursuant to the proviso set forth in Section 3(f);

(iv) the lender with respect to such Guaranteed Debt is not Vornado OP, any Subsidiary or other entity in which Vornado OP owns a direct or indirect interest, Vornado REIT, any other partner in Vornado OP, or any person related to any partner in Vornado OP as determined for purposes of Treasury Regulation ss. 1.752-2; and

(v) none of Vornado REIT, nor any other partner in Vornado OP, nor any person related to any partner in Vornado OP as determined for purposes of Treasury Regulation ss. 1.752-2 shall have provided, or shall thereafter provide, collateral for, or otherwise shall have entered into, or shall thereafter enter into, a relationship that would cause such person or entity to be considered to bear the risk of loss with respect to such Guaranteed Debt, as determined for purposes of Treasury Regulation ss. 1.752-2.

(l) Exception for Certain Foreclosures and Involuntary Transfers. If a Guaranteed Debt is repaid or extinguished in connection with a foreclosure, bankruptcy, or involuntary transfer that satisfies the conditions set forth in Section 2(d), Vornado OP shall not be considered to have violated Section 3(d) so long as Vornado OP undertakes commercially reasonable efforts to make available to the affected SCR Partner Guarantors as soon as reasonably practicable under the circumstances other Qualified Guarantee Indebtedness to guarantee pursuant to Qualifying Guarantees, including any new or additional indebtedness thereafter incurred by Vornado OP and its Subsidiaries, provided that Vornado OP shall not be obligated to incur new or additional indebtedness in order to satisfy such undertaking.

ARTICLE 4

LIMITATION ON REPAYMENT OR PREPAYMENT OF EXISTING NONRECOURSE DEBT

(a) Obligation to Retain Existing Nonrecourse Debt. Unless and until Vornado OP has satisfied its obligations to an SCR Partner Guarantor under Section 3(b) above (or if sooner, the expiration of the Protected Period applicable to such SCR Partner Guarantor), Vornado OP shall not, directly or indirectly, cause or permit Vornado OP or any Subsidiary to repay or prepay any of the Existing Nonrecourse Debt if, after giving effect to such payment, such SCR Partner Guarantor would be allocated at any time prior to the expiration of the Protected Period applicable to such Guarantor Partner pursuant to Treasury Regulation ss. 1.752-3(a) an amount of Existing Nonrecourse Debt and/or other indebtedness of Vornado OP that qualifies as a Nonrecourse Liability that is less than such SCR Partner Guarantor's then remaining Initial Guarantee Shortfall. If, and to the extent, that Vornado OP relies on other Nonrecourse Liabilities of Vornado OP for purposes of this Section 4(a), such other Nonrecourse Liabilities shall be subject to this Article 4. This Section 4(a) shall have no application with respect to any SCR Unitholder who is not an SCR Partner Guarantor, or with respect to any SCR Partner Guarantor either who has no Initial Guarantee Shortfall, or whose Initial Guarantee Shortfall has been reduced to zero pursuant to Section 3(b) (including, without limitation, by reason of the last sentence thereof). At such time as Vornado OP has satisfied all of its obligations to all SCR Partner Guarantors under Seciton 3(b) above, this Article 4 shall cease to have any application.

(b) Exceptions for Principal Amortization and Certain Refinancings. The requirements in Section 4(a) above shall not apply in the case of:

(i) a payment or repayment that consists solely of a required principal amortization payment made with respect to an Existing Nonrecourse Debt or Replacement Debt (as defined in clause (ii) below) in accordance with the principal amortization schedules in effect at the effective time of the Merger with respect to such Existing Nonrecourse Debt (or in the case of Replacement Debt, a principal amortization schedule that meets the conditions set forth in subclause (z) of clause (ii) below); provided that a required payment of principal at the scheduled maturity of any indebtedness shall not be considered within the scope of this clause (i) (and, accordingly, Vornado OP shall be required to refinance such maturing indebtedness with debt that would be considered qualifying Replacement Debt under clause (ii) below); or

(ii) a payment of principal made from proceeds of new indebtedness incurred to refinance Existing Nonrecourse Debt (such new indebtedness incurred pursuant to the refinancing that meets the conditions set forth below in this clause (ii) is referred to in this Agreement as "Replacement Debt"), provided that (x) such refinancing is made on a basis that the Replacement Debt would be considered a Nonrecourse Liability that is allocable for purposes of Treasury Regulations ss. 1.752-3(a) as the Existing Nonrecourse Debt being refinanced; (y) that the principal amount of the Replacement Debt is at least equal to the principal amount of the Existing Nonrecourse Debt on the date of such refinancing; and (z) provides either for "interest-only" payments or for level payments of principal and interest that would not result in amortization of the remaining principal balance over a period shorter than the lesser of twenty-five years or the scheduled amortization of the Existing Nonrecourse Debt.

(c) Deemed Refinancings. For the purposes of this Article 4, any transaction or other event, including, without limitation, any modification of indebtedness, which in each case was either facilitated by, or consented in writing to, by Vornado OP or Vornado REIT, in which any partner in Vornado OP or any affiliate of any such partner in Vornado OP would become personally liable for, or would bear or incur, directly or indirectly, the "risk of loss" with respect to any Existing Nonrecourse Debt or any Replacement Debt that would cause such Debt either not to be considered a Nonrecourse Liability or not to qualify as "qualified nonrecourse financing" for purposes of Section 465(b)(6)(B) of the Code shall be considered a refinancing of such Debt and shall be subject to the requirements set forth in this Article 4.

(d) Deemed Repayment. For the purposes of this Article 4, any sale, exchange or other disposition (including, without limitation, an exchange to which Section 1031 or 1033 of the Code applies, any transfer that is subject to either Section 2(b)(5) or Section 2(b)(6), and any disposition, voluntary or involuntary, pursuant to a foreclosure proceeding, a deed in lieu of foreclosure or a bankruptcy proceeding) of either a property that is subject to an Existing Nonrecourse Debt or Replacement Debt or a direct or indirect interest in an entity that is the obligor with respect to Existing Nonrecourse Debt or Replacement Debt shall be considered a repayment of such Debt for purposes of Section 4(a); provided that the foregoing shall not apply with respect to any foreclosure, bankruptcy or involuntary transfer that satisfies the conditions set forth in Section 2(d).

ARTICLE 5
REMEDIES FOR BREACH

(a) Monetary Damages. In the event that Vornado OP breaches its obligations set forth in Article 2, Article 3, Article 4, Article 7, Article 8 or Article 10 with respect to an SCR Unitholder during the Protected Period, the SCR Unitholder's sole right shall be to receive from Vornado OP, and Vornado OP shall pay to such SCR Unitholder as damages, an amount equal to the lesser of:

(i) the aggregate federal, state and local income taxes incurred by the SCR Unitholder as a result of the income or gain allocated to, or otherwise recognized by, such SCR Unitholder with respect to its Protected Units by reason of such breach, or

(ii) in the case of a violation of Article 2, the aggregate federal state, and local income taxes that would have been payable by such SCR Unitholder (or its predecessor in interest) if the relevant Protected Property has been sold on the SCR Merger Closing Date for its 704(c) Value (computed based upon tax rates in effect for the period during which the event giving rise to the computation hereunder has occurred), reduced to reflect:

(A) reductions prior to such disposition in the "book-tax disparity" with respect to such Protected Property (but only if and to the extent that such reduction is matched dollar for

dollar by a reduction in the gain allocable to the SCR Unitholder by reason of such sale or other disposition pursuant to Section 704(c) of the Code, determined for this purpose taking into account any required "curative allocation" that would result pursuant to the penultimate sentence of Section 7(d)), and

(B) with respect to a SCR Unitholder who acquired Protected Units subsequent to the SCR Merger Closing Date, the reduction in gain that results from such holder's having a special inside basis under Section 743 of the Code in the relevant Protected Property (by treating the special inside basis as the basis for determining gain on the deemed sale described in clause (ii)),

plus in the case of either (i) or (ii), an amount equal to the aggregate federal, state, and local income taxes payable by the SCR Unitholder as a result of the receipt of any payment required under this Section 5(a).

For purposes of computing the amount of federal, state, and local income taxes required to be paid by an SCR Unitholder, (i) any deduction actually allowed in computing federal income taxes for state income taxes payable as a result thereof shall be taken into account, and (ii) an SCR Unitholder's tax liability shall be computed using the highest federal, state and local marginal income tax rates that would be applicable to such SCR Unitholder's taxable income (taking into account the character of such income or gain) for the year with respect to which the taxes must be paid, without regard to any deductions, losses or credits that may be available to such SCR Unitholder that would reduce or offset its actual taxable income or actual tax liability if such deductions, losses or credits could be utilized by the SCR Unitholder to offset other income, gain or taxes of the SCR Unitholder, either in the current year, in earlier years, or in later years). In the event that an SCR Unitholder shall acquire any additional Vornado OP Units subsequent to the Merger by reason of a contribution of additional money or property to Vornado OP, the income and gain that shall be taken into account for purposes of computing the damages payable under this Section 5(a) would not exceed the gain that such SCR Unitholder would have recognized by reason of Vornado OP's breach of its obligation set forth in Article 2, Article 3, Article 4, Article 7, Article 8 or Article 10, as applicable, had such SCR Unitholder not acquired such additional Vornado OP Units.

(b) Limitation on Remedies; Process for Determining Damages. Notwithstanding any provision of this Agreement, the sole and exclusive rights and remedies of any SCR Unitholder for a breach or violation of the covenants set forth in Article 2, Article 3 or Article 4 shall be a claim for damages against Vornado OP, computed as set forth in Section 5(a) (and to the extent applicable, Section 5(e)), and no SCR Unitholder shall be entitled to pursue a claim for specific performance of the covenants set forth in Article 2, Article 3 and Article 4, or bring a claim against any Person that acquires a Protected Property from Vornado OP in violation of Article 2 (other than a Successor Partnership that has agreed in writing to be bound by the terms of this Agreement or that has otherwise succeeded to all of the assets and all of the liabilities of Vornado OP, but then only for damages computed as set forth in Section 5(a)). If Vornado OP has breached or violated any of the covenants set forth in Article 2, Article 3, Article 4, Article 7, Article 8 or Article 10 (or an SCR Unitholder asserts that

Vornado OP has breached or violated any of the covenants set forth in Article 2, Article 3, Article 7, Article 8, or Article 10, Vornado OP and the SCR Unitholder agree to negotiate in good faith to resolve any disagreements regarding any such breach or violation and the amount of damages, if any, payable to such SCR Unitholder under Section 5(a) (and to the extent applicable, Section 5(e)). If any such disagreement cannot be resolved by Vornado OP and such SCR Unitholder within sixty (60) days after the receipt of notice from Vornado OP of such breach and the amount of income to be recognized by reason thereof, Vornado OP and the SCR Unitholder shall jointly retain a nationally recognized independent public accounting firm ("an Accounting Firm") to act as an arbitrator to resolve as expeditiously as possible all points of any such disagreement (including, without limitation, whether a breach of any of the covenants set forth Article 2, Article 3, Article 4, Article 7, Article 8, or Article 10 has occurred and, if so, the amount of damages to which the SCR Unitholder is entitled as a result thereof, determined as set forth in Section 5(a) (and to the extent applicable, Section 5(e))). All determinations made by the Accounting Firm with respect to the resolution of any breach or violation of any of the covenants set forth in Article 2, Article 3, Article 4, Article 7, Article 8, or Article 10 and the amount of damages payable to the SCR Unitholder under Section 5(a) (and to the extent applicable, Section 5(e)) shall be final, conclusive and binding on Vornado OP and the SCR Unitholder. The fees and expenses of any Accounting Firm incurred in connection with any such determination shall be shared equally by Vornado OP and the SCR Unitholder, provided that if the amount determined by the Accounting Firm to be owed by Vornado OP to the SCR Unitholder is more than ten percent (10%) higher than the amount proposed by Vornado OP to be owed to such SCR Unitholder prior to the submission of the matter to the Accounting Firm, then all of the fees and expenses of any Accounting Firm incurred in connection with any such determination shall be paid by Vornado OP.

(c) Damages for Flow-Through Entities. For purposes of this Article 5, if any SCR Unitholder is, for federal income tax purposes, a partnership, an S corporation, "real estate investment trust" or a trust, then all computations of amounts of taxes required to be paid by the SCR Unitholder and the payments due from Vornado OP as a result thereof shall be made by computing the taxes required to be paid by the partners, shareholders or beneficiaries of such partnership, S corporation, "real estate investment trust" or trust (or to the extent that any partner, shareholder or beneficiary of such partnership S corporation or trust is itself a partnership, S corporation or trust, the same principles shall apply in determining the taxes required to be paid by such partner, shareholder or beneficiary).

(d) Required Notices; Time for Payment. In the event that there has been a breach of Article 2, Article 3, Article 4, Article 7, or Article 8, Vornado OP shall provide to the SCR Unitholder notice of the transaction or event giving rise to such breach not later than at such time as Vornado OP provides to the SCR Unitholders the Schedule K-1's to Vornado OP's federal income tax return as required in accordance with Section 10(d) below. All payments required under this Article 5 to any SCR Unitholder shall be made to such SCR Unitholder not later than thirty (30) days after receipt by Vornado OP of a written claim from such SCR Unitholder therefor, unless Vornado OP disagrees with the computation of the amount required to be paid in respect of such breach, in which event the procedures in Section 5(b) shall apply and the payment shall be due within thirty (30) days after the earlier of a determination by the Accounting Firm

or an agreement between Vornado OP and the SCR Unitholder as to the amount required to be paid, with interest accruing on the aggregate amount required to be paid from the date that is thirty (30) days after receipt by Vornado OP of a claim from such SCR Unitholder to the date of actual payment at a rate equal to the "prime rate" of interest, as published in the Wall Street Journal (or if no longer published there, as announced by Citibank) effective as of the date the payment is required to be made.

(e) Additional Damages for Breaches of Section 2(b)(5), Section 3(c) and/or Section 3(e). Notwithstanding any of the foregoing in this Article 5, in the event that Vornado OP should breach any of its covenants set forth in Section 2(b)(5), Section 3(c) and/or Sections 3(e)(i), (ii) and/or (iv) and an SCR Unitholder is required to make a payment in respect of such indebtedness that it would not have had to make if such breach had not occurred (an "Excess Payment"), then, in addition to the damages provided for in the other Sections of this Article 5, Vornado OP shall pay to such SCR Unitholder an amount equal to the sum of (i) the Excess Payment plus (ii) the aggregate federal, state and local income taxes, if any, computed or set forth in Section 5(a), required to be paid by such SCR Unitholder by reason of Section 5(e) becoming operative (for example, because the breach by Vornado OP and this Section 5(e) caused all or any portion of the indebtedness in question no longer to be considered debt includible in basis by the affected SCR Unitholder pursuant to Treasury Regulations ss. 1.752-2(a)), plus (iii) an amount equal to the aggregate federal, state and local income taxes required to be paid by the SCR Unitholder (computed as set forth in Section 5(a)) as a result of any payment required under this Section 5(e).

ARTICLE 6
ADDITIONAL OPPORTUNITY FOR SCR PARTNERS TO ENTER INTO DEFICIT RESTORATION OBLIGATIONS AND GUARANTEES

Without limiting any of the obligations of Vornado OP under this Agreement, Vornado OP shall consider in good faith a request by an SCR Unitholder to enter into an agreement with Vornado OP to bear the economic risk of loss as to a portion of Vornado OP's recourse indebtedness by undertaking an obligation to restore a portion of its negative capital account balance upon liquidation of such SCR Unitholder's interest in Vornado OP and/or to bear financial liability under a Guarantee Agreement substantially in the form of Schedule 7 hereto for indebtedness that would be considered Qualifying Guarantee Indebtedness under Section 3(b) hereof, if such SCR Unitholder shall provide information from its professional tax advisor satisfactory to Vornado OP showing that, in the absence of such agreement, such SCR Unitholder likely would not be allocated from Vornado OP sufficient indebtedness under Section 752 of the Code and the at-risk provisions under Section 465 of the Code to avoid the recognition of gain (other than gain required to be recognized by reason of actual cash distributions from Vornado OP). Vornado OP and its professional tax advisors shall cooperate in good faith with such SCR Unitholder and its professional tax advisors to provide such information regarding the allocation of Vornado OP liabilities and the nature of such liabilities as is reasonably necessary in order to determine the SCR Unitholder's adjusted tax basis in its Units and at-risk amount. In deciding whether or not to grant such a request, Vornado OP shall be entitled to take into account all factors related to Vornado OP, including, without limitation, the existing and anticipated debt structure of Vornado OP, the tax situations of all other partners in Vornado OP, including Vornado REIT (individually and as a group), and the effect that granting such a request might have on their tax situation, the restrictions set forth in Article 3, and the anticipated long-term business needs of Vornado OP. Vornado OP's only obligation with respect to any such request from an SCR Unitholder pursuant to this Article 6 shall be to act in good faith, as determined in Vornado's sole discretion. If Vornado OP permits an SCR Unitholder to enter into an agreement under this Article 6, Vornado OP shall be under no further obligation with respect thereto, and Vornado OP shall not be required to indemnify such SCR Unitholder for any damage incurred, in connection with or as a result of such agreement or the indebtedness, including without limitation a refinancing or prepayment thereof.

ARTICLE 7
SECTION 704(C) METHOD AND ALLOCATIONS

(a) Application of "Traditional Method." Notwithstanding any provision of the Vornado OP Partnership Agreement, Vornado OP shall use the "traditional method" under Regulations ss. 1.704-3(b) for purposes of making all allocations under Section 704(c) of the Code (with no "curative allocations" to offset the effect of a "Ceiling Rule Disparity," as described in Section 7(b) below, except as set forth in Sections 7(c) and 7(d) below) with respect to (i) each of the assets acquired by Vornado OP from SCR in the Merger (including, without limitation, all assets owned by SCR or any direct or indirect Subsidiary of SCR that is treated either as a partnership or as a disregarded entity for federal income tax purposes), except to the extent that Vornado OP expressly would be required to use a different method under an SCR Tax Protection Agreement assumed by Vornado OP pursuant to the Merger Agreement and the affected SCR Partner has not executed an agreement to waive its right to such different method following the Merger. The 704(c) Values of the Protected Properties shall be as determined by agreement between SCR and Vornado OP prior to the effective time of the Merger, or in the absence of such agreement, as determined by Vornado REIT, in its capacity as general partner of Vornado OP, in good faith for purposes of preparing the financial statements of Vornado and Vornado OP reflecting the results of the Merger so long as the outside accountants of Vornado and Vornado OP have approved such financial statements as being in accordance with general accepted accounting procedures. 4/

(b) "Ceiling Rule Disparities." For purposes of Section 7(a), Section 7(c) and Section 7(d), the term "Ceiling Rule Disparity" shall mean, with respect to each Protected Property for each Fiscal Year, the excess, if any, of (i) the amount of Depreciation with respect to such asset allocated to the "non-contributing partners" (that is, the holders of Units who are not subject to Section 704(c) of the Code and Treasury Regulations ss. 1.704-3 with respect to such asset), over (ii) the actual amount of depreciation deductions with respect to such asset allocated to the "non-contributing partners" for federal income tax purposes for such Fiscal Year. It is agreed that Vornado OP and any partners in Vornado OP other than the SCR Unitholders shall be treated as "non-contributing partners" for this purpose. The term "Cumulative Net Ceiling Rule Disparity" with respect to a Protected Property, as that term is used in Section 7(d), means the sum of the Ceiling Rule Disparities for such Protected Property for all Fiscal Years through the date of determination, reduced by all Curative Allocations considered attributable to such Protected Property for prior Fiscal Years, determined as set forth in Section 7(d) below.

(c) Annual Curative Allocations. In order to offset the effect of Ceiling Rule Disparities, Vornado OP shall make the Curative Allocation with respect to each Non-Rock Spring Protected Unit each Fiscal Year, provided that no Curative Allocation

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(4) SCR and Vornado OP agree to negotiate in good faith to agree upon these amounts prior to the closing of the Merger.

shall be made with respect to any Non-Rock Spring Protected Units acquired by Vornado OP or Vornado REIT from SRC Unitholders as a result of the exercise of their redemption right under Section 8.6 of the Vornado Partnership Agreement), with respect to any Fiscal Year (or portion thereof) following such acquisition.

(d) Additional Curative Allocations Upon Disposition. The Ceiling Rule Disparity, as described in Section 7(b), with respect to each Protected Property (other than the Democracy I property) shall be reduced by the amount of the Curative Allocation that is considered attributable to that Protected Property. For this purpose, the Curative Allocation for each Fiscal Year shall be considered allocable among the Protected Properties (other than the Democracy I property) based upon ratio of the Ceiling Rule Disparity for each Protected Property (other than the Democracy I property) for the Fiscal Year in question to the aggregate Ceiling Rule Disparity for all of the Protected Properties (other than the Democracy I property) for such Fiscal Year, provided that if the Curative Allocation for a particular Fiscal Year exceeds the aggregate Ceiling Rule Disparity for all of the Protected Properties (other than the Democracy I property) for the Fiscal Year in question, the excess amount of the Curative Allocation shall be allocated to reduce the Cumulative Net Ceiling Rule Disparities with respect to prior years for each of the Protected Properties (other than the Democracy I property) (based upon the relative amounts of such Cumulative Net Ceiling Rule Disparities for all Protected Properties). To the extent that the cumulative Curative Allocations provided for herein are not sufficient to eliminate the effect of the Cumulative Net Ceiling Rule Disparity with respect to a particular Protected Property, Vornado OP shall make an additional "curative allocation" upon a disposition of that particular Protected Property (including the Democracy I property) to offset the remaining balance, if any, of the remaining Cumulative Net Ceiling Rule Disparity with respect to that particular Protected Property, with such "curative allocation" to be comprised of income and gain of such character (e.g., ordinary income, long-term capital gain, and "unrecaptured Section 1250 gain") as the character of the income and recognized by Vornado OP in connection with such disposition, in the same proportion as the aggregate amounts thereof recognized by Vornado OP. For example, if fifty percent of the gain recognized by Vornado OP is "unrecaptured Section 1250 gain" and fifty percent is long-term capital gain, then 50% of the curative allocation would be comprised of "unrecaptured Section 1250 gain" and fifty percent would be comprised of long-term capital gain.

(e) 1750 Pennsylvania Avenue. In the event that (i) any SCR Unitholder who holds Protected Units that were issued in the Merger with respect to SCR Units that previously were issued by SCR in connection with the acquisition by SCR of Penn Associates L.P. (which Protected Units are referred to as "1750 Penn Units") should successfully assert that Vornado OP is required to use the "remedial method" under Treasury Regulation ss. 1.704-3(d) with respect to the 1750 Pennsylvania Avenue property and (ii) the cumulative "remedial allocations" of income for any Fiscal Year and all prior Fiscal Years subsequent to the SCR Merger Closing Date with respect to the 1750 Penn Units, on a per unit basis, is less than the cumulative Curative Allocations for such period with respect to the 1750 Penn Units, on a per unit basis (a "Curative Allocation Shortfall"), then an amount of income equal to the aggregate Curative Allocation Shortfall for all then outstanding 1750 Penn Units shall be specially allocated to the holders of the then outstanding Non-Rock Spring Protected Units (excluding any 1750 Penn Units), with

an equal amount of the aggregate Curative Allocation Shortfall being allocated to each such then outstanding Non-Rock Spring Unit that is not a 1750 Penn Unit. The principles underlying the procedures set forth in Section 10(c) shall apply in the event that any holder of 1750 Penn Units should make an assertion that, if successful, would cause this Section 7(e) to apply.

ARTICLE 8
ALLOCATIONS OF LIABILITIES PURSUANT TO REGULATIONS UNDER SECTION 752

(a) Allocation Methods to be Followed. All tax returns prepared by Vornado OP during the Protected Period that allocate liabilities of Vornado OP for purposes of Section 752 and the Treasury Regulations thereunder shall treat each SCR Partner Guarantor as being allocated for federal income tax purposes an amount of recourse debt (in addition to any nonrecourse debt otherwise allocable to such SCR Partner Guarantor in accordance with the Vornado OP Partnership Agreement, Treasury Regulations ss. 1.752-3, and this Agreement) pursuant to Treasury Regulation ss. 1.752-2 equal to such SCR Partner Guarantor's Scheduled Guarantee Amount, as set forth on Schedule 9 hereto, and Vornado OP and Vornado REIT shall not, during or with respect to the Protected Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as Forms K-1, provided to partners in Vornado OP and returns of Subsidiaries of Vornado OP) or any dealings involving the Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of Vornado OP or the tax treatment of any holder of partnership interests of Vornado OP).

(b) Exception to Required Allocation Method. Notwithstanding the provisions of this Tax Reporting and Protection Agreement, Vornado OP shall not be required to make allocations of Guaranteed Debt to the SCR Unitholders as set forth in this Agreement if and to the extent that Vornado OP determines in good faith that there may not be "substantial authority" (within the meaning of Section 6662(d)(2)(B)(i)) of the Code for such allocation; provided that Vornado OP shall provide to Mr. Robert H. Smith and Mr. Robert P. Kogod (or in the event of their death or disability, their executor, guardian or custodian, as applicable), notice of such determination and if, within forty five (45) days after the receipt thereof, Vornado OP is provided an opinion of Hogan & Hartson LLP or Arthur Andersen LLP (or another comparable firm of attorneys or accountants) to the effect that there is "substantial authority" (within the meaning of Section 6662(d)(2)(B)(i) of the Code) for such allocations, Vornado OP shall continue to make allocations of Guaranteed Debt to the SCR Unitholders as set forth in this Agreement; provided further that if there shall have been a judicial determination in a proceeding to which Vornado OP is a party and as to which the SCR GP has been allowed to participate as and to the extent contemplated in Section 10 to the effect that such allocations are not correct, Section 8(a) shall not apply unless the matter is being appealed to an applicable court of appeals, the requirements of Sections 10(c)(i) and 10(c)(iii) shall have been satisfied in connection therewith, and the opinion described above from counsel or accountants engaged by Messrs. Smith and Kogod shall have been provided, except that such opinion shall be to the effect that it is more likely than not that such allocations will be respected. In no event shall this Section 8(b) be construed to relieve Vornado OP for liability arising from a failure by Vornado OP to comply with one or more of the provisions of Article 3 of this Agreement.

(c) Cooperation in the Event of a Change. If a change in Vornado OP's allocations of Guaranteed Debt to the SCR Unitholders is required by reason of circumstances described in the Section 8(b), Vornado OP and its professional tax advisors shall cooperate in good faith with Messrs. Robert H. Smith and Robert P. Kogod (or in the event of their death or disability, their executor, guardian or custodian, as applicable) and their professional tax advisors to develop alternative allocation arrangements and/or other mechanisms that protect the federal income tax positions of the SCR Unitholders in the manner contemplated by the allocations of Guaranteed Debt to the SCR Unitholders as set forth in this Agreement.

ARTICLE 9
OTHER AGREEMENTS WITH SCR UNITHOLDERS

Pursuant to the Merger Agreement, Vornado, Vornado OP, SCR GP, and SCR Partnership shall enter into an Assignment and Assumption Agreement, dated as of [the date of closing], pursuant to which Vornado OP shall assume all obligations of SCR GP and SCR pursuant to certain tax protection agreements (the "SCR Tax Protection Agreements"). A list of the SCR Tax Protection Agreements is set forth on Schedule 5 hereto.

ARTICLE 10
TAX TREATMENT AND REPORTING; TAX PROCEEDINGS

(a) Tax Treatment of Merger. Each of the parties hereto shall treat the Merger for federal income tax purposes as a contribution by SCR of all of its assets to Vornado OP in exchange for Vornado OP Units under Section 721 of the Code, with those Vornado OP Units distributed by SCR to the SCR Unitholders in accordance with their respective interests in SCR in liquidation of SCR, in a transaction in which no gain is recognized by any of the SCR Unitholders under any of Section 721, Section 707, Section 731, Section 737, or any other provision of the Code. Each of the parties agrees (i) to treat the Merger, pursuant to Treasury Regulation ss. 1.708-1(c)(3), as an "assets over" form of merger, with the consequences set forth in Treasury Regulation ss. 1.708-1(c)(3)(i) and (ii) that, in addition, if and to the extent that any transaction entered into pursuant to the Merger Agreement or otherwise deemed undertaken in connection with the transactions contemplated by the Merger Agreement is treated for federal income tax purposes as a direct or indirect transfer of cash from Vornado OP to a holder of SCR Units that would be characterized as a sale for federal income tax purposes (including, without limitation, purchases of SCR Units pursuant to Section 4.7(a) of the Merger Agreement and payments to holders of SCR options pursuant to Section 1.10 of the Merger Agreement), pursuant to Treasury Regulation ss. 1.708-1(c)(4) such sale shall be treated as a sale of such SCR Units by the former holder of SCR Units receiving (or deemed to receive) such cash directly to Vornado OP and as a direct purchase by Vornado OP of such SCR Units from such former holder of SCR Units immediately prior to the Merger (and not as a transfer of cash from Vornado OP to SCR as part of the Merger). The parties agree and acknowledge (and will not take any position inconsistent therewith) that no consideration (whether actual consideration or deemed consideration under Section 707(a) of the Code or otherwise) other than Vornado OP Units has been or will be given by Vornado OP or Vornado REIT to the SCR or the SCR Unitholders in

connection with the Merger (other than cash paid by SCR directly to certain holders of partnership interests in SCR who agreed to sell such partnership interests back to SCR prior to the closing of the Merger). Without limiting the foregoing, the parties agree to treat all liabilities of SCR and its Subsidiaries as "qualified liabilities" within the meaning of Treasury Regulation ss. 1.707-5a)(6). SCR represents to Vornado OP and Vornado REIT for this purpose that, to the best of its knowledge, all liabilities of SCR and its Subsidiaries outstanding at the time of the Merger constitute "qualified liabilities" within the meaning of Treasury Regulation ss. 1.707-5a)(6). Vornado OP and Vornado REIT shall not, at any time during or with respect to the Protected Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as Forms K-1, provided to partners in Vornado OP and returns of Subsidiaries of Vornado OP) or any dealings involving the Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of Vornado OP or the tax treatment of any holder of partnership interests Vornado OP), except as permitted pursuant to Section 10(c) below.

(b) Notice of Tax Audits. If any claim, demand, assessment (including a notice of proposed assessment) or other assertion is made with respect to Taxes against SCR or Vornado OP the calculation of which involves a matter covered in this Agreement ("Tax Claim") or if Vornado REIT, Vornado OP or SCR receives any notice from any jurisdiction with respect to any current or future audit, examination, investigation or other proceeding ("Proceeding") involving SCR or Vornado OP or that otherwise could involve a matter covered in this Agreement and could directly or indirectly affect the SCR Unitholders (adversely or otherwise), then Vornado REIT, Vornado OP or SCR, as applicable shall promptly notify SCR GP, as representative of the SCR Unitholders of such Tax Claim or Tax Proceeding.

(c) Control of Tax Proceedings. Vornado REIT, as the general partner of Vornado OP shall have the right to control the defense, settlement or compromise of any Proceeding or Tax Claim; provided, however, that Vornado REIT shall not consent to the entry of any judgment or enter into any settlement with respect to such Tax Claim or Tax Proceeding without the prior written consent of SCR GP, as representative of the SCR Unitholders (unless, and only to the extent, that any Taxes required to be paid by the SCR Unitholders who are Protected Unitholders as a result thereof would be required to be reimbursed by Vornado OP and Vornado REIT under Article 5 and Vornado OP and Vornado REIT agree in connection with such settlement or consent, to make such required payments); provided further that Vornado OP shall keep SCR GP duly informed of the progress thereof to the extent that such Proceeding or Tax Claim could directly or indirectly affect (adversely or otherwise) the SCR Unitholders and that SCR GP shall have the right to review and comment on any and all submissions made to the to Internal Revenue Service ("IRS"), a court, or other governmental body with respect to such Tax Claim or Tax Proceeding and that Vornado OP will consider such comments in good faith. As a condition to withholding its consent to a settlement pursuant to the preceding sentence, the SCR GP (i) must have a reasonable basis to believe that such settlement would have a material adverse impact on one or more SCR Unitholders with respect to a matter covered by this Agreement and that such impact would be different from the impact that would result for other holders of Vornado OP Units who are not SCR Unitholders (which the SCR GP, upon request from Vornado OP, shall describe in

reasonable detail in writing), (ii) the SCR GP must believe, based upon the advice of Hogan & Hartson L.L.P. or Arthur Andersen LLP (or another comparable firm of attorneys or accountants), that it is more likely than not that the position asserted by the SCR GP would prevail if it were to be asserted in a judicial proceeding (and upon request of Vornado OP, the SCR GP shall provide to Vornado OP a letter from such counsel or accountants confirming such advice), and (iii) the SCR GP shall offer to assume the subsequent costs of defending and asserting the position asserted by the SCR GP (but not any other costs associated with such proceeding or any other issues involved therein); provided that the foregoing shall not apply with respect to, or otherwise restrict or limit or restrict in any matter, the exercise by the SCR GP or any of the SCR Unitholders of any rights or privileges provided for in Sections 6221-6234 of the Code and the Treasury Regulations thereunder or in the Vornado OP Partnership Agreement in connection with any examination of federal or state income tax matters related to SCR or Vornado OP.

(d) Timing of Tax Returns; Periodic Tax Information. Vornado OP shall cause to be delivered to the SCR Unitholders, no later than July 15 of each year (beginning in 2003), the Forms K-1 that Vornado OP is required to deliver to such SCR Unitholders with respect to the prior taxable year. In the case of the Forms K-1 relating to taxable year 2001 of SCR, Vornado shall engage Arthur Andersen and cause Arthur Andersen to prepare such Forms K-1 to be delivered to the SCR Unitholders no later than March 31, 2002. In addition, Vornado OP agrees to provide to Messrs. Robert Smith and Robert Kogod, upon request, an estimate of the taxable income expected to be allocable for a specified taxable year from Vornado OP to the Smith and Kogod families and the entities that they control, provided that such estimates shall not be required to be provided more frequently than once each calendar quarter.

ARTICLE 11
AMENDMENT OF THIS AGREEMENT

This Agreement may not be amended, directly or indirectly (including by reason of a merger between Vornado OP and another entity) except by a written instrument signed by Vornado, as general partner of Vornado OP, and approved by (i) the SCR Partners holding seventy-six percent (76%) of the then outstanding Protected Units and (ii) if any of Robert H. Smith, Robert P. Kogod, Clarice Smith or Arlene Kogod is then living, the consent of each such person then living; provided, however, that any amendment that would permit a sale of a Protected Property or other action in violation of Article 2 or the refinancing of debt or any other action with respect to debt in violation of Article 3 or Article 4, shall not be permitted without the written approval of holders of seventy-six percent (76%) of the then outstanding Protected Units held by SCR Partners that would be adversely affected by such actions.

ARTICLE 12
EARLY TERMINATION OF EXTENDED TAX PROTECTED PERIOD

The Extended Tax Protected Period shall terminate prior to the expiration thereof at 12:01 AM on January 1, 2022 (or if earlier, upon the date of death of the last to survive of Robert H. Smith, Clarice R. Smith, Robert P. Kogod, or Arlene R. Kogod) as follows:

(i) the Extended Tax Protected Period as to any SCR Unitholder shall terminate only as to that SCR Unitholder upon a Transfer (as defined in the Lock-up Agreement) of Vornado Securities (as defined in the Lock-up Agreement) originally issued to such SCR Unitholder in the Merger in violation of the Lock-up Agreement applicable to such SCR Unitholder; and

(ii) the Extended Tax Protected Period shall terminate as to all SCR Unitholders that have entered into Lock-up Agreements in connection with the closing of the Merger (to the extent not earlier terminated pursuant to clause (i) hereof) upon a Transfer by a member of the Smith Family or the Kogod Family or any of their Permitted Transferees (as such terms are defined in the Merger Agreement) as a result of which the Smith Family, the Kogod Family, and their Permitted Transferees no longer Beneficially Own, after giving effect to such Transfer, at least (x) 50% of the original aggregate number of VNOP Units (or Vornado Common Shares issued in redemption thereof) issued to members of the Smith Family and the Kogod Family in the Merger or (ii) 100% of the original aggregate value of VNOP Units (or Vornado Common Shares issued in redemption thereof) issued to members of the Smith Family and the Kogod Family in the Merger (which value of the retained Vornado Securities shall be measured only at the time of the applicable Transfer based on the closing price of a Vornado Common Share on the NYSE after closing of trading on the date immediately preceding the date of the applicable Transfer, which value shall be compared to the original value of the VNOP Units issued to the undersigned in the Merger (based on an assumed price of $41.00 per VNOP Unit)). In determining whether a Transfer described in this paragraph (ii) has occurred, the two provisos in Section 2(a)(iii) of the Lock-up Agreement and the provisions of Sections 2(b), (c), (d), and (e) of the Lock-up Agreement shall be applied. Except as otherwise indicated, capitalized terms used in this subparagraph (ii) that are not otherwise defined in this Agreement shall have the meanings ascribed to them in the Lock-Up Agreement.

If Vornado OP believes an SCR Unitholder or, if applicable, a Permitted Transferee of such SCR Unitholder has made a Transfer (as defined in the Lock-up Agreement) in violation of the applicable Lock-Up Agreement that has resulted in a termination of the Extended Tax Protected Period under clause (i) or (ii), Vornado will notify such SCR Unitholder of such determination and the SCR Unitholder shall have the opportunity to contest such determination (and no Extended Tax Protected Period shall terminate as a result thereof unless and until such contest is resolved and such resolution results in a determination that a Transfer (as defined in the Lock-up Agreement) in violation of the applicable Lock-Up Agreement in fact occurred. Vornado shall promptly provide all SCR Unitholders who have the benefit of an Extended Tax Protected Period notice in the event of a termination of the Extended Tax Protected Period under clause (ii).

ARTICLE 13
MISCELLANEOUS

(a) Additional Actions and Documents. Each of the parties hereto hereby agrees to take or cause to be taken such further actions, to execute, deliver, and file or cause to be executed, delivered and filed such further documents, and will obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

(b) Assignment. No party hereto shall assign its or his rights or obligations under this Agreement, in whole or in part, except by operation of law, without the prior written consent of the other parties hereto, and any such assignment contrary to the terms hereof shall be null and void and of no force and effect.

(c) Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Protected Unitholders (through SCR GP, as representative of the SCR Unitholders) and their respective successors and permitted assigns, whether so expressed or not. This Agreement shall be binding upon Vornado REIT, Vornado OP, and any entity that is a direct or indirect successor, whether by merger, transfer, spin-off or otherwise, to all or substantially all of the assets of either Vornado REIT or Vornado OP (or any prior successor thereto as set forth in the preceding portion of this sentence), provided that none of the foregoing shall result in the release of liability of Vornado REIT and Vornado OP hereunder. Vornado REIT and Vornado OP covenant with and for the benefit of the SCR Unitholders not to undertake any transfer of all or substantially all of the assets of either entity (whether by merger, transfer, spin-off or otherwise) unless the transferee has in writing acknowledged and agreed to be bound by this Agreement, provided that the foregoing shall not be deemed to permit any transaction otherwise prohibited by this Agreement.

(d) Modification; Waiver. No failure or delay on the part of any party hereto in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and not exclusive of any rights or remedies which they would otherwise have. No modification or waiver of any provision of this Agreement, nor consent to any departure by any party therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(e) Representations and Warranties Regarding Authority; Noncontravention.

(i) Representations and Warranties of Vornado REIT and Vornado OP. Each of Vornado REIT and Vornado OP has the requisite corporate or other (as the case may be) power and authority to enter into

this Agreement and to perform its respective obligations hereunder. The execution and delivery of this Agreement by each of Vornado REIT and Vornado OP and the performance of each of its respective obligations hereunder have been duly authorized by all necessary trust, partnership, or other (as the case may be) action on the part of each of Vornado REIT and Vornado OP. This Agreement has been duly executed and delivered by each of Vornado REIT and Vornado OP and constitutes a valid and binding obligation of each of Vornado REIT and Vornado OP, enforceable against each of Vornado REIT and Vornado OP in accordance with its terms, notwithstanding Sections 7.1.E, 7.8.B, 10.1, 10.2, and 10.3 of the Partnership Agreement, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. The execution and delivery of this Agreement by each of Vornado REIT and Vornado OP do not, and the performance by each of its respective obligations hereunder will not, conflict with, or result in any violation of (i) the Vornado OP Partnership Agreement or (ii) any other agreement applicable to Vornado REIT and/or Vornado OP, other than, in the case of clause (ii), any such conflicts or violations that would not materially adversely affect the performance by Vornado OP and Vornado REIT of their obligations hereunder.

(ii) Representations and Warranties of SCR and SCR GP. Each of SCR and SCR GP has the requisite corporate or other (as the case may be) power and authority to enter into this Agreement and to perform its respective obligations hereunder. The execution and delivery of this Agreement by each of SCR and SCR GP and the performance of each of its respective obligations hereunder have been duly authorized by all necessary trust, partnership, or other (as the case may be) action on the part of each of SCR and SCR GP. This Agreement has been duly executed and delivered by each of SCR and SCR GP and constitutes a valid and binding obligation of each of SCR and SCR GP, enforceable against each of SCR and SCR GP in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. The execution and delivery of this Agreement by each of SCR and SCR GP do not, and the performance by each of its respective obligations hereunder will not, conflict with, or result in any violation of (i) the SCR Partnership Agreement or (ii) any other agreement applicable to SCR and SCR GP, other than, in the case of clause (ii), any such conflicts or violations that would not materially adversely affect the performance by SCR and SCR GP of their obligations hereunder.

(f) Captions. The Article and Section headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

(g) Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered, mailed or transmitted, and shall be effective upon receipt, if delivered personally, mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like changes of address) or sent by electronic transmission to the telecopier number specified below:

(i) if to SCR GP, as representative of the SCR Unitholders, to:

Charles E. Smith Commercial Realty, LLC
2345 Crystal Drive
Crystal City
Arlington, Virginia 22202
Attention: Robert H. Smith
Robert P. Kogod
Robert D. Zimet
Facsimile: (703) 769-1305

(ii) if to Vornado OP or Vornado REIT, to:

Vornado Realty Trust
Vornado Realty L.P.
888 Seventh Avenue, 44th Floor
New York, New York 10019
Attention: Steven Roth
Michael D. Fascitelli
Facsimile: (212) 894-7000

and

Vornado Realty Trust
Vornado Realty L.P.
210 Route 4 East
Paramus, New Jersey 07652
Attention: Joseph Macnow
Facsimile: (201) 587-1000

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be hand delivered, sent, mailed, telecopied or telexed in the manner described above, or which shall be delivered to a telegraph company, shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, or (with respect to a telecopy or telex) the answerback being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

(h) Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

(i) Governing Law. The interpretation and construction of this Agreement, and all matters relating thereto, shall be governed by the laws of the State of Delaware, without regard to the choice of law provisions thereof.

(j) Consent to Jurisdiction; Enforceability.

(i) This Agreement and the duties and obligations of the parties hereunder shall be enforceable against any of the parties in the courts of the State of Delaware. For such purpose, each party hereto hereby irrevocably submits to the nonexclusive jurisdiction of such courts and agrees that all claims in respect of this Agreement may be heard and determined in any of such courts.

(ii) Each party hereto hereby irrevocably agrees that a final judgment of any of the courts specified above in any action or proceeding relating to this Agreement shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(k) Severability. If any part of any provision of this Agreement shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Agreement.

(l) Costs of Disputes. Except as otherwise expressly set forth in this Agreement, the nonprevailing party in any dispute arising hereunder shall bear and pay the costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by the prevailing party or parties in connection with resolving such dispute.

IN WITNESS WHEREOF, Vornado REIT, Vornado OP, SCR and SCR GP have caused this Agreement to be signed by their respective officers (or general partners) thereunto duly authorized all as of the date first written above.

VORNADO REALTY TRUST

By: ----------
Name: ----------
Title: ----------

VORNADO REALTY L.P.

By: Vornado Realty Trust, its sole general partner

By: ----------
Name: ----------
Title: ----------

CHARLES E. SMITH COMMERCIAL REALTY L.P.

By: Charles E. Smith Realty, L.L.C., its sole general partner

By: ----------
Name: ----------
Title: ----------

CHARLES E. SMITH REALTY, L.L.C.,
for itself and as representative of each holder of partnership interests in Charles E. Smith Commercial Realty L.P. (other than Vornado CESCR LLC and Vornado CESCR II LLC), each of which holder is a third party beneficiary of this Agreement

By: ----------
Name: ----------
Title: ----------

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of January 1, 2002 by and between VORNADO REALTY TRUST, a Maryland real estate investment trust (the "Company"), and the persons identified on Schedule A hereto (each a "Holder" and collectively, together with their respective assigns permitted under Section 6.3 hereof, the "Holders").

WHEREAS, the Company and Charles E. Smith Commercial Realty L.L.C., a Delaware limited liability company and the sole general partner of Charles E. Smith Commercial Realty L.P., a Delaware limited partnership ("SCR"), are causing an indirect wholly-owned subsidiary of Vornado Realty L.P., a Delaware limited partnership (the "Partnership") to merge (the "Merger") with and into SCR and, in connection therewith, the Partnership is issuing 9,518,576 Class A Units (such units, the "VNOP Units") to the Holders as set forth opposite their names on Schedule A hereto;

WHEREAS, pursuant to the terms of Section 8.6 and the other related provisions of the Second Amended and Restated Agreement of Limited Partnership of the Partnership (such agreement, as amended from time to time, the "Partnership Agreement"), commencing on the first anniversary of the date of issuance, and subject to the various limitations contained in the Partnership Agreement and other instruments being delivered in connection with the Merger, the Holders will be entitled to redeem their VNOP Units for cash or, at the Company's election, common shares of beneficial interest, par value $0.04 per share, of the Company ("Common Shares");

WHEREAS, the Company has agreed to grant to the Holders the Registration Rights (as defined in Section 1 hereof);

NOW, THEREFORE, the parties hereto, in consideration of the foregoing, and the mutual covenants and agreements hereinafter set forth, hereby agree as follows:

SECTION 1. REGISTRATION RIGHTS

Subject to the various terms and conditions of the Partnership Agreement and the limitations upon Holders' redemption of VNOP Units set forth in other instruments being delivered in connection with the Merger, if any Holder receives Common Shares upon redemption of VNOP Units held by such Holder ("Redemption Shares"), then, unless the Redemption Shares are issued to the Holder pursuant to an Issuer Registration Statement as provided in Section 2 below, each Holder shall be entitled to offer the Redemption Shares for sale pursuant to a shelf registration statement,

subject to the terms and conditions set forth in Section 3 hereof (the "Registration Rights").

SECTION 2. ISSUER REGISTRATION STATEMENT

Anything contained herein to the contrary notwithstanding, in the event that the Redemption Shares are issued by the Company to a Holder and included at the time of issuance in an effective registration statement (an "Issuer Registration Statement") filed with the Securities and Exchange Commission (the "Commission"), the Company shall be deemed to have satisfied all of its registration obligations under this Agreement in respect of such Redemption Shares.

SECTION 3. DEMAND REGISTRATION RIGHTS

3.1 (a) Registration Procedure. Unless such Redemption Shares are included at the time of issuance in an Issuer Registration Statement as provided in Section 2 above, then subject to Sections 3.1(c) and 3.2 hereof, if any Holder desires to exercise its Registration Rights with respect to the Redemption Shares, the Holder shall deliver to the Company a written notice (a "Registration Notice") informing the Company of such exercise and specifying the number of shares to be offered by such Holder (such shares to be offered being referred to herein as the "Registrable Securities"). Such notice may be given at any time on or after the date a notice of redemption is delivered by the Holder to the Partnership pursuant to the Partnership Agreement, but must be given at least sixty (60) days prior to the date on which the Holder desires to consummate of the sale of Registrable Securities. Upon receipt of the Registration Notice, the Company, if it has not already caused the Registrable Securities to be included as part of an existing shelf registration statement and related prospectus that the Company then has on file with, and has been declared effective by, the Commission (the "Shelf Registration Statement") (in which event the Company shall be deemed to have satisfied its registration obligation under this Section 3), will cause to be filed with the Commission as soon as reasonably practicable after receiving the Registration Notice a new registration statement and related prospectus (a "New Registration Statement") that complies as to form in all material respects with applicable Commission rules providing for the sale by such Holder of the Registrable Securities, and agrees (subject to Section 3.2 hereof) to use commercially reasonable efforts to cause such New Registration Statement to be declared effective by the Commission as soon as practicable. (As used herein, "Registration Statement" and "Prospectus" refer to the Shelf Registration Statement and related prospectus

(including any preliminary prospectus) or the New Registration Statement and related prospectus (including any preliminary prospectus), whichever is utilized by the Company to satisfy Holder's Registration Rights pursuant to this Section 3, including in each case any documents incorporated therein by reference.)

Subject to Section 3.2 hereof, the Company agrees to use commercially reasonable efforts to keep the Registration Statement effective (including the preparation and filing of any amendments and supplements necessary for that purpose) until the earlier of (i) the forty-sixth (46th) day following commencement of the offering contemplated therein (provided, that the forty-five (45) day period will be extended one day for each day that the Company suspends the offering pursuant to its rights in Section 3.2 hereof) or, if sooner, the date on which Holder consummates the sale of all of the Registrable Securities registered under the Registration Statement and (ii) the date on which all of the Registrable Securities are eligible for sale pursuant to Rule 144(k) (or any successor provision) or in a single transaction pursuant to Rule 144(e) (or any successor provision) under the Securities Act of 1933, as amended (the "Act"). The Company agrees to provide each exercising Holder a reasonable number of copies of the final Prospectus and any amendments or supplements thereto. Notwithstanding the foregoing, the Company may at any time, in its sole discretion and prior to receiving any Registration Notice from any Holder, include all of any Holder's Redemption Shares or any portion thereof in any Registration Statement (in which event the Company shall be deemed to have satisfied its registration obligation under this Section 3.1(a)).

In connection with any Registration Statement utilized by the Company to satisfy the Registration Rights pursuant to this Section 3, each Holder agrees to cooperate with the Company in connection with the preparation of the Registration Statement, and each Holder agrees that it will (i) respond within five (5) Business Days to any written request by the Company to provide or verify information regarding Holder or Holder's Registrable Securities (including the proposed manner of sale) that may be required to be included in such Registration Statement pursuant to the rules and regulations of the Commission, and (ii) provide in a timely manner information regarding the proposed distribution by such Holder of the Registrable Securities and such other information as may be requested by the Company from time to time in connection with the preparation of and for inclusion in the Registration Statement and related Prospectus. As used in this Agreement, a "Business Day" is any Monday, Tuesday, Wednesday, Thursday or Friday other than a day on which banks and other financial institutions are authorized or required to be closed for business in the State of New York or Maryland.

(b) Offers and Sales. All offers and sales by a Holder under the Registration Statement referred to in this Section 3 shall be completed within the period during which the Registration Statement is required to remain effective pursuant to Section 3.1(a) above, and upon expiration of such period no Holder will offer or sell any Registrable Securities under the Registration Statement. If directed by the Company, each Holder will return all undistributed copies of the Prospectus in its possession upon the expiration of such period.

(c) Limitations on Registration Rights. Each exercise of a Registration Right shall be with respect to a minimum of the lesser of (i) FIFTY THOUSAND (50,000) Redemption Shares and (ii) the total number of Redemption Shares held by the exercising Holder at such time plus the number of Redemption Shares that may be issued upon redemption of VNOP Units by the exercising Holder. The right of any Holder to deliver a Registration Notice commences upon the first date the Holder is permitted to redeem VNOP Units pursuant to the Partnership Agreement and other instruments being delivered in connection with the Merger. The right of any Holder to deliver a Registration Notice shall expire on the date on which all of the Redemption Shares held by the Holder or issuable upon redemption of Units held by the Holder are eligible for sale pursuant to Rule 144(k) (or any successor provision) or in a single transaction pursuant to Rule 144(e) (or any successor provision) under the Act.

3.2 Suspension of Offering. Upon any notice by the Company, either before or after a Holder has delivered a Registration Notice, that a negotiation or consummation of a transaction by the Company or any of its affiliates is pending or an event has occurred, which negotiation, consummation or event would require additional disclosure by the Company in the Registration Statement of material information which the Company has a bona fide business purpose for keeping confidential and the non- disclosure of which in the Registration Statement might cause the Registration Statement to fail to comply with applicable disclosure requirements (a "Materiality Notice"), each Holder agrees that it will immediately discontinue offers and sales of the Registrable Securities under the Registration Statement until the Holder receives copies of a supplemental or amended Prospectus that corrects the misstatement(s) or omission(s) referred to above and receives notice that any post-effective amendment has become effective; provided, that the Company may delay, suspend or withdraw the Registration Statement for such reason for no more than ninety (90) days after delivery of the Materiality Notice at any one time. If so directed by the Company, Holder will deliver to the Company all copies of the Prospectus covering the Registrable Securities current at the time of receipt of any Materiality Notice.

3.3 Qualification. The Company agrees to use commercially reasonable efforts to register or qualify the Registrable Securities by the time the applicable Registration Statement is declared effective by the Commission under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder may reasonably request in writing, to keep each such registration or qualification effective during the period such Registration Statement is required to be kept effective pursuant to this Agreement or during the period offers or sales are being made by Holder after delivery of a Registration Notice to the Company, whichever is shorter, and to do any and all other similar acts and things which may be reasonably necessary or advisable to enable Holder to consummate the disposition of the Registrable Securities owned by Holder in each such jurisdiction;

provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Agreement, (ii) take any action that would cause it to become subject to any taxation in any jurisdiction where it would not otherwise be subject to such taxation or (iii) take any action that would subject it to the general service of process in any jurisdiction where it is not now so subject.

3.4 Obligations of the Company. When the Company is required to effect the registration of Redemption Shares under the Act pursuant to Section 3.1 of this Agreement, subject to Section 3.2 hereof, the Company shall:

(a) prepare and file with the Commission (as soon as reasonably practicable after receiving the Registration Notice, and in any event within sixty (60) days after receipt of such Registration Notice) the requisite Registration Statement to effect such registration, which Registration Statement shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and the Company shall use commercially reasonable efforts to cause such Registration Statement to become effective; provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, or comparable statements under securities or "blue sky" laws of any jurisdiction, the Company shall (i) provide each Holder with an adequate and appropriate opportunity to participate in the preparation of such Registration Statement and each Prospectus included therein (and each amendment or supplement thereto or comparable statement) to be filed with the Commission and (ii) not file any such Registration Statement or Prospectus (or amendment or supplement thereto or comparable statement) with the Commission to which any Holder shall have reasonably objected on the grounds that such filing does not comply in all material respects with the requirements of the Act or of the rules or regulations thereunder;

(b) prepare and file with the Commission such amendments and supplements as to the Registration Statement and the Prospectus used in connection therewith as may be necessary (i) to keep such Registration Statement effective and (ii) to comply with the provisions of the Act with respect to the disposition of the Redemption Shares covered by such Registration Statement, in each case for such time as is contemplated in Section 3.1(a) above; provided, that in any event the period need not extend beyond nine months from the effective date of the Registration Statement;

(c) furnish, without charge, to the Holders of the securities covered by the Registration Statement, such number of copies of the Registration Statement, each amendment and supplement thereto (in each case including all exhibits), and the Prospectus included in such Registration Statement (including each preliminary

Prospectus) in conformity with the requirements of the Act, and other documents, as the Holders may reasonably request in order to facilitate the public sale or other disposition of the Redemption Shares owned by the Holders;

(d) promptly notify the Holders of securities covered by the Registration Statement: (i) when the Registration Statement, any pre-effective amendment, the Prospectus or any prospectus supplement related thereto or post-effective amendment to the Registration Statement has been filed, and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any state securities or blue sky authority for amendments or supplements to the Registration Statement or the Prospectus related thereto or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation or threat of any proceedings for that purpose, and (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Redemption Shares for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose;

(e) following receipt of a Registration Notice and thereafter until the sooner of completion, abandonment or termination of the offering or sale contemplated thereby and the expiring of the period during which the Company is required to maintain the effectiveness of the related Registration Statement as set forth in Section 3.1(a) above, promptly notify the Holders of securities covered by the Registration Statement: (i) of the existence of any fact of which the Company is aware or the happening of any event which has resulted in (A) the Registration Statement, as then in effect, containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein not misleading or (B) the Prospectus included in such Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein, in the light of the circumstances under which they were made, not misleading and (ii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate or that there exist circumstances not yet disclosed to the public which make further sales under such Registration Statement inadvisable pending such disclosure and post-effective amendment; and, if the notification relates to any event described in either of the clauses (i) or (ii) of this Section 3.4(e), subject to Section 3.2 above, at the request of the Holders, the Company shall prepare and furnish to the Holders of securities covered by the Registration Statement, a reasonable number of copies of a supplement or post-effective amendment to such Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that (1) such Registration Statement shall not contain any untrue statement of a material fact or omit to

state a material fact required to be stated therein or necessary to make the statements therein not misleading and (2) as thereafter delivered to the purchasers of the Redemption Shares being sold thereunder, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) make available for reasonable inspection by the Holders and any attorney, accountant or other agent retained by any Holder, material financial and other relevant information concerning the business and operations of the Company and the properties of the Company and any subsidiaries thereof as may be in existence at such time as shall be necessary to enable them to conduct a reasonable investigation within the meaning of the Act, and cause the Company's officers, directors and employees to supply such relevant information as may be reasonably requested by any such parties in connection with such Registration Statement; provided, however, that, if the Holders or any of their advisors or agents request any information that the Company determines to be confidential or non-public, the Company shall be entitled to condition access to that information upon the Holders and each other recipient of such information having entered into a confidentiality agreement with the Company in form and substance satisfactory to the Company acting reasonably, pursuant to which each such recipient agrees to maintain that information as confidential and use it solely for the purposes of exercising rights under this Agreement, and provided further, that the Company shall not be required to disclose any information subject to the attorney-client or attorney work product privilege if and to the extent such disclosure would constitute a waiver of such privilege;

(g) use commercially reasonable efforts to cause all such Redemption Shares to be listed on the national securities exchange on which the Common Shares are then listed, if the listing of Redemption Shares is then permitted under the rules of such national securities exchange; and

(h) if requested by any Holder participating in the offering of Registrable Securities, incorporate in a prospectus supplement or post-effective amendment such information concerning the Holder or the intended method of distribution as the Holder reasonably requests to be included therein and as is appropriate in the reasonable judgment of the Company, including, without limitation, information with respect to the number of Redemption Shares being sold, the purchase price being paid therefor and any other material terms of the offering of the Redemption Shares to be sold in such offering; provided, however, that the Company shall not be obligated to include in any such prospectus supplement or post-effective amendment any requested information that is unreasonable in scope compared with the Company's most recent prospectus or

prospectus supplement used in connection with a primary or secondary offering of equity securities by the Company.

3.5 Indemnification by the Company. The Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any of their officers, directors, employees or representatives, as follows:

(i) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which the Registrable Securities were registered under the Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 3.5 does not apply to any Holder with respect to any loss, liability, claim, damage, judgment or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto), or (B) any Holder's failure to deliver an amended or supplemental Prospectus provided to the Holder by the Company if such loss, liability, claim, damage, judgment or expense would not have arisen had such delivery occurred.

3.6 Indemnification by Holder. Each Holder of securities covered by a Registration Statement (and each permitted assignee of such Holder, on a several basis) severally and not jointly agrees to indemnify and hold harmless the Company, and each of its trustees/directors and officers (including each trustee/director and officer of the Company who signed a Registration Statement), and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, as follows:

(i) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Registrable Securities of such Holder were registered under the Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Holder; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 3.6 shall only apply with respect to any loss, liability, claim, damage, judgment or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto) or (B) any Holder's failure to deliver an amended or supplemental Prospectus provided to the Holder by the Company if such loss, liability, claim, damage or expense would not have arisen had such delivery occurred. Notwithstanding the provisions of this Section 3.6, a Holder and any permitted assignee shall not be required to indemnify the Company, its officers, trustees/directors or control persons with respect to any amount in excess of the amount of the total proceeds to the Holder or such permitted assignee, as the case may be, from sales of the Registrable Securities of the Holder under the Registration Statement.

3.7 Conduct of Indemnification Proceedings. An indemnified party hereunder shall give reasonably prompt notice to the indemnifying party of any action or proceeding commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify the indemnifying party (i) shall not relieve it from any liability which it may have under the indemnity agreement provided in Section 3.5 or 3.6 above, unless and only to the extent it did not otherwise learn of such action and the lack of notice by the indemnified party results in the forfeiture by the indemnifying party of substantial rights and defenses, and (ii) shall not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided under Section 3.5 or 3.6 above. If the indemnifying party so elects within a reasonable time after receipt of such notice, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying party and approved by the indemnified party, which approval shall not be unreasonably withheld; provided, however, that the indemnifying party will not settle any such action or proceeding without the written consent of the indemnified party unless, as a condition to such settlement, the indemnifying party secures the unconditional release of the indemnified party; and provided further, that, if the indemnified party reasonably determines that a conflict of interest exists where it is

advisable for the indemnified party to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to it which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to assume such defense and the indemnified party shall be entitled to separate counsel at the indemnifying party's expense. If the indemnifying party is not entitled to assume the defense of such action or proceeding as a result of the second proviso to the preceding sentence, the indemnifying party's counsel shall be entitled to conduct the indemnifying party's defense and counsel for the indemnified party shall be entitled to conduct the defense of the indemnified party, it being understood that both such counsel will cooperate with each other to conduct the defense of such action or proceeding as efficiently as possible. If the indemnifying party is not so entitled to assume the defense of such action or does not assume such defense, after having received the notice referred to in the first sentence of this paragraph, the indemnifying party will pay the reasonable fees and expenses of counsel for the indemnified party. In such event, however, the indemnifying party will not be liable for any settlement effected without the written consent of the indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this paragraph, the indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified party incurred thereafter in connection with such action or proceeding.

3.8 Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Sections 3.5 and 3.6 above is for any reason held to be unenforceable by the indemnified party although applicable in accordance with its terms, the Company and the relevant Holder shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Company and the Holder, (i) in such proportion as is appropriate to reflect the relative fault of and benefits to the Company on the one hand and the Holder on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities, or expenses or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative fault of, but also the relative benefits to, the Company on the one hand and the Holder on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits to the indemnifying party and indemnified party shall be determined by reference to, among other things, the total proceeds received by the indemnifying party and indemnified party in connection with the offering to which such losses, claims, damages, liabilities or expenses relate. The relative fault of the indemnifying party and indemnified party shall be determined by reference to, among other things, whether the action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has

been made by, or relates to information supplied by, the indemnifying party or the indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action.

The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 3.8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 3.8, a Holder shall not be required to contribute any amount in excess of the amount of the total proceeds to the Holder from sales of the Registrable Securities of such Holder under the Registration Statement.

Notwithstanding the foregoing, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 3.8, each person, if any, who controls a Holder within the meaning of Section 15 of the Act shall have the same rights to contribution as the Holder, and each trustee/director of the Company, each officer of the Company who signed a Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act shall have the same rights to contribution as the Company.

SECTION 4. EXPENSES

The Company shall pay all expenses incident to the performance by the Company of its registration obligations under Sections 2 and 3 above, including (i) all stock exchange, Commission and state securities registration, listing and filing fees, (ii) all expenses incurred in connection with the preparation, printing and distribution of any Issuer Registration Statement or Registration Statement and Prospectus, and (iii) fees and disbursements of counsel for the Company and of the independent public accountants of the Company. Each Holder shall be responsible for the payment of any brokerage and sales commissions, fees and disbursements of the Holder's counsel, accountants and other advisors, and any transfer taxes relating to the sale or disposition of the Registrable Securities by such Holder pursuant to this Agreement.

SECTION 5. RULE 144 COMPLIANCE

The Company covenants that it will use its best efforts to timely file the reports required to be filed by the Company under the Act and the Exchange Act so as to enable each Holder to sell Registrable Securities pursuant to Rule 144 under the Act. In connection with any sale, transfer or other disposition by a Holder of any Registrable Securities pursuant to Rule 144 under the Act, the Company shall cooperate with the Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as Holder may reasonably request at least ten (10) Business Days prior to any sale of Registrable Securities hereunder.

SECTION 6. MISCELLANEOUS

6.1 Integration; Amendment. This Agreement constitutes the entire agreement among the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior oral or written agreements, commitments and understandings among the parties with respect to the matters set forth herein. Except as otherwise expressly provided in this Agreement, no amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed by the Company and each Holder against whom such amendment, modification or discharge is sought to be enforced.

6.2 Waivers. No waiver by a party hereto shall be effective unless made in a written instrument duly executed by the party against whom such waiver is sought to be enforced, and only to the extent set forth in such instrument. Neither the waiver by any of the parties hereto of a breach or a default under any of the provisions of this Agreement, nor the failure of any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

6.3 Assignment; Successors and Assigns. This Agreement and the rights granted hereunder may not be assigned by any Holder without the written consent of the Company; provided, however, that a Holder may assign its rights and obligations hereunder, to a transferee in connection with a transfer of some or all of such Holder's VNOP Units in accordance with the terms of the Partnership Agreement, if such transferee agrees in writing to be bound by all of the provisions hereof. This Agreement shall inure to the benefit of and be binding upon all of the parties hereto and their respective successors and permitted assigns.

6.4 Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the addresses set forth in Schedule A hereto, or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided in this Section 6.4 for the service of notices; provided, however, that notices of a change of address shall be effective only upon receipt thereof. Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; provided, however, that if such day is not a Business Day, then the notice shall be deemed to have been given and received on the Business Day next following such day and if any party rejects delivery of any notice attempted to be given hereunder, delivery shall be deemed given on the date of such rejection. Any notice sent by facsimile transmission shall be deemed to have been given and received on the Business Day next following the transmission.

6.5 Specific Performance. The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to (i) compel specific performance of the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement and (ii) obtain preliminary injunctive relief to secure specific performance and to prevent a breach or contemplated breach of this Agreement in any court of the United States or any State thereof having jurisdiction.

6.6 Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York, but not including the choice of law rules thereof.

6.7 Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

6.8 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

6.9 Execution in Counterparts. To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signature of or on behalf of each party appears on each counterpart, but it shall be sufficient that the signature of or on behalf of each party appears on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in any proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of or on behalf of all of the parties.

6.10 Severability. If fulfillment of any provision of this Agreement, at the time such fulfillment shall be due, shall transcend the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed on its behalf as of the date first herein above set forth.

VORNADO REALTY TRUST

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President - Finance and Administration and Chief Financial Officer

CHARLES E. SMITH
COMMERCIAL REALTY L.L.C.,
as Representative of the Holders

By: /s/ PAUL F. LARNER

Name: Paul F. Larner
Title: Chief Financial Officer

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of January 1, 2002 by and among (i) VORNADO REALTY TRUST, a Maryland real estate investment trust (the "Company"), and (ii) each of the persons identified on Schedule A hereto (each a "Holder" and collectively, together with their assigns permitted under Section 5.3 hereof, the "Holders").

WHEREAS, the Company and Charles E. Smith Commercial Realty L.L.C., a Delaware limited liability company and the sole general partner of Charles E. Smith Commercial Realty L.P., a Delaware limited partnership ("SCR"), are causing an indirect wholly-owned subsidiary of Vornado Realty L.P., a Delaware limited partnership (the "Partnership") to merge (the "Merger") with and into SCR and, in connection therewith, the Partnership is issuing 6,094,255 Class A Units (such units, the "VNOP Units") to the Holders as set forth opposite their names on Schedule A hereto;

WHEREAS, pursuant to Section 8.6 and the other related provisions of the Second Amended and Restated Agreement of Limited Partnership of the Partnership (such agreement, as amended from time to time, the "Partnership Agreement"), commencing on the first anniversary of the date of issuance, and subject to the various limitations contained in the Partnership Agreement and other instruments being delivered in connection with the Merger, the Holders will be entitled to redeem their VNOP Units for cash or, at the Company's election, common shares of beneficial interest, par value $0.04 per share, of the Company ("Common Shares" and such redemption right, the "Redemption Right");

WHEREAS, the Company has agreed to grant to the Holders the registration rights described herein with respect to certain of the Common Shares, if any, issuable in respect of the VNOP Units;

NOW, THEREFORE, the parties hereto, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, hereby agree as follows:

SECTION 1. REGISTRATION RIGHTS

1.1 Shelf Registration Right. (a) Subject to the various terms, conditions and other limitations set forth in this Agreement, the Company hereby grants the Holders the right (the "Registration Right") to require the Company to register for resale by the Holders all Registrable Shares (as defined below) then held by them, together with all Registrable Shares that would then be issuable in respect of VNOP Units (assuming, for this purpose, that all Holders exercised their Redemption Rights in respect of those VNOP Units and that the Company elected to satisfy the rights by issuing and delivering Common Shares to the Holders) as more fully set forth in the remainder of this Agreement. The Registration Right shall only be exercisable by the Holder Representative (as defined below) delivering a written request (the "Registration Request") identifying in reasonable detail the maximum aggregate number of Registrable Shares then issued and issuable to all Holders (assuming each were to exercise its Redemption Right in respect of all VNOP Units then owned by it, and the Company were to elect to satisfy all such redemption requests with Common Shares) as well as the proposed method(s) and timing of resale and the number of Registrable Shares anticipated to be sold by the Holders in the next succeeding twelve (12) months. The Holder Representative may only deliver the Registration Request on or after the later of (x) the Business Day (as defined below) following the third anniversary of the date of this Agreement and (y) the date on which a Holder first delivers a notice of redemption substantially in the form of Exhibit D attached to the Partnership Agreement to the Partnership in respect of any of the VNOP Units held by it. In addition, the Holder Representative must deliver the Registration Request to the Company at least sixty (60) days prior to the date on which the related Holder desires to consummate the first sale of any Registrable Shares to be registered therein. A Resale Shelf Registration Statement (as defined below) may also include securities to be sold for the account of the Company or for other persons holding securities of the Company. Notwithstanding the foregoing, the Company may at any time, in its sole discretion and prior to receiving any Registration Request from the Holder Representative, include all of such Holder's Registrable Shares or any portion thereof in any shelf registration statement then being filed by the Company for any other purpose, and if the Registrable Shares are so registered and the registration statement complies in all material respects with the requirements of this Agreement applicable to a Resale Shelf Registration Statement, the same shall be deemed to satisfy the requirements of this Section 1.1(a) and to be the Resale Shelf Registration Statement contemplated herein.

(b) As used in this Agreement:

"Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday other than a day on which banks and other financial institutions are authorized or required to be closed for business in the State of New York or Maryland.

"Holder Representative" means Charles E. Smith Management, Inc., acting as the appointed representative of the Holders in respect of

the rights contained herein, or such other representative as is appointed from time to time and identified to the Company in a writing signed by Holders of a majority of the Registrable Shares at any such time.

"Registrable Shares" means all Common Shares issued or issuable upon redemption of VNOP Units held by the Holders (assuming the Company will elect to deliver Common Shares in satisfaction of the Redemption Right), but excluding any such Common Shares that (i) may be sold by the relevant Holder without volume restrictions pursuant to Rule 144(k) under the Securities Act of 1933, as amended (the "Act") or any successor provision then in force or, if the Holder owns less than 1% of the outstanding Common Shares of the Company (determined assuming redemption of all VNOP Units held by such Holder), pursuant to Rule 144(e) under the Act or any successor provision then in force, (ii) are held by, or upon redemption would be issuable to, a Holder that is not an "affiliate" (as defined in Rule 144(a) under the Act) of the Company, (iii) have been disposed of pursuant to any offering or sale in accordance with the Resale Shelf Registration Statement, or have been sold pursuant to Rule 144 or Rule 145 (or any successor provisions) under the Act or in any other transaction in which the purchaser does not receive "restricted securities" (as that term is defined for purposes of Rule 144 under the Act), (iv) have been transferred to a transferee that has not agreed in writing and for the benefit of the Company to be bound by the terms and conditions of this Agreement, or (v) have ceased to be of a class of securities of the Company that is listed and traded on a national securities exchange or the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System (or any successor or other national trading system).

"Resale Shelf Registration Statement" means the shelf registration statement of the Company as required herein, which covers the resale by the Holders of the Registrable Shares, including the prospectus contained therein, all exhibits thereto and all documents incorporated therein by reference.

1.2 Underwritten Offerings. (a) If any Holder proposes to offer or sell any Registrable Shares pursuant to an underwritten offering, it shall cause the Holder Representative to notify the Company of such intention at least forty-five (45) days prior to the proposed commencement of that offering and the Company shall have the right to select the lead managing underwriter and any other underwriters that will participate in such public offering (each underwriter so selected by the Company, an "Underwriter"). The Company agrees that it will notify the Holder Representative of its selection of the Underwriter(s) promptly and in any case within ten (10) Business Days after receipt of a written request from the Holder Representative that it do so.

(b) If any Holder proposes to offer or sell Registrable Shares pursuant to an underwritten offering, the offering size shall be such that the aggregate total gross proceeds to all Holders from that offering or sale shall be (x) equal to or greater than Twenty-Five Million Dollars ($25,000,000.00) and (y) equal to or less than Two Hundred Million Dollars ($200,000,000.00), and the Holders shall not be permitted to conduct, individually or collectively, more than one underwritten offering or sale in any one hundred and eighty (180) day period; provided, however, that any underwritten offering that is suspended by the Company pursuant to Section 1.6 hereof shall not be counted as an underwritten offering for purposes of the preceding clause unless the offering is concluded following the termination of such suspension.

1.3 Obligations of the Company. When the Company receives the Registration Request in accordance with Section 1.1 above, then, subject to Section 1.6 hereof, the Company shall:

(a) prepare and file with the Securities and Exchange Commission (the "Commission") the Resale Shelf Registration Statement (as soon as reasonably practicable after receiving the Registration Request, and in any event within sixty (60) days after receipt of the Registration Request) in accordance with Rule 415 under the Act (or any successor or other rule of the Commission applicable to the proposed sale) to register Registrable Shares pursuant to the Act, which shall comply as to form in all material respects with the requirements of the applicable form and shall include all financial statements required by the Commission to be filed therewith, and the Company shall use its commercially reasonable efforts to cause the Resale Shelf Registration Statement to become effective as soon as practicable; provided that all of the Company's obligations with respect to the Resale Shelf Registration Statement pursuant to this Agreement will automatically terminate if none of the Common Shares covered by that Resale Shelf Registration Statement are Registrable Shares; provided, however, that, before filing the Resale Shelf Registration Statement or any amendments or supplements thereto, or comparable statements under applicable securities or "blue sky" laws of any jurisdiction, the Company shall (i) provide each Holder with an adequate and appropriate opportunity to participate in the preparation of the Resale Shelf Registration Statement and each prospectus included therein (and each amendment or supplement thereto or comparable statement) to be filed with the Commission and (ii) not file the Resale Shelf Registration Statement or the related prospectus (or amendment or supplement thereto or comparable statement) with the Commission to which the Holder Representative shall have reasonably objected on the grounds that such filing does not comply in all material respects with the requirements of the Act or of the rules or regulations thereunder;

(b) use its commercially reasonable efforts to keep the Resale Shelf Registration Statement effective, including preparing and filing with the Commission

such amendments and supplements to the Resale Shelf Registration Statement and the prospectus to be used in connection therewith as may be necessary to keep the Resale Shelf Registration Statement effective and to comply with the provisions of the Act with respect to the disposition of the Registrable Shares covered by the Resale Shelf Registration Statement, until the earlier of (i) the date on which the Holders have disposed of all of the Registrable Shares registered under the Resale Shelf Registration Statement and (ii) the date on which there are no longer any Registrable Shares outstanding or issuable in respect of any VNOP Units;

(c) furnish, without charge, to the Holders and each Underwriter, if any, of the securities covered by the Resale Shelf Registration Statement, such number of copies of the Resale Shelf Registration Statement, each amendment and supplement thereto (in each case including all exhibits), and the prospectus included in the Resale Shelf Registration Statement (including each preliminary prospectus and any summary prospectus) in conformity with the requirements of the Act, as the Holder Representative may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by the Holders;

(d) promptly notify the Holder Representative and the sole or lead managing Underwriter, if any: (i) when the Resale Shelf Registration Statement, any pre-effective amendment, the prospectus or any prospectus supplement related thereto or post-effective amendment to the Resale Shelf Registration Statement has been filed, and, with respect to the Resale Shelf Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any state securities or "blue sky" authority for amendments or supplements to the Resale Shelf Registration Statement or the prospectus related thereto or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Resale Shelf Registration Statement or the initiation or threat of any proceedings for that purpose, and (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Shares for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose;

(e) upon receipt of a Proposed Sale Notice (as defined in Section 1.4(a) hereof) and thereafter until the completion, abandonment or termination of the offering or sale contemplated thereby, promptly notify the Holder Representative and the sole or lead managing Underwriter, if any: (i) of the existence of any fact of which the Company is aware or the happening of any event that has resulted in (A) the Resale Shelf Registration Statement, as then in effect, containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein not misleading or (B) the prospectus included in the Resale Shelf Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein, in the light

of the circumstances under which they were made, not misleading and (ii) of the Company's reasonable determination that a post-effective amendment to the Resale Shelf Registration Statement would be appropriate or that there exist circumstances not yet disclosed to the public which make further sales under the Resale Shelf Registration Statement inadvisable pending such disclosure and post-effective amendment; and, if the notification relates to an event described in either of the clauses (i) or (ii) of this Section 1.3(e), subject to Section 1.6, at the request of the Holder Representative, the Company shall prepare and furnish to the Holder Representative and each Underwriter, if any, a reasonable number of copies of a supplement or post-effective amendment to the Resale Shelf Registration Statement or related prospectus or any document incorporated therein by reference or file any other required document so that (1) the Resale Shelf Registration Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (2) as thereafter delivered to the purchasers of the Registrable Shares being sold thereunder, the prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) make available for reasonable inspection by the Holders, any Underwriter, and any attorney, accountant or other agent retained by any Holder or Underwriter, material financial and other relevant information concerning the business and operations of the Company and the properties of the Company and any subsidiaries thereof as may be in existence at such time as shall be necessary, and cause the Company's officers, directors and employees to supply such relevant information as may be reasonably requested by any such parties in connection with the Resale Shelf Registration Statement; provided, however, that, if the Holders or any Underwriter or any of their advisors or agents request any information that the Company determines to be confidential or non-public, the Company shall be entitled to condition access to that information upon the Holders and each other recipient of such information having entered into a confidentiality agreement with the Company in form and substance satisfactory to the Company acting reasonably, pursuant to which each such recipient agrees to maintain that information as confidential and use it solely for the purpose of exercising its rights under this Agreement, and provided further, that the Company shall not be required to disclose any information subject to any attorney-client or attorney work product privilege if and to the extent such disclosure would constitute a waiver of such privilege;

(g) in the case of an underwritten public offering of Registrable Shares covered by the Resale Shelf Registration Statement, obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants who have certified the Company's financial statements included or incorporated by reference in such Resale Shelf Registration Statement in customary form

and covering such matters as are customarily covered by such opinions and "cold comfort" letters delivered to underwriters in underwritten public offerings, dated the date of the closing under the underwriting agreement, which opinion and letter shall be reasonably satisfactory to the sole or lead managing Underwriter, if any, and to the Holders participating in the offering, and furnish to the Holders and to each Underwriter, if any, a copy of such opinion and letter addressed to the Holders (in the case of the opinion) and the underwriter(s) (in the case of the opinion and the "cold comfort" letter);

(h) in the case of an underwritten public offering, make generally available to its security holders as soon as practicable, but in any event not later than eighteen (18) months after the effective date of the Resale Shelf Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158 under the Act);

(i) use commercially reasonable efforts to cause all Registrable Shares to be listed on the national securities exchange or over-the-counter exchange on which the Common Shares are then listed, if the listing of Registrable Shares is then permitted under the rules of such exchange;

(j) if requested by the Holder Representative or the sole or lead managing Underwriter, incorporate in a prospectus supplement or post-effective amendment such information concerning any Holder, any Underwriter or the intended method of distribution as the sole or lead managing Underwriter or the Holder Representative reasonably requests to be included therein and as is appropriate in the reasonable judgment of the Company, including, without limitation, information with respect to the number of Registrable Shares being sold to the Underwriters, the purchase price being paid therefor by such Underwriters and any other material terms of the underwritten offering of the Registrable Shares to be sold in such offering; provided, however, that the Company shall not be obligated to include in any such prospectus supplement or post-effective amendment any requested information that is unreasonable in scope when compared with the Company's most recent prospectus or prospectus supplement used in connection with a primary or secondary offering of equity securities by the Company; and

(k) subject to Section 1.6 hereof, use commercially reasonable efforts to take such other steps as may reasonably be requested of it to facilitate the registration and disposition of the Registrable Shares contemplated hereby, including obtaining necessary governmental approvals and effecting required filings; entering into customary agreements (including customary underwriting agreements, if the public offering is underwritten); cooperating with the Holders and any Underwriter in connection with any

filings required by the National Association of Securities Dealers, Inc. ("NASD"); providing appropriate certificates not bearing restrictive legends (other than legends relating to restrictions imposed in the Company's charter or by applicable law) representing the Registrable Shares; and providing a CUSIP number and maintaining a transfer agent and registrar for the Registrable Shares; provided, however, that nothing in this Agreement shall be interpreted as requiring the Company's management to attend or participate in any road show, any meetings with prospective investors or any other similar marketing or selling activities, or to take any of the actions described in the proviso to Section 1.7 below.

1.4 Holder Obligations.

(a) No Holder, underwriter, if any, or other person or entity acting for any of them shall commence any offering or consummate any sale of any Registrable Shares included in the Resale Shelf Registration Statement requiring delivery of a prospectus unless the Holder Representative has given the Company at least five (5) and not more than sixty (60) days' prior written notice (a "Proposed Sale Notice") of the intention to do so specifying (i) the Holders proposing to participate in the offering and the number of Registrable Shares to be offered and sold by each Holder and (ii) the intended method or methods of distribution of such Registrable Shares, and the Holders shall terminate any such offering that is not consummated within forty-five (45) days of its commencement (it being understood that any offering terminated pursuant to this clause shall be deemed to have been consummated for purposes of Section 1.2(b) above, and it being further understood that the forty-five (45) day period shall be deemed extended one day for each day that the Company suspends the offering pursuant to its rights in Section 1.6 hereof). The Holder Representative shall give the Company prompt written notice of the completion, termination or abandonment of any sale or offering of Registrable Shares.

(b) Each Holder agrees to cooperate with the Company in connection with the preparation of the Resale Shelf Registration Statement, and for so long as the Company is obligated to keep the Resale Shelf Registration Statement effective, each Holder agrees that it will (i) respond within five (5) Business Days to any request by the Company to provide or verify information regarding a Holder or a Holder's Registrable Shares (including the proposed manner of sale) that may be required to be included in such Resale Shelf Registration Statement pursuant to the rules and regulations of the Commission, and (ii) provide in a timely manner information regarding the proposed distribution by such Holder of the Registrable Shares and such other information as may reasonably be requested by the Company from time to time in connection with the preparation of and for inclusion in the Resale Shelf Registration Statement and any related prospectus.

(c) If requested by the Company, each Holder agrees that before using the Resale Shelf Registration Statement or any prospectus contained therein or any amendment or supplement thereto, it will deliver to the Company a certification that it has reviewed the information contained therein and representing and warranting to the Company that the information relating to such Holder and its plan of distribution is as set forth in the related prospectus, that the prospectus does not, as of the time of such sale, contain any untrue statement of a material fact relating to or provided by such Holder or its plan of distribution and that the prospectus does not, as of the time of such sale, omit to state any material fact relating to such Holder or its plan of distribution necessary to make the statements in such prospectus, in the light of the circumstances under which they were made, misleading.

1.5 Timing of Offers and Sales. All offers and sales by any Holder under the Resale Shelf Registration Statement shall be completed within the period during which the Resale Shelf Registration Statement is required to remain effective pursuant to Section 1.3(b) above. If directed by the Company, the Holders will return all undistributed copies of any prospectus included in the Resale Shelf Registration Statement that is in its possession upon the expiration of such period.

1.6 Suspension of Offering. At any time either before or after the Holder Representative has delivered a Proposed Sale Notice, the Company may suspend offers and sales by the Holders under the Resale Shelf Registration Statement if the Company, in its judgment exercised in good faith, determines that (i) a negotiation or consummation of a transaction by the Company or any of its affiliates is pending or an event has occurred, which negotiation, consummation or event would require additional disclosure by the Company in the Resale Shelf Registration Statement of material information which the Company has a bona fide business purpose for keeping confidential and the nondisclosure of which in the Resale Shelf Registration Statement might be expected to cause the Resale Shelf Registration Statement to fail to comply with applicable disclosure requirements or (ii) in the case of a proposed underwritten public offering of Registrable Shares of any Holder, the offering of such Registrable Shares could reasonably be expected to adversely affect another pending or proposed public offering of Common Shares by and for the account of the Company or any of its affiliates. After receiving a Proposed Sale Notice from the Holder Representative and before the consummation of the proposed sale identified in such Proposed Sale Notice, the Company shall give written notice thereof to the Holder Representative (a "Materiality Notice") promptly upon making any such determination, with a copy to each of the Holders, and upon receipt of a Materiality Notice, each Holder agrees that it will immediately discontinue offers and sales of the Registrable Shares under the Resale Shelf Registration Statement until (x) in the case of a Materiality Notice delivered pursuant to clause (i) above, such Holder receives copies of a supplemented or amended prospectus that corrects the misstatement(s) or omission(s) referred to above and receives notice that any post-

effective amendment has become effective or (y) in the case of a Materiality Notice delivered pursuant to clause (ii) above, such Holder receives a subsequent written notice from the Company that revokes or otherwise withdraws such Materiality Notice; provided that the Company agrees that it will use commercially reasonable efforts to not to delay or suspend offers and sales pursuant to the Resale Shelf Registration Statement for such reason for more than ninety (90) days after delivery of the Materiality Notice at any one time. If so directed by the Company, each Holder agrees that it will deliver to the Company all copies of the prospectus covering the Registrable Shares current at the time of receipt of any Materiality Notice. If the Company delivers a Materiality Notice pursuant to clause (ii) above, the Company agrees that it will permit the Holders to complete an underwritten public offering substantially similar to the type that was suspended by virtue of the foregoing provisions commencing no later than one hundred and eighty-one (181) days after the closing of the public offering contemplated by such Materiality Notice or its decision not to undertake such public offering, as the case may be.

1.7 Qualification. The Company agrees to use its commercially reasonable efforts to register or qualify the Registrable Shares by the time the Resale Shelf Registration Statement is declared effective by the Commission under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder or Underwriter, if any, may reasonably request in writing, to keep each such registration or qualification effective during the period such Resale Shelf Registration Statement is required to be kept effective pursuant to this Agreement or during the period offers or sales are being made by such Holder after delivery of a Registration Request to the Company, whichever is shorter, and to do any and all other similar acts and things which may be reasonably necessary or advisable under applicable laws and/or regulations to enable such Holder to consummate the disposition in each such jurisdiction of the Registrable Shares owned by such Holder; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Agreement, (ii) take any action that would cause it to become subject to any taxation in any jurisdiction where it would not otherwise be subject to such taxation or (iii) take any action that would subject it to the general service of process in any jurisdiction where it is not now so subject.

SECTION 2. INDEMNIFICATION

2.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless each Holder and each Underwriter who participates in any public offering and sale of Registrable Shares pursuant to the Resale Shelf Registration Statement, if any, and each person who controls any Holder or any such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act

of 1934, as amended (the "Exchange Act"), and any of their officers, directors, employees or representatives, as follows:

(i) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Resale Shelf Registration Statement (or any amendment thereto) pursuant to which the Registrable Shares were registered under the Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any related prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 2.1 does not apply with respect to any loss, liability, claim, damage, judgment or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such indemnified party expressly for use in the Resale Shelf Registration Statement (or any amendment thereto) or the related prospectus (or any amendment or supplement thereto) or (B) such indemnified party's failure to deliver an amended or supplemental prospectus provided to the indemnified party by the Company if such loss, liability, claim, damage or expense would not have arisen had such delivery occurred.

2.2 Indemnification by the Holders. Each Holder (and each permitted assignee of such Holder, on a several basis), severally and not jointly, agrees to indemnify and hold harmless the Company, and each of the Company's trustees/directors and officers (including each trustee/director and officer of the Company who signed the Resale Shelf Registration Statement), and each Underwriter who participates in any public offering and sale of Registrable Shares pursuant to the Resale Shelf Registration Statement, if any, and each person, if any, who controls the Company or any such Underwriters within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, as follows:

(i) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Resale Shelf Registration Statement (or any amendment thereto) pursuant to which the Registrable Shares were registered under the Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any related prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Holder Representative; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 2.2 shall only apply with respect to any loss, liability, claim, damage, judgment or expense to the extent

arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in the Resale Shelf Registration Statement (or any amendment thereto) or the related prospectus (or any amendment or supplement thereto) or (B) such indemnified party's failure to deliver an amended or supplemental prospectus provided to the indemnified party by the Company if such loss, liability, claim, damage or expense would not have arisen had such delivery occurred. Notwithstanding the provisions of this Section 2.2, no Holder or any permitted assignee shall be required to indemnify the Company, its officers, trustees/directors, officers or control persons with respect to any amount in excess of the amount of the total proceeds to such Holder or such permitted assignee, as the case may be, from sales of the Registrable Shares of such Holder under the Resale Statement Registration Statement.

2.3 Conduct of Indemnification Proceedings. An indemnified party hereunder shall give reasonably prompt notice to the indemnifying party of any action or proceeding commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify the indemnifying party (i) shall not relieve it from any liability which it may have under the indemnity agreement provided in Section 2.1 or 2.2 above, unless and to the extent it did not otherwise learn of such action and the lack of notice by the indemnified party results in the forfeiture by the indemnifying party of substantial rights and defenses, and (ii) shall not, in any event, relieve the indemnifying party from any obligations to the indemnified party other than the indemnification obligation provided under Section 2.1 or 2.2 above. If the indemnifying party so elects within a reasonable time after receipt of such notice, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying party and approved by the indemnified party, which approval shall not be unreasonably withheld; provided, however, that the indemnifying party will not settle any such action or proceeding without the written consent of the indemnified party unless, as a condition to such settlement, the indemnifying party secures the unconditional release of the indemnified party; and provided further, that, if the indemnified party reasonably determines that a conflict of interest exists where it is advisable for the indemnified party to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to it which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to assume such defense and the indemnified party shall be entitled to separate counsel at the indemnifying party's expense. If the indemnifying party is not entitled to assume the defense of such action or proceeding as a result of the second proviso to the preceding sentence, the indemnifying party's counsel shall be entitled to conduct the indemnifying party's defense and counsel for the indemnified party shall be entitled to conduct the defense of the indemnified party, it being understood that both such counsel will cooperate with each other to conduct the defense of such action or proceeding as efficiently as possible. If the indemnifying party is not so entitled to

assume the defense of such action or does not assume such defense, after having received the notice referred to in the first sentence of this paragraph, the indemnifying party will pay the reasonable fees and expenses of counsel for the indemnified party. In such event, however, the indemnifying party will not be liable for any settlement effected without the written consent of the indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this paragraph, the indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified party incurred thereafter in connection with such action or proceeding.

2.4 Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Sections 2.1 and 2.2 above is for any reason held to be unenforceable by the indemnified party although applicable in accordance with its terms, each indemnifying party shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the indemnified party, (i) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and each Holder on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative fault of, but also the relative benefits to, the Company on the one hand and each Holder on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits to the indemnifying party and indemnified party shall be determined by reference to, among other things, the total proceeds received by the indemnifying party and indemnified party in connection with the offering to which such losses, claims, damages, liabilities or expenses relate. The relative fault of the indemnifying party and indemnified party shall be determined by reference to, among other things, whether the action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, the indemnifying party or the indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action.

The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 2.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 2.4, a Holder shall not be required to contribute any amount in excess of the amount of the total proceeds to such Holder from sales of the Registrable Shares of such Holder under the Resale Shelf Registration Statement.

Notwithstanding the foregoing, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 2.4, each person, if any, who controls any Holder within the meaning of Section 15 of the Act shall have the same rights to contribution as such Holder, and each trustee/director of the Company, each officer of the Company who signed the Resale Shelf Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act shall have the same rights to contribution as the Company.

SECTION 3. EXPENSES

3.1 Registration Expenses. Other than those expenses referred in Section 3.2 hereto, the Company shall pay all expenses incurred in connection with the registration of the Registrable Shares pursuant to Section 1 above and the performance by the Company of its registration obligations under the terms of this Agreement (such expenses, the "Registration Expenses"), including (i) all stock exchange, Commission registration, listing and filing fees, (ii) all expenses incurred in connection with the preparation, printing and distribution of the Resale Shelf Registration Statement and the related prospectus and any amendments or supplements thereto, (iii) fees and disbursements of counsel for the Company and of independent certified public accountants and other advisors retained by the Company and (iv) NASD fees and fees and expenses of registration or qualification of Registrable Shares under state securities laws.

3.2 Holder Expenses. Each Holder shall pay all of its expenses incurred in connection with the exercise of its Registration Right, including, without limitation, any underwriting or brokerage discounts and sales commissions, all fees and disbursements of the Holder's counsel, accountants and other advisors and any transfer fees or expenses (including the cost of all transfer tax stamps) relating to the sale or disposition of the Registrable Shares by such Holder pursuant to this Agreement.

3.3 Payment/Reimbursement of Expenses Relating to Underwriting Offerings. In the case of any underwritten offering of Registrable Shares (including any block sale to or arranged through any underwriter), the Holders participating in that offering shall pay (and reimburse the Company, to the extent incurred by it, for) all of the following expenses incurred in connection therewith that would not have arisen if the offer was not being conducted as an underwritten offering, pro rata based on the aggregate number of Registrable Shares of each such Holder proposed for inclusion in that offering: (i) any printing or other duplicating expenses, delivery charges and escrow fees, (ii) fees and disbursements of counsel to the Company (including, without limitation, the fees and expenses relating to the preparation and delivery of legal opinions to the underwriters), (iii) fees and expenses for independent certified public accountants

retained by the Company (including, without limitation, the fees and expenses relating to the preparation or delivery by them of any special procedures letters, any comfort letters or other similar undertakings), (iv) fees and expenses of any special advisors or experts retained by the Company or the underwriters in connection with such offering, and (v) any fees and disbursements of underwriters and broker-dealers customarily paid by issuers or sellers of securities.

SECTION 4. RULE 144 COMPLIANCE

The Company covenants that it will use its best efforts to timely file the reports required to be filed by the Company under the Act and the Exchange Act so as to enable each Holder to sell Registrable Shares pursuant to Rule 144 under the Act. In connection with any sale, transfer or other disposition by a Holder of any Registrable Shares pursuant to Rule 144 under the Act, the Company shall cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Shares to be sold and not bearing any Act legend, and enable certificates for such Registrable Shares to be for such number of shares and registered in such names as the Holder Representative may reasonably request in writing at least ten (10) Business Days prior to any sale of Registrable Shares hereunder.

SECTION 5. MISCELLANEOUS

5.1 Integration; Amendment. This Agreement constitutes the entire agreement among the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior oral or written agreements, commitments and understandings among the parties with respect to the matters set forth herein. Except as otherwise expressly provided in this Agreement, no amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed by the Company and the Holders.

5.2 Waivers. No waiver by a party hereto shall be effective unless made in a written instrument duly executed by the party against whom such waiver is sought to be enforced, and only to the extent set forth in such instrument. Neither the waiver by any of the parties hereto of a breach or a default under any of the provisions of this Agreement, nor the failure of any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

5.3 Assignment; Successors and Assigns. Except as set forth in the next sentence, this Agreement and the rights granted hereunder may not be assigned by any Holder without the prior written consent of the Company, which may be granted or

withheld by the Company in its discretion. Each Holder will be permitted to assign its rights under this Agreement to one or more entities controlled by it in connection with a concurrent transfer of VNOP Units or Registrable Shares that is permitted by the terms of the Partnership Agreement, so long as the Holder provides to the Company at least five (5) Business Days' advance written notice of the transfer, and the transferee executes and delivers to the Company an instrument, in form and substance acceptable to the Company, agreeing to be bound by the terms of this Agreement as if it were an original party hereto. This Agreement shall inure to the benefit of and be binding upon all of the parties hereto and their respective successors and permitted assigns.

5.4 Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the addresses set forth below in this Section 5.4, or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to the others in the manner provided in this Section 5.4 for the service of notices; provided, however, that notices of a change of address shall be effective only upon receipt thereof. Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; provided, however, that, if such day is not a Business Day, then the notice shall be deemed to have been given and received on the Business Day next following such day and if any party rejects delivery of any notice attempted to be given hereunder, delivery shall be deemed given on the date of such rejection. Any notice sent by facsimile transmission shall be deemed to have been given and received on the Business Day next following the transmission.

if to the Company:

Vornado Realty Trust
888 Seventh Avenue, 46th Floor
New York, New York 10019
Attention: Executive Vice President, Finance and Administration
Facsimile: (212) 894-7979

and

Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attention: Executive Vice President, Finance and Administration
Facsimile: (201) 587-1000

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

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: William G. Farrar
Facsimile: (212) 558-3588

if to any Holder or the Holder Representative:

c/o Charles E. Smith Commercial Realty L.L.C.
2345 Crystal Drive
Crystal Park #4
Arlington, Virginia 22202
Attention: Robert D. Zimet
Facsimile: (703) 769-1305

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

Hogan & Hartson L.L.P.
Columbia Square
555 13th Street, N.W.
Washington, D.C. 20004-1109
Attention: Bruce W. Gilchrist
Facsimile: (202) 637-5910

5.5 Specific Performance. The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to (i) compel specific performance of the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement and (ii) obtain preliminary injunctive relief to secure specific performance and to prevent a breach or contemplated breach of this Agreement in any court of the United States or any State thereof having jurisdiction.

5.6 Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York, but not including the choice of law rules thereof.

5.7 Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

5.8 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

5.9 Execution in Counterparts. To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signature of or on behalf of each party appear on each counterpart, but it shall be sufficient that the signature of or on behalf of each party appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in any proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of or on behalf of all of the parties.

5.10 Severability. If fulfillment of any provision of this Agreement, at the time such fulfillment shall be due, shall transcend the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed on its behalf as of the date first hereinabove set forth.

VORNADO REALTY TRUST

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President - Finance and Administration and Chief Executive Officer

/s/ ROBERT H. SMITH

Robert H. Smith

/s/ CLARICE R. SMITH

Clarice R. Smith

/s/ ROBERT P. KOGOD

Robert P. Kogod

/s/ ARLENE R. KOGOD

Arlene R. Kogod

CHARLES E. SMITH MANAGEMENT, INC.
On its own behalf and as Holder Representative,

By: /s/ ROBERT P. KOGOD

Name: Robert P. Kogod
Title: President

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TAX REPORTING AND PROTECTION AGREEMENT

BY AND AMONG

VORNADO REALTY TRUST,

VORNADO REALTY L.P.,

CHARLES E. SMITH COMMERCIAL REALTY L.P.,

AND

CHARLES E. SMITH COMMERCIAL REALTY, L.L.C.,
as Representative of, and for the Benefit of,
the Holders of Units of Partnership Interest in
Charles E. Smith Commercial Realty L.P.

Dated as of
December 31, 2001

TAX REPORTING AND PROTECTION AGREEMENT

THIS TAX REPORTING AND PROTECTION AGREEMENT (this "Agreement") is entered into as of December 31, 2001, by and among VORNADO REALTY TRUST ("Vornado REIT"), a Maryland real estate investment trust and the sole general partner of Vornado Realty L.P.; VORNADO REALTY L.P., a Delaware limited partnership ("Vornado OP"); CHARLES E. SMITH COMMERCIAL REALTY L.P., a Delaware limited partnership ("SCR"); and CHARLES E. SMITH COMMERCIAL REALTY, L.L.C., a Delaware limited liability company and the sole general partner of SCR ("SCR GP"), as representative of the current holders of partnership interests in SCR (other than Vornado CESCR LLC and Vornado CESCR II LLC) (the "SCR Unitholders"). SCR GP is entering into this Agreement in its capacity as a general partner of SCR, in the capacity as representative of, and for the benefit of, each SCR Unitholder, and for its own account. Vornado REIT and Vornado OP hereby agree that each of the SCR Unitholders is a third party beneficiary of this agreement with all of the rights and privileges set forth herein.

WHEREAS, Vornado REIT, Vornado OP, Vornado Merger Sub L.P. ("Vornado Merger Sub"), SCR, Robert H. Smith, and Robert P. Kogod have entered into that certain Agreement and Plan of Merger dated as of October 18, 2001 (the "SCR Merger Agreement") whereby Vornado REIT and Vornado OP will acquire SCR through a merger of Vornado Merger Sub with and into SCR, with the existing units of limited partnership interest in SCR (other than those held by Vornado CESCR LLC and Vornado CESCR II LLC) (the "Old SCR Units") being converted into units of limited partnership interest in Vornado OP (the "Vornado OP Units") and the partners of Vornado Merger Sub becoming the sole interest holders in SCR (the "Merger");

WHEREAS, (i) Vornado Merger Sub, which is owned entirely by Vornado OP and an entity that is owned entirely by Vornado OP and disregarded for federal income tax purposes, is disregarded as an entity for federal income tax purposes under Treasury Regulation ss. 301.7701-3, and (ii) following the merger, SCR will be owned entirely by Vornado OP and another entity that is owned entirely by Vornado OP and that is disregarded for federal income tax purposes under Treasury Regulation ss. 301.7701-3, with the result that SCR will be disregarded as an entity for federal income tax purposes following the Merger, and Vornado OP will be treated as owning directly all of the assets of SCR, it is intended for federal income tax purposes that the Merger, regardless of form, be treated as a contribution by SCR of all of its assets, subject to all of its liabilities, to Vornado OP in exchange for partnership interests in Vornado OP under Section 721 of the Internal Revenue Code of 1986, as amended (the "Code"), followed by a distribution by SCR of those partnership interests in Vornado OP to the current holders of partnership units in SCR (other than Vornado CESCR LLC and Vornado CESCR II LLC) in accordance with their respective interests in SCR in liquidation of SCR; and

WHEREAS, in accordance with Section 4.2 of the SCR Merger Agreement and in consideration for the agreement of SCR to consummate the Merger, the parties desire to enter into this Agreement regarding certain tax matters associated with the Merger.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein and in the SCR Merger Agreement, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

To the extent not otherwise defined herein, capitalized terms used in this Agreement have the meanings ascribed to them in the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P. dated October 20, 1997, as amended to the date hereof, a copy of which is attached hereto as Exhibit A (the "Vornado OP Partnership Agreement").

704(c) Value: Means the fair market value of each of the Protected Properties as agreed to by Vornado OP and SCR and as set forth in Schedule 3 hereto.

Ceiling Rule Disparity: As defined in Section 7(a).

Cumulative Net Ceiling Rule Disparity: As defined in Section 7(a).

Curative Allocation: Means, (i) for the Fiscal Year ending December 31, 2002, an amount of income per Non-Rock Spring Protected Unit equal to $1.2613 (which amount shall be prorated for 2002 if the Merger occurs after January 1, 2002, based upon the number of days in 2002 following the Merger divided by 365), (ii) for the Fiscal Year ending December 31, 2003, an amount of income per Non-Rock Spring Protected Unit equal to $1.4781 and (iii) for each Fiscal Year following 2003 through and including 2041, an amount of income per Non-Rock Spring Protected Unit equal to $1.6423 (which amount per Non-Rock Spring Protected Unit shall be pro rated between the transferor and transferee with respect to a Non-Rock Spring Protected Unit that is transferred during any Fiscal Year, based upon the number of days in such Fiscal Year prior to the day on which such Non-Rock Spring Protected Unit was transferred and the number of days remaining in such Fiscal Year). If any taxable year of Vornado OP is less than 365 days, then the Curative Allocation shall be pro rated based upon the ratio of the number of days in such "short taxable year" to 365.

Existing Nonrecourse Debt: Means all of the outstanding indebtedness of SCR and its Subsidiaries at the time of the closing of the Merger that is treated as a Nonrecourse Liability and that is secured by any of the Protected Properties (or is treated for purposes of Treasury Regulation ss. 1.752-3(a)(2) as secured by any of the Protected Properties). The Existing Nonrecourse Debt and the Protected Properties secured thereby are set forth on Schedule 4 hereto).

Existing SCR Indebtedness: As defined in Section 2(d)(1).

Extended Tax Protected Period: As defined in the definition of Protected Period.

Guaranteed Amount: Means the aggregate amount of each Guaranteed Debt that is guaranteed at any time by SCR Partner Guarantors. The Guaranteed Amount

with respect to each Guaranteed Debt as of the date hereof is set forth on Schedule 8 hereto.

Guaranteed Debt: Means each of the loans listed on Schedule 8 hereto that is guaranteed by SCR Partner Guarantors on the date hereof, and any other loans incurred (or assumed) by Vornado OP or any of its Subsidiaries that are guaranteed by SCR Partner Guarantors at any time hereafter pursuant to Article 3 hereof.

Initial Guarantee Shortfall: Means, as to each SCR Partner Guarantor, the excess of the amount of indebtedness that such SCR Partner Guarantor has committed to guarantee at the time of the Merger, which amount as to each SCR Partner Guarantor is set forth on Schedule 9 hereto, over the Scheduled Guarantee Amount for such SCR Partner Guarantor. The Initial Guarantee Shortfall for each SCR partner Guarantor as of the date hereof is set forth on Schedule 9 hereto. The Initial Guarantee Shortfall with respect to an SCR Partner Guarantor shall be reduced as set forth in Section 3(b).

Lock-up Agreement: Means as to each SCR Unitholder who enters into the a Lock-Up Agreement in the form of Schedule 6 hereto, such Lock-up Agreement that such SCR Unitholder has entered into.

Nonrecourse Liability: Means a "nonrecourse liability" as defined in Treasury Regulations ss. 1.752-1(a)(2).

Non-Rock Spring Protected Units: Means all Protected Units other than the Protected Units issued in the Merger with respect to SCR Units that previously were issued to the former partners of First Rock Spring Limited Partnership in connection with the contribution of their interests in First Rock Spring Limited Partnership to SCR on or about January 31, 2000.

Other Qualified Indebtedness: As defined in Section 2(d)(1).

Protected Units: Means those Vornado OP Units issued to the SCR Unitholders in connection with the Merger, or any partnership interests in Vornado OP (or any other entity that is treated as a partnership for federal income tax purposes) thereafter issued by Vornado OP to the SCR Unitholders in exchange for such Protected Units or with respect to such Protected Units. The term Protected Units shall not include any other Vornado OP Units hereafter acquired by an SCR Unitholder, whether from Vornado OP (except as described in the immediately preceding sentence) or otherwise.

Protected Properties: Means, except as otherwise specifically provided herein, those properties and assets set forth on Schedule 2 hereto 1/ and any other

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1/ The Protected Properties will include all buildings and land in which SCR owns a direct or indirect interest at the time of the Merger, all partnership or LLC interests owned directly or indirectly by SCR at the time of the Merger, the management business conducted by SCR and all stock or securities of any corporate entity to which all or any

[Footnote continued]

properties or assets hereafter acquired by Vornado OP or any direct or indirect Subsidiary of Vornado OP that are treated as "substituted basis property" as defined in Section 7701(a)(42) of the Code with respect to such Protected Properties.

Protected Period: Means with respect to each SCR Unitholder, the period ending at 12:01 A.M. on January 1, 2012 (the "Initial Ten-Year Period"), provided, however, that the Protected Period with respect to each SCR Unitholder who enters into a Lock-Up Agreement in the form of Schedule 6 hereto shall be extended for an additional 10-year period, which shall end at 12:01 A.M. on January 1, 2022 (the additional 10-year period is referred to as the "Extended Tax Protected Period"), provided further that in the event of the death of all of Robert H. Smith, Robert P. Kogod, Clarice R. Smith and Arlene R. Kogod (a) during the Initial Ten-Year Period, no SCR Unitholder shall have an Extended Tax Protected Period beyond the Initial Ten-Year Period or (b) after the Initial Ten-Year Period, the Extended Tax Protected Period shall terminate with respect to each SCR Unitholder on the date of death of the last to survive of Robert H. Smith, Clarice R. Smith, Robert P. Kogod, or Arlene R. Kogod. In addition, the Extended Tax Protected Period shall be subject to early termination as set forth in Article 12 below.

Qualified Guarantee: As defined in Section 3(b).

Qualified Guarantee Indebtedness: As defined in Section 3(b).

Qualified Replacement Indebtedness:As defined in Section 2(d)(1).

SCR Merger Closing Date: Means December 31, 2001.

SCR Partner Guarantors: Means those SCR Unitholders who, as of the time of the determination, have guaranteed any portion of any of the Guaranteed Debt. The SCR Partner Guarantors as of the date hereof, the aggregate amount of all Guaranteed Debt that each such SCR Partner has guaranteed as of the date hereof, and each SCR Partner Guarantor's dollar amount share of the Guaranteed Amount with respect to each Guaranteed Debt as of the date hereof are set forth on Schedules 8 and 9 hereto.

SCR Unitholders: Means the SCR Unitholders set forth on Schedule 1 hereto,2/ and any Person who holds Protected Units who acquires such Protected Units from an SCR Unitholder in a transaction in which gain or loss is not recognized in whole or in part for federal income tax purposes and in which such transferee's adjusted basis, as

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[Footnote continued]

portion of such management business is transferred in connection with or following the Merger and in which Vornado OP owns a direct or indirect interest.

2/ The term SCR Unitholders shall include each SCR Unitholder that receives Vornado OP Units in the Merger.

determined for federal income tax purposes, is determined in whole or in part by reference to the adjusted basis of the SCR Unitholder in such Protected Units.

Scheduled Guarantee Amount: Means, as to each SCR Partner Guarantor, the aggregate amount of all Guaranteed Debt that, as of the SCR Merger Closing Date, such SCR Partner Guarantor shall have guaranteed. The Scheduled Guarantee Amount for each such SCR Partner Guarantor is set forth on Schedule 9 to this Agreement. The Scheduled Guarantee Amount for an SCR Partner Guarantor shall be increased by the amount of any Qualified Guarantee Indebtedness guaranteed by such SCR Partner Guarantor pursuant to Section 3(b). The Scheduled Guarantee Amount for an SCR Partner Guarantor shall be reduced only if (i) such SCR Partner Guarantor notifies Vornado OP in writing that the Scheduled Guarantee Amount is thereafter to be reduced (which notice shall not affect any guarantees then existing by the SCR Partner Guarantor but, as to the dollar amount of the reduction specified in such notice, shall relieve Vornado OP of its obligation under this Agreement to maintain the Guaranteed Debt with respect to such SCR Partner Guarantor or to offer replacement debt to be guaranteed by the SCR Partner Guarantor), or (ii) in the event that any Guaranteed Debt is to be repaid or refinanced and Vornado OP offers in writing to the SCR Partner Guarantor the opportunity to enter into a Qualified Guarantee with respect to other Qualified Guarantee Indebtedness that meets all of the conditions set forth in Section 3(e) and the other applicable provisions of Article 3, the SCR Partner Guarantor fails, within 30 days after receipt of such offer from Vornado OP, to execute a guarantee with respect to such replacement Guaranteed Debt (provided that the amount of the reduction in the Scheduled Guarantee Amount with respect to such SCR Partner Guarantor shall not exceed the lesser of the dollar amount of the guarantee offered by Vornado and not accepted by the SCR Partner Guarantor or such SCR Partner Guarantor's share of the Guaranteed Amount with respect to the Guaranteed Debt being repaid or refinanced).

Subsidiary: Means any partnership, limited liability company, trust or other entity either (a) whose disposition of a Protected Property or any direct or indirect interest in a Protected Property or (b) a direct or indirect disposition of an interest in which by Vornado OP would result in the allocation of taxable gain to one or more SCR Unitholders pursuant to Section 704(c) of the Code and the Treasury Regulations thereunder.

Successor Partnership: As defined in Section 2(b).

Taxes: Means all federal, state, local and foreign taxes (including, without limitation, income, profit, franchise, sales, use, real property, personal property, ad valorem, excise, employment, social security and wage withholding taxes) and installments and estimated taxes, assessments, deficiencies, levies, imposts, duties, withholdings, or other similar charges of every kind, character or description imposed by any governmental authorities, and any interest, penalties or additions to tax imposed thereon or in connection therewith.

ARTICLE 2
RESTRICTIONS ON DISPOSITIONS OF PROTECTED PROPERTIES

(a) General Prohibition on Disposition. Vornado OP agrees for the benefit of each SCR Unitholder, for the term of the Protected Period applicable to such SCR Unitholder, not to directly or indirectly sell, exchange, transfer, or otherwise dispose of any Protected Property or any interest therein (without regard to whether such disposition is voluntary or involuntary). Without limiting the foregoing, the term "sale, exchange, transfer or disposition" by Vornado OP shall be deemed to include, and the prohibition shall extend to:

(i) any direct or indirect disposition by any direct or indirect Subsidiary (including SCR) of any Protected Property or any interest therein;

(ii) any direct or indirect disposition by Vornado OP of all or any portion of its interest in SCR;

(iii) any direct or indirect disposition by Vornado OP or any Subsidiary of Vornado OP of all or any portion of its interest in any entity that (A) was a Subsidiary of SCR or (B) is a Subsidiary of Vornado and owns a direct or indirect interest in a Protected Property (which prohibition shall include, without limitation, any transaction involving a distribution or deemed distribution by a Subsidiary to Vornado OP under Section 731 of the Code);

(iv) any direct or indirect distribution by Vornado OP of any Protected Property (or any direct or indirect interest therein) that is subject to Section 704(c)(1)(B) of the Code and the Treasury Regulations thereunder; and

(v) any distribution by Vornado OP to an SCR Unitholder that is subject to Section 737 of the Code and the Treasury Regulations thereunder (except as, and to the extent, permitted under Section 2(f) below);

Without limiting the foregoing, a disposition shall include any transfer, voluntary or involuntary, in a foreclosure proceeding, pursuant to a deed in lieu of foreclosure, or in a bankruptcy proceeding, except as set forth in Section 2(d) below. This Section 2(a) shall not be violated by an actual or deemed distribution of money (within the meaning of Section 731 of the Code) by Vornado OP that results in the recognition of gain solely by reason of Section 731 of the Code.

(b) Exceptions Where No Gain Recognized. Notwithstanding the restriction set forth in Section 2(a), Vornado OP or any Subsidiary (including SCR) may dispose of a Protected Property (or an interest therein) if such disposition qualifies as a like-kind exchange under Section 1031 of the Code, or an involuntary conversion under Section 1033 of the Code, or other transaction (including, but not limited to, a contribution of property to any entity that qualifies for the nonrecognition of gain under Section 721 or Section 351 of the Code, or a merger or consolidation of Vornado OP (or SCR, as applicable) with or into another entity that qualifies for taxation as a "partnership" for federal income tax purposes (a "Successor Partnership")) that, as to each of the foregoing, does not result in the recognition of any taxable income or gain to any SCR Unitholder with respect to any of

the Protected Units; provided, however, that:

(1) in the event of a disposition under Section 1031 or Section 1033 of the Code, any property that is acquired in exchange for or as a replacement for a Protected Property shall thereafter be considered a Protected Property;

(2) in the case of a Section 1031 like-kind exchange, if such exchange is with a "related party" within the meaning of Section 1031(f)(3) of the Code, any direct or indirect disposition by such related party of the Protected Property or any other transaction prior to the expiration of the two (2) year period following such exchange that would cause Section 1031(f)(1) to apply with respect to the Protected Property (including by reason of the application of Section 1031(f)(4)) shall be considered a violation of Section 2(a) by Vornado OP;

(3) if the Protected Property is transferred to another entity in a transaction in which gain or loss is not recognized, the direct and indirect interest of Vornado OP in such entity shall thereafter be considered a Protected Property, and if the acquiring entity's disposition of the Protected Property would cause an SCR Unitholder to recognize gain or loss as a result thereof, the transferred Protected Property still shall be considered a Protected Property;

(4) if Vornado OP directly or indirectly receives any property that is in whole or in part a "substituted basis property" as defined in Section 7701(a)(42) of the Code with respect to a Protected Property (including, without limitation, a Protected Property by reason of clause (3) above), such substituted basis property shall thereafter be considered a Protected Property;

(5) in the event that at the time of the exchange or other disposition the Protected Property is secured, directly or indirectly, by indebtedness that is guaranteed by an SCR Unitholder (or for which an SCR Unitholder otherwise has personal liability) and that is not then in default and the transferee is not a Subsidiary of Vornado OP that both is more than 50% owned, directly or indirectly by Vornado OP and is and will continue to be under the legal control of Vornado OP (which shall include a partnership or limited liability company in which Vornado OP or a wholly owned subsidiary of Vornado OP is the sole managing general partner or sole managing member, as applicable), (a) either (I) such indebtedness shall be repaid in full or (II) Vornado shall obtain from the lenders with respect to such indebtedness a full and complete release of liability for each of the SCR Unitholders that has guaranteed, or otherwise has liability for, such indebtedness, and (b) if such indebtedness is a Guaranteed Debt and the Protected Period of the SCR Partner Guarantors with respect to such Guaranteed Debt shall not have expired, Vornado OP shall comply with its covenants set forth in Article 3 below with respect to such Guaranteed Debt and the SCR Partner Guarantors that are considered to have

liability for such Guaranteed Debt (determined under Section 3(d), treating such events as a repayment of the Guaranteed Debt); and

(6) in the event of a merger or consolidation involving Vornado OP (or any Subsidiary) and a Successor Partnership, the Successor Partnership shall have agreed in writing for the benefit of the SCR Unitholders that all of the restrictions of this Article 2 shall continue to apply with respect to the Protected Properties.

(c) Mergers. Any merger or consolidation involving Vornado OP or any Subsidiary of Vornado OP, whether or not Vornado OP is the surviving entity in such merger or consolidation, that results in an SCR Unitholder being required to recognize part or all of the gain that would have been recognized for federal income tax purposes upon a fully taxable disposition of one or more Protected Properties at the time of the Merger shall be deemed to be a disposition of the Protected Properties for purposes of Section 2(a).

(d) Exceptions for Certain Foreclosures, Bankruptcies and Involuntary Transfers. Notwithstanding the restriction set forth in Section 2(a), and in addition to the exceptions set forth in Section 2(b), Vornado OP or any Subsidiary (including SCR) may dispose of a Protected Property (or an interest therein), without such disposition being considered to be a violation of Article 2 or Vornado OP incurring any liability under Article 5 as a result of this Article 2, as follows:

(1) pursuant to the foreclosure of a loan secured, directly or indirectly, by a Protected Property, or in connection with the bankruptcy of an entity owning a direct or indirect interest in the Protected Property if all of the following conditions are satisfied (A) if a foreclosure, the foreclosure (I) is of indebtedness that was incurred by SCR prior to the time of the Merger and was in place at the time of the Merger ("Existing SCR Indebtedness"), (II) is of indebtedness incurred to refinance Existing SCR Indebtedness and the amount of such replacement indebtedness at the time it was incurred did not exceed the sum of the then outstanding Existing SCR Indebtedness being refinanced, plus all costs (including prepayment fees, "breakage" payments and similar costs) incurred in connection with such refinancing and such replacement indebtedness was provided by an institutional lender in connection with its business of lending money ("Qualified Replacement Indebtedness"), or (III) is of indebtedness that, at the time incurred, did not exceed (taking into account all other indebtedness then outstanding and either secured by the Protected Property or owed by the entity incurring such indebtedness and its direct or indirect subsidiaries) seventy percent (70%) of the fair market value of the Protected Property at such time (as determined in good faith by Vornado OP) ("Other Qualified Indebtedness"); (B) if a bankruptcy, the only indebtedness of the entity in bankruptcy for borrowed money (other than obligations to trade creditors incurred in the ordinary course of business) is Existing SCR Indebtedness, Qualified Replacement Indebtedness and/or Other Qualified Indebtedness; (C) at all times from the time of the Merger to the time of the foreclosure or bankruptcy, as applicable, the direct or indirect percentage ownership interest of

Vornado OP in the Protected Property was not less than the lesser of fifty-one percent (51%) or the percentage interest of SCR in such Protected Property at the time of the Merger; (D) Vornado OP at all times since the Merger shall have had and shall have exercised the legal right to control the operations of the Protected Property (and any entities through which Vornado OP owns a direct or indirect interest therein); (E) if such Existing SCR Indebtedness, Qualified Replacement Indebtedness, or Other Qualified Indebtedness shall have matured, Vornado OP shall have used commercially reasonable efforts commencing a commercially reasonable period prior to the stated maturity of such indebtedness to cause such indebtedness to be refinanced, provided that such refinancing can be obtained on commercially reasonable terms; and (F) Vornado OP shall have used commercially reasonable efforts (considering its own best interests) to prevent such foreclosure or bankruptcy (provided that such required efforts shall not include contributing capital or otherwise providing funds to repay such indebtedness);

(2) an event (other than a foreclosure or bankruptcy, unless such foreclosure satisfies clause (1) above) described in Section 1033 of the Code, other than a disposition resulting from or made in connection with the mere threat or imminence of a requisition or condemnation; provided that Vornado OP agrees to cause any real property purchases that it and/or its Subsidiaries undertake and complete after the occurrence of the event described in this Section 2(d)(2) and prior to the expiration of the applicable replacement period under Section 1033 (determined taking into account Section 1033(g) of the Code) and that otherwise would qualify as replacement property for purposes of Section 1033 of the Code with respect to the Protected Property to be treated as replacement acquisitions for the purposes of this Section 2(d)(2) (other than acquisitions made with Vornado OP Units, acquisitions made as part of a Section 1031 exchange and acquisitions made as part of another Section 1033 transaction.

(e) Issuances of Additional Equity Interests. Notwithstanding Section 2(a), the issuance of additional partnership interests in Vornado OP pursuant to the Vornado Partnership Agreement shall not be considered to be prohibited by this Section 2 unless such partnership interests are in a form that either their issuance, or any exercise by a holders of any rights thereunder, would be considered to result in a direct or indirect taxable disposition by Vornado OP or any Subsidiary of one or more of the Protected Properties or any interest therein (determined taking into account, without limitation, Sections 704(c)(1)(B), 707(a), and 737 of the Code and the Treasury Regulations thereunder).

(f) Limited Exception for Certain Distributions by Vornado OP. Section 2(a)(v) shall not be construed to prohibit any distribution of property (such as, but not limited to, debt securities and equity securities in a corporation, a limited liability company, or another partnership) made by Vornado OP with respect to Vornado OP Units so long as all of the following conditions are satisfied:

(i) the distributed property received by each holder of Protected Units is registered under the Securities Exchange Act of 1934, is listed for trading

on the New York Stock Exchange, the NASDAQ National Market System, or another comparable national exchange or market system, and is freely transferable by the recipient thereof under the applicable federal and state securities laws; and

(ii) any gain required to be recognized by a holder of Protected Units by reason of such distribution does not exceed the fair market value of the distributed property at the time of such distribution.

ARTICLE 3
GUARANTEES OF DEBT AND RESTRICTIONS
ON REFINANCING OF GUARANTEED DEBT

(a) Initial Guaranteed Debt. Either in connection with the Merger or in connection with prior debt financings undertaken by SCR, the SCR Partner Guarantors have entered into those certain guarantee agreements whereby the SCR Partner Guarantors have guaranteed the Guaranteed Debt in an aggregate amount equal to the Guaranteed Amount. Schedule 8 hereto sets forth, as of the date hereof, the amount of all Guaranteed Debt and each SCR Partner Guarantor's share of the Guaranteed Amount with respect to each Guaranteed Debt.

(b) Requirement to Offer Additional Guaranteed Debt. Not later than December 31, 2004, Vornado OP shall offer to each SCR Partner Guarantor in writing the opportunity to guarantee other Vornado OP indebtedness (which other indebtedness may be, but is not required to be, indebtedness of SCR or one of its Subsidiaries) in an amount equal to the Initial Guarantee Shortfall for such SCR Partner Guarantor. In order for the offer of Vornado OP to satisfy the requirements of this Section 3(b), (i) the indebtedness to be guaranteed, and the terms of the guaranty must satisfy all of the conditions set forth in Section 3(e) (indebtedness satisfying all such conditions is referred to as "Qualified Guarantee Indebtedness"); (ii) the guarantee by the SCR Partner Guarantors must be pursuant to a Guaranty Agreement substantially in the form attached hereto as Schedule 7 that satisfies the conditions set forth in Sections 3(e)(i) and (iii) (a "Qualified Guarantee"); (iii) the amount required to be guaranteed by each SCR Partner Guarantor cannot exceed such SCR Partner Guarantor's then existing Initial Guarantee Shortfall; and (iv) the offer of Vornado OP to such SCR Partner Guarantors pursuant hereto must be in writing and the SCR Partner Guarantors must have not less than thirty (30) days to elect to enter into such guarantees. If, and to the extent that, an SCR Partner Guarantor elects to guarantee Qualified Guarantee Indebtedness pursuant to an offer made in accordance with this Section 3(b), such indebtedness thereafter shall being considered a Guaranteed Debt and subject to all of this Article 3, and the Initial Guarantee Shortfall of such SCR Partner Guarantor shall be reduced by the amount of such guarantee. If an offer is made by Vornado OP to an SCR Partner Guarantor pursuant to this Section 3(b) that complies with all of the requirements of this Section 3(b) and such SCR Partner Guarantor does not join in the guarantee pursuant to such offer (or joins in the guarantee for less than lesser of the amount offered or its then remaining Initial Guarantee Shortfall), Vornado OP thereafter shall have no obligation to such SCR Partner Guarantor with respect to that portion of such SCR Partner Guarantor's Initial Guarantee Shortfall that corresponds to the amount of the indebtedness that the SCR Partner Guarantor elected not to guarantee (and such SCR

Partner Guarantor's Initial Guarantee Shortfall shall be considered to have been reduced accordingly).

(c) Covenant With Respect to Guaranteed Debt Collateral. Vornado OP covenants with the SCR Partner Guarantors with respect to the Guaranteed Debt that (A) it will comply with the requirements set forth in Section 2(b)(5) upon any disposition of any collateral for a Guaranteed Debt, whether during or following the applicable Protected Period, and (B) it will not at any time, whether during or following the applicable Protected Period, pledge the collateral with respect to a Guaranteed Debt to secure any other indebtedness (unless such other indebtedness is, by its terms, subordinate in all respects to the Guaranteed Debt for which such collateral is security) or otherwise voluntarily dispose of or reduce the amount of such collateral unless either (i) after giving effect thereto the conditions in Section 3(e)(ii) would continue to be satisfied with respect to the Guaranteed Debt and the Guaranteed Debt otherwise would continue to be Qualified Guarantee Indebtedness, or (ii) Vornado OP (A) obtains from the lender with respect to the original Guaranteed Debt a full and complete release of any SCR Partner Guarantor unless the SCR Partner Guarantor expressly requests that it not be released, and (B) if the applicable Protected Period has not expired as to all SCR Partner Guarantors with respect to such original Guaranteed Debt, offers to each SCR Partner Guarantor with respect to such original Guaranteed Debt as to whom the Protected Period has not expired, not less than 30 days prior to such pledge or disposition, the opportunity to enter into a Qualified Guarantee of other Vornado OP indebtedness that constitutes Qualified Guarantee Indebtedness (with such replacement indebtedness thereafter being considered a Guaranteed Debt and subject to this Article 3) in an amount equal to the amount of such original Guaranteed Debt that was guaranteed by such SCR Partner Guarantor.

(d) Repayment or Refinancing of Guaranteed Debt. Vornado OP shall not, at any time during the Protected Period applicable to an SCR Partner Guarantor, repay or refinance all or any portion of any Guaranteed Debt unless (i) after taking into account such repayment, each SCR Partner Guarantor would be entitled, pursuant to Treasury Regulation ss. 1.752-2 (and not Treasury Regulation ss. 1.752-3), to include in its basis for its Protected Units an amount of Guaranteed Debt equal to its Scheduled Guarantee Amount, or (ii) alternatively, Vornado OP, not less than 30 days prior to such repayment or refinancing, offers to the applicable SCR Partner Guarantors the opportunity to enter into a Qualified Guarantee with respect to other Qualified Guarantee Indebtedness in an amount sufficient so that, taking into account such guarantees of such other Qualified Guarantee Indebtedness, each SCR Partner Guarantor who elects to guarantee such other Qualified Guarantee Indebtedness in the amount specified by Vornado OP would be entitled, pursuant to Treasury Regulation ss. 1.752-2 (and not Treasury Regulation ss. 1.752-3), to include in its adjusted tax basis for its Protected Units debt equal to the Scheduled Guarantee Amount for such SCR Partner Guarantor.

(e) Criteria for Indebtedness to be Guaranteed and Guarantees. The Guaranteed Debt (and any additional or replacement Guaranteed Debt offered pursuant to Sections 3(b), 3(c), 3(d), and 3(g) hereof) and the guarantees with respect thereto shall at all times meet the following conditions:

(i) each such guarantee shall be a "bottom dollar guarantee" in that the lender for the Guaranteed Debt is required to pursue

all other collateral and security for the Guaranteed Debt (other than any "bottom dollar guarantees" permitted pursuant to this clause (i) and/or Section 3(f) below) prior to seeking to collect on such a guarantee, and the lender shall have recourse against the guarantee only if, and solely to the extent that, the total amount recovered by the lender with respect to the Guaranteed Debt after the lender has exhausted its remedies as set forth above is less than the aggregate of the Scheduled Guarantee Amounts with respect to such Guaranteed Debt (plus the aggregate amounts of any other guarantees (x) that are in effect with respect to such Guaranteed Debt at the time the guarantees pursuant to this Section 3 are entered into, or (y) that are entered into after the date the guarantees pursuant to this Section 3 are entered into with respect to such Guaranteed Debt and that comply with Section 3(f) below, but only to the extent that, in either case, such guarantees are "bottom dollar guarantees" with respect to the Guaranteed Debt), and the aggregate liability of each SCR Partner Guarantor for all Guaranteed Debt shall be limited to the amount actually guaranteed by such SCR Partner Guarantor;

(ii) the fair market value of the collateral against which the lender has recourse pursuant to the Guaranteed Debt, determined as of the time the guaranty is entered into (an independent appraisal relied upon by the lender in making the loan shall be conclusive evidence of such fair market value when the guarantee is being entered into in connection with the closing of such loan), shall not be less than 3.333 times the sum of (x) the aggregate of the Scheduled Guarantee Amounts with respect to such Guaranteed Debt plus (y) the dollar amount of any other indebtedness that is senior to or pari pasu with the Guaranteed Debt and as to which the lender thereunder has recourse against property that is collateral for the Guaranteed Debt, plus (z) the aggregate amounts of any other guarantees (A) that are in effect with respect to such Guaranteed Debt at the time the guarantees pursuant to this Section 3 are entered into, or (B) that are entered into after the date the guarantees pursuant to this Section 3 are entered into with respect to such Guaranteed Debt and that comply with Section 3(f) below, but only to the extent that in either case, such guarantees are "bottom dollar guarantees" with respect to the Guaranteed Debt);

(iii) (A) the executed guarantee must be delivered to the lender and (B) the execution of the guarantee by the SCR Partner Guarantors must be acknowledged by the lender as an inducement to it to make a new loan, to continue an existing loan (which continuation is not otherwise required), or to grant of a material consent under an existing loan (which consent is not otherwise required to be granted) or, alternatively, the guarantee must be with respect to a loan that, under the terms thereof, (I) is governed by New York law and either the loan is secured by property located in New York, the lender has a significant place of business in New York (with any bona fide branch or office of the lender through which the loan is made, negotiated, or administered being deemed a "significant place of business" for the purposes hereof), or the lender obtained in connection with such loan an opinion of counsel to the effect that such provisions regarding New York law

are enforceable, or (II) is governed by the laws of another state that has a statutory provision or applicable controlling judicial decisions that are comparable to Section 5-1401 of the New York General Obligations Law and the conditions set forth in clause (I) with respect to New York would be satisfied with respect to such other state;

(iv) the aggregate amount of guarantees, indemnities, and other similar undertakings with respect to such debt must not exceed the face amount of the debt;

(v) as to each SCR Partner Guarantor that is executing a guarantee pursuant hereto, there must be no other Person that would be considered to "bear the economic risk of loss," within the meaning of Treasury Regulation ss. 1.752-2, or would be considered to be "at risk" for purposes of Section 465(b) with respect to that portion of such debt for which such SCR Partner Guarantor is being made liable for purposes of satisfying Vornado OP's obligations to such SCR Partner Guarantor under this Article 3; provided that so long as the initial lender is not Vornado REIT or a person considered to be a partner in Vornado OP or related to such a partner (determined excluding persons qualifying for the de minimis exception set forth in Treasury Regulation ss. 1.752-2(d)(1)), Vornado OP will not be considered to have violated this limitation by reason of actions of persons (other than Vornado REIT and its subsidiaries and their officers and directors) that are neither consented to in writing nor facilitated by Vornado OP or Vornado REIT (except that the foregoing proviso shall not apply to other similar "bottom dollar guarantees" existing and permitted pursuant to Section 3(e)(i) and/or added pursuant to Section 3(f));

(vi) the obligor with respect to the debt to be guaranteed is Vornado OP or a Subsidiary of Vornado OP in which Vornado OP owns, directly and indirectly, not less than 51% of the economic interests and which is and will continue to be under the legal control of Vornado OP (which shall include a partnership or limited liability company in which Vornado OP or a wholly owned subsidiary of Vornado OP is the sole managing general partner or sole managing member, as applicable).

(f) Limitation on Additional Guarantees With Respect to Debt Secured by Collateral for Guaranteed Debt. Vornado OP shall not offer the opportunity or make available a guaranty of any Guaranteed Debt or other debt that is secured, directly or indirectly, by any collateral for Guaranteed Debt unless (i) such debt by its terms is subordinate in all respects to the Guaranteed Debt or, if such others guarantees are of the Guaranteed Debt itself, such guarantees by their terms must be paid in full before the lender can have recourse to the SCR Partner Guarantors (i.e., the first dollar amount of recovery by the applicable lenders must be applied to the Guaranteed Amount); provided that the foregoing shall not apply with respect to additional guarantees of Guaranteed Debt so long as the conditions set forth in Sections 3(e)(ii) and (v) would be satisfied immediately after the implementation of such additional guarantee (determined in the case of Section 3(e)(ii), based upon the fair market value of the collateral for such Guaranteed Debt at the time the additional guarantee is entered into and adding the amount of such additional

guarantee(s) to the sum of the applicable Scheduled Guarantee Amounts with respect to such Guaranteed Debt plus any other preexisting "bottom dollar guarantee" previously permitted pursuant to this Section 3(f) or Sections 3(e)(i) and (ii) above, for purposes of making the computation provided for in Section 3(e)(ii)), and (ii) such other guarantees do not have the effect of reducing the amount of the Guaranteed Debt that is includible by any SCR Partner Guarantor in its adjusted tax basis for its SCR Partnership Units pursuant to Treasury Regulation ss. 1.752-2.

(g) Amortization of Guaranteed Debt. In the event that the principal amount of a Guaranteed Debt is decreased as a result of amortization of such Guaranteed Debt such that the principal amount of the Guaranteed Debt (reduced by the amount of any other guarantees, indemnities or similar arrangements that apply with respect to such debt) is less than the Scheduled Guarantee Amount with respect to such Guaranteed Debt, then Vornado OP shall make available to the applicable SCR Partner Guarantors the opportunity to guarantee other Qualified Guarantee Indebtedness in an amount equal to the Scheduled Guarantee Amounts with respect to such debt (pursuant to a Qualified Guaranty that satisfies the conditions set forth in Section 3(e) above), with such replacement indebtedness thereafter being subject to this Article 3. Vornado OP shall have the right, but not the obligation, to offer to one or more SCR Partner Guarantors the opportunity to enter into a Qualified Guarantee with respect to Qualified Guarantee Indebtedness in an amount up to (but not in excess of) the projected reductions in such SCR Partner Guarantor's "share" of an amortizing Guaranteed Debt below such SCR Partner Guarantor's Scheduled Guarantee Amount with respect thereto during the next three years (or if less, the balance of such SCR Partner Guarantor's Protected Period) (an "Advance Replacement Guarantee Offer"). If Vornado OP makes an Advance Replacement Guarantee Offer in writing to an SCR Partner Guarantor and such SCR Partner Guarantor does not enter into the Qualified Guarantee offered in connection therewith, this Section 3(g) shall not be considered to have been violated with respect to such SCR Partner Guarantor by reason of amortization of the Guaranteed Debt with respect to which the Advance Replacement Guarantee Offer was made, up to the amount for which such Advance Replacement Guarantee Offer was made and not accepted.

(h) Process. Whenever Vornado OP is required under this Article 3 to offer to one or more of the SCR Partner Guarantors an opportunity to guarantee Qualified Guarantee Indebtedness, Vornado OP shall be considered to have satisfied its obligation if the other conditions in this Article 3 are satisfied and, not less than thirty (30) days prior to the date that such guarantee would be required to be executed in order to satisfy this Article 3, Vornado OP sends by first class mail, return receipt requested, to the last known address of each such SCR Partner Guarantor (as reflected in the records of Vornado OP) the Guaranty Agreement to be executed (which shall be substantially in the form of the Schedule 7 hereto, with such changes thereto as are necessary to reflect the relevant facts) and a brief letter explaining the relevant circumstances (including that the offer is being made pursuant to this Article 3, the circumstances giving rise to the offer, a brief summary of the terms of the Qualified Guarantee Indebtedness to be guaranteed, a brief description of the collateral for the Qualified Guarantee Indebtedness, a statement of the amount to be guaranteed, the address to which the executed Guaranty Agreement must be sent and the date by which it must be received, and a statement to the effect that, if the SCR Partner the fails to execute and return the Guaranty Agreement within the time period specified, the SCR Partner Guarantor thereafter would lose its rights under this Article 3 with respect to

the amount of debt that Vornado OP is required to offer to be guaranteed and for which the guarantee is being offered, and depending upon the SCR Partner Guarantor's circumstances and other circumstances related to Vornado OP, the SCR Partner could be required to recognize taxable gain as a result thereof, either currently or prior to the expiration of the applicable Protected Period, that otherwise would have been deferred). If a notice is properly sent in accordance with this procedure, Vornado OP shall have not responsibility as a result of the failure of an SCR Partner Guarantor either to receive such notice or to have responded thereto within the specified time period. 3/

(i) Reduction in Obligations of SCR Guarantor Partners. If an offer to guarantee debt is made by Vornado OP to an SCR Partner Guarantor pursuant to this Section 3 that complies with all of the applicable requirements of this Section 3, an SCR Partner Guarantor may elect not to join in a guarantee at all, or to join in a guarantee for less than the full amount offered, but if such SCR Partner Guarantor does not join in the guarantee pursuant to such offer (or joins in the guarantee for less than the amount offered (provided that the amount offered does not exceed its then remaining Initial Guarantee Shortfall and the portion of Scheduled Guarantee Amount for which a replacement guarantee is being offered)), Vornado OP thereafter shall have no obligation to such SCR Partner Guarantor with respect to that portion of such SCR Partner Guarantor's Initial Guarantee Shortfall and/or Scheduled Guarantee Amount that corresponds to the amount of the indebtedness that the SCR Partner Guarantor elected not to guarantee (and such SCR Partner Guarantor's Initial Guarantee Shortfall or Scheduled Guarantee Amount, as applicable, shall be considered to have been reduced accordingly).

(j) Limitation on Liability. So long as Vornado OP shall have complied with all of the applicable provisions of this Section 3 and Section 8(a)(i), neither Vornado OP nor Vornado REIT shall have any liability to an SCR Partner Guarantor under this Section 3 by reason of a successful assertion by the Internal Revenue Service that guarantees of Guaranteed Debt, whether entered into prior to the Merger or subsequent to the Merger and pursuant to this Section 3, are not effective to cause the affected SCR Partner Guarantors to be allocated debt pursuant to Treasury Regulation 1.752-2 or considered to be "at risk" for purposes of Section 465(b).

(k) Presumption as to Schedule 7. The form of the Guaranty Agreement attached hereto as Schedule 7 shall be conclusively presumed to satisfy the conditions set forth in Section 3(e)(i) and to have caused the Guaranteed Debt to be considered allocable to the SCR Guarantor Partner who enters into such Guaranty Agreement pursuant to Treasury Regulation ss. 1.752-2 so long as all of the following conditions are met with respect such Guaranteed Debt:

(i) there are no other guarantees in effect with respect to such Guaranteed Debt (other than the guarantees contemporaneously

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3/ Prior to the closing of the Merger, the parties may agree to an approved form of a notice pursuant hereto, which if agreed upon shall be added as a Schedule to this Agreement.

being entered into by the SCR Partner Guarantors pursuant to this Article 3);

(ii) the collateral securing such Guaranteed Debt is not, and shall not thereafter become, collateral for any other indebtedness that is senior to or pari pasu with such Guaranteed Debt;

(iii) no additional guarantees with respect to such Guaranteed Debt will be entered into during the applicable Protected Period pursuant to the proviso set forth in Section 3(f);

(iv) the lender with respect to such Guaranteed Debt is not Vornado OP, any Subsidiary or other entity in which Vornado OP owns a direct or indirect interest, Vornado REIT, any other partner in Vornado OP, or any person related to any partner in Vornado OP as determined for purposes of Treasury Regulation ss. 1.752-2; and

(v) none of Vornado REIT, nor any other partner in Vornado OP, nor any person related to any partner in Vornado OP as determined for purposes of Treasury Regulation ss. 1.752-2 shall have provided, or shall thereafter provide, collateral for, or otherwise shall have entered into, or shall thereafter enter into, a relationship that would cause such person or entity to be considered to bear the risk of loss with respect to such Guaranteed Debt, as determined for purposes of Treasury Regulationss. 1.752-2.

(l) Exception for Certain Foreclosures and Involuntary Transfers. If a Guaranteed Debt is repaid or extinguished in connection with a foreclosure, bankruptcy, or involuntary transfer that satisfies the conditions set forth in Section 2(d), Vornado OP shall not be considered to have violated Section 3(d) so long as Vornado OP undertakes commercially reasonable efforts to make available to the affected SCR Partner Guarantors as soon as reasonably practicable under the circumstances other Qualified Guarantee Indebtedness to guarantee pursuant to Qualifying Guarantees, including any new or additional indebtedness thereafter incurred by Vornado OP and its Subsidiaries, provided that Vornado OP shall not be obligated to incur new or additional indebtedness in order to satisfy such undertaking.

ARTICLE 4

LIMITATION ON REPAYMENT OR PREPAYMENT OF EXISTING NONRECOURSE DEBT

(a) Obligation to Retain Existing Nonrecourse Debt. Unless and until Vornado OP has satisfied its obligations to an SCR Partner Guarantor under Section 3(b) above (or if sooner, the expiration of the Protected Period applicable to such SCR Partner Guarantor), Vornado OP shall not, directly or indirectly, cause or permit Vornado OP or any Subsidiary to repay or prepay any of the Existing Nonrecourse Debt if, after giving effect to such payment, such SCR Partner Guarantor would be allocated at any time prior to the expiration of the Protected Period applicable to such Guarantor Partner pursuant to Treasury Regulation ss. 1.752-3(a) an amount of Existing Nonrecourse Debt and/or other indebtedness of Vornado OP that qualifies as a Nonrecourse Liability that is less than such SCR Partner Guarantor's then remaining Initial Guarantee Shortfall. If, and to the extent, that Vornado OP relies on other Nonrecourse Liabilities of Vornado OP for purposes of this Section 4(a), such other Nonrecourse Liabilities shall be subject to this Article 4. This Section 4(a) shall have no application with respect to any SCR Unitholder who is not an SCR Partner Guarantor, or with respect to any SCR Partner Guarantor either who has no Initial Guarantee Shortfall, or whose Initial Guarantee Shortfall has been reduced to zero pursuant to Section 3(b) (including, without limitation, by reason of the last sentence thereof). AT SUCH TIME AS VORNADO OP HAS SATISFIED ALL OF ITS OBLIGATIONS TO ALL SCR PARTNER GUARANTORS UNDER SECTION 3(B) ABOVE, THIS ARTICLE 4 SHALL CEASE TO HAVE ANY APPLICATION.

(b) Exceptions for Principal Amortization and Certain Refinancings. The requirements in Section 4(a) above shall not apply in the case of:

(i) a payment or repayment that consists solely of a required principal amortization payment made with respect to an Existing Nonrecourse Debt or Replacement Debt (as defined in clause (ii) below) in accordance with the principal amortization schedules in effect at the effective time of the Merger with respect to such Existing Nonrecourse Debt (or in the case of Replacement Debt, a principal amortization schedule that meets the conditions set forth in subclause (z) of clause (ii) below); provided that a required payment of principal at the scheduled maturity of any indebtedness shall not be considered within the scope of this clause (i) (and, accordingly, Vornado OP shall be required to refinance such maturing indebtedness with debt that would be considered qualifying Replacement Debt under clause (ii) below); or

(ii) a payment of principal made from proceeds of new indebtedness incurred to refinance Existing Nonrecourse Debt (such new indebtedness incurred pursuant to the refinancing that meets the conditions set forth below in this clause (ii) is referred to in this Agreement as "Replacement Debt"), provided that (x) such refinancing is made on a basis that the Replacement Debt would be considered a Nonrecourse Liability that is allocable for purposes of Treasury Regulations ss. 1.752-3(a) as the Existing Nonrecourse Debt being refinanced; (y) that the principal amount of the Replacement Debt is at least equal to the principal amount of the Existing Nonrecourse Debt on the date of such refinancing; and (z) provides either for "interest-only" payments or for level payments of principal and interest that would not result in amortization of the remaining principal balance over a period shorter than the lesser of twenty-five years or the scheduled amortization of the Existing Nonrecourse Debt.

(c) Deemed Refinancings. For the purposes of this Article 4, any transaction or other event, including, without limitation, any modification of indebtedness, which in each case was either facilitated by, or consented in writing to, by Vornado OP or Vornado REIT, in which any partner in Vornado OP or any affiliate of any such partner in Vornado OP would become personally liable for, or would bear or incur, directly or indirectly, the "risk of loss" with respect to any Existing Nonrecourse Debt or any Replacement Debt that would cause such Debt either not to be considered a Nonrecourse Liability or not to qualify as "qualified nonrecourse financing" for purposes of Section 465(b)(6)(B) of the Code shall be considered a refinancing of such Debt and shall be subject to the requirements set forth in this Article 4.

(d) Deemed Repayment. For the purposes of this Article 4, any sale, exchange or other disposition (including, without limitation, an exchange to which Section 1031 or 1033 of the Code applies, any transfer that is subject to either Section 2(b)(5) or Section 2(b)(6), and any disposition, voluntary or involuntary, pursuant to a foreclosure proceeding, a deed in lieu of foreclosure or a bankruptcy proceeding) of either a property that is subject to an Existing Nonrecourse Debt or Replacement Debt or a direct or indirect interest in an entity that is the obligor with respect to Existing Nonrecourse Debt or Replacement Debt shall be considered a repayment of such Debt for purposes of Section 4(a); provided that the foregoing shall not apply with respect to any foreclosure, bankruptcy or involuntary transfer that satisfies the conditions set forth in Section 2(d).

ARTICLE 5
REMEDIES FOR BREACH

(a) Monetary Damages. In the event that Vornado OP breaches its obligations set forth in Article 2, Article 3, Article 4, Article 7, Article 8 or Article 10 with respect to an SCR Unitholder during the Protected Period, the SCR Unitholder's sole right shall be to receive from Vornado OP, and Vornado OP shall pay to such SCR Unitholder as damages, an amount equal to the lesser of:

(i) the aggregate federal, state and local income taxes incurred by the SCR Unitholder as a result of the income or gain allocated to, or otherwise recognized by, such SCR Unitholder with respect to its Protected Units by reason of such breach, or

(ii) in the case of a violation of Article 2, the aggregate federal state, and local income taxes that would have been payable by such SCR Unitholder (or its predecessor in interest) if the relevant Protected Property has been sold on the SCR Merger Closing Date for its 704(c) Value (computed based upon tax rates in effect for the period during which the event giving rise to the computation hereunder has occurred), reduced to reflect:

(A) reductions prior to such disposition in the "book-tax disparity" with respect to such Protected Property (but only if and to the extent that such reduction is matched dollar for dollar by a reduction in the gain allocable to the SCR Unitholder by reason of such sale or other disposition pursuant to Section 704(c) of the Code,

determined for this purpose taking into account any required "curative allocation" that would result pursuant to the penultimate sentence of Section 7(d)), and

(B) with respect to a SCR Unitholder who acquired Protected Units subsequent to the SCR Merger Closing Date, the reduction in gain that results from such holder's having a special inside basis under Section 743 of the Code in the relevant Protected Property (by treating the special inside basis as the basis for determining gain on the deemed sale described in clause (ii)),

plus in the case of either (i) or (ii), an amount equal to the aggregate federal, state, and local income taxes payable by the SCR Unitholder as a result of the receipt of any payment required under this Section 5(a).

For purposes of computing the amount of federal, state, and local income taxes required to be paid by an SCR Unitholder, (i) any deduction actually allowed in computing federal income taxes for state income taxes payable as a result thereof shall be taken into account, and (ii) an SCR Unitholder's tax liability shall be computed using the highest federal, state and local marginal income tax rates that would be applicable to such SCR Unitholder's taxable income (taking into account the character of such income or gain) for the year with respect to which the taxes must be paid, without regard to any deductions, losses or credits that may be available to such SCR Unitholder that would reduce or offset its actual taxable income or actual tax liability if such deductions, losses or credits could be utilized by the SCR Unitholder to offset other income, gain or taxes of the SCR Unitholder, either in the current year, in earlier years, or in later years). In the event that an SCR Unitholder shall acquire any additional Vornado OP Units subsequent to the Merger by reason of a contribution of additional money or property to Vornado OP, the income and gain that shall be taken into account for purposes of computing the damages payable under this Section 5(a) would not exceed the gain that such SCR Unitholder would have recognized by reason of Vornado OP's breach of its obligation set forth in Article 2, Article 3, Article 4, Article 7, Article 8 or Article 10, as applicable, had such SCR Unitholder not acquired such additional Vornado OP Units.

(b) Limitation on Remedies; Process for Determining Damages. Notwithstanding any provision of this Agreement, the sole and exclusive rights and remedies of any SCR Unitholder for a breach or violation of the covenants set forth in Article 2, Article 3 or Article 4 shall be a claim for damages against Vornado OP, computed as set forth in Section 5(a) (and to the extent applicable, Section 5(e)), and no SCR Unitholder shall be entitled to pursue a claim for specific performance of the covenants set forth in Article 2, Article 3 and Article 4, or bring a claim against any Person that acquires a Protected Property from Vornado OP in violation of Article 2 (other than a Successor Partnership that has agreed in writing to be bound by the terms of this Agreement or that has otherwise succeeded to all of the assets and all of the liabilities of Vornado OP, but then only for damages computed as set forth in Section 5(a)). If Vornado OP has breached or violated any of the covenants set forth in Article 2, Article 3, Article 4, Article 7, Article 8 or Article 10 (or an SCR Unitholder asserts that Vornado OP has breached or violated any of the covenants set forth in Article 2, Article 3, Article 7, Article 8, or Article 10, Vornado OP and the SCR Unitholder agree to negotiate in good faith to resolve any disagreements

regarding any such breach or violation and the amount of damages, if any, payable to such SCR Unitholder under Section 5(a) (and to the extent applicable, Section 5(e)). If any such disagreement cannot be resolved by Vornado OP and such SCR Unitholder within sixty (60) days after the receipt of notice from Vornado OP of such breach and the amount of income to be recognized by reason thereof, Vornado OP and the SCR Unitholder shall jointly retain a nationally recognized independent public accounting firm ("an Accounting Firm") to act as an arbitrator to resolve as expeditiously as possible all points of any such disagreement (including, without limitation, whether a breach of any of the covenants set forth Article 2, Article 3, Article 4, Article 7, Article 8, or Article 10 has occurred and, if so, the amount of damages to which the SCR Unitholder is entitled as a result thereof, determined as set forth in Section 5(a) (and to the extent applicable, Section 5(e))). All determinations made by the Accounting Firm with respect to the resolution of any breach or violation of any of the covenants set forth in Article 2, Article 3, Article 4, Article 7, Article 8, or Article 10 and the amount of damages payable to the SCR Unitholder under Section 5(a) (and to the extent applicable, Section 5(e)) shall be final, conclusive and binding on Vornado OP and the SCR Unitholder. The fees and expenses of any Accounting Firm incurred in connection with any such determination shall be shared equally by Vornado OP and the SCR Unitholder, provided that if the amount determined by the Accounting Firm to be owed by Vornado OP to the SCR Unitholder is more than ten percent (10%) higher than the amount proposed by Vornado OP to be owed to such SCR Unitholder prior to the submission of the matter to the Accounting Firm, then all of the fees and expenses of any Accounting Firm incurred in connection with any such determination shall be paid by Vornado OP.

(c) Damages for Flow-Through Entities. For purposes of this Article 5, if any SCR Unitholder is, for federal income tax purposes, a partnership, an S corporation, "real estate investment trust" or a trust, then all computations of amounts of taxes required to be paid by the SCR Unitholder and the payments due from Vornado OP as a result thereof shall be made by computing the taxes required to be paid by the partners, shareholders or beneficiaries of such partnership, S corporation, "real estate investment trust" or trust (or to the extent that any partner, shareholder or beneficiary of such partnership S corporation or trust is itself a partnership, S corporation or trust, the same principles shall apply in determining the taxes required to be paid by such partner, shareholder or beneficiary).

(d) Required Notices; Time for Payment. In the event that there has been a breach of Article 2, Article 3, Article 4, Article 7, or Article 8, Vornado OP shall provide to the SCR Unitholder notice of the transaction or event giving rise to such breach not later than at such time as Vornado OP provides to the SCR Unitholders the Schedule K-1's to Vornado OP's federal income tax return as required in accordance with Section 10(d) below. All payments required under this Article 5 to any SCR Unitholder shall be made to such SCR Unitholder not later than thirty (30) days after receipt by Vornado OP of a written claim from such SCR Unitholder therefor, unless Vornado OP disagrees with the computation of the amount required to be paid in respect of such breach, in which event the procedures in Section 5(b) shall apply and the payment shall be due within thirty (30) days after the earlier of a determination by the Accounting Firm or an agreement between Vornado OP and the SCR Unitholder as to the amount required to be paid, with interest accruing on the aggregate amount required to be paid from the date that is thirty (30) days after receipt by Vornado OP of a claim from such SCR Unitholder to the date of actual payment at a rate equal to the "prime rate" of interest, as published in the Wall Street

Journal (or if no longer published there, as announced by Citibank) effective as of the date the payment is required to be made.

(e) Additional Damages for Breaches of Section 2(b)(5), Section 3(c) and/or Section 3(e). Notwithstanding any of the foregoing in this Article 5, in the event that Vornado OP should breach any of its covenants set forth in Section 2(b)(5), Section 3(c) and/or Sections 3(e)(i), (ii) and/or (iv) and an SCR Unitholder is required to make a payment in respect of such indebtedness that it would not have had to make if such breach had not occurred (an "Excess Payment"), then, in addition to the damages provided for in the other Sections of this Article 5, Vornado OP shall pay to such SCR Unitholder an amount equal to the sum of (i) the Excess Payment plus (ii) the aggregate federal, state and local income taxes, if any, computed or set forth in Section 5(a), required to be paid by such SCR Unitholder by reason of Section 5(e) becoming operative (for example, because the breach by Vornado OP and this Section 5(e) caused all or any portion of the indebtedness in question no longer to be considered debt includible in basis by the affected SCR Unitholder pursuant to Treasury Regulations ss. 1.752-2(a)), plus (iii) an amount equal to the aggregate federal, state and local income taxes required to be paid by the SCR Unitholder (computed as set forth in Section 5(a)) as a result of any payment required under this Section 5(e).

ARTICLE 6
ADDITIONAL OPPORTUNITY FOR SCR PARTNERS TO ENTER INTO
DEFICIT RESTORATION OBLIGATIONS AND GUARANTEES

Without limiting any of the obligations of Vornado OP under this Agreement, Vornado OP shall consider in good faith a request by an SCR Unitholder to enter into an agreement with Vornado OP to bear the economic risk of loss as to a portion of Vornado OP's recourse indebtedness by undertaking an obligation to restore a portion of its negative capital account balance upon liquidation of such SCR Unitholder's interest in Vornado OP and/or to bear financial liability under a Guarantee Agreement substantially in the form of Schedule 7 hereto for indebtedness that would be considered Qualifying Guarantee Indebtedness under Section 3(b) hereof, if such SCR Unitholder shall provide information from its professional tax advisor satisfactory to Vornado OP showing that, in the absence of such agreement, such SCR Unitholder likely would not be allocated from Vornado OP sufficient indebtedness under Section 752 of the Code and the at-risk provisions under Section 465 of the Code to avoid the recognition of gain (other than gain required to be recognized by reason of actual cash distributions from Vornado OP). Vornado OP and its professional tax advisors shall cooperate in good faith with such SCR Unitholder and its professional tax advisors to provide such information regarding the allocation of Vornado OP liabilities and the nature of such liabilities as is reasonably necessary in order to determine the SCR Unitholder's adjusted tax basis in its Units and at-risk amount. In deciding whether or not to grant such a request, Vornado OP shall be entitled to take into account all factors related to Vornado OP, including, without limitation, the existing and anticipated debt structure of Vornado OP, the tax situations of all other partners in Vornado OP, including Vornado REIT (individually and as a group), and the effect that granting such a request might have on their tax situation, the restrictions set forth in Article 3, and the anticipated long-term business needs of Vornado OP. Vornado OP's only obligation with respect to any such request from an SCR Unitholder pursuant to this Article 6 shall be to act in good faith, as determined in Vornado's sole discretion. If Vornado OP permits an SCR Unitholder to enter into an agreement under this Article 6, Vornado OP shall be under no further obligation with respect thereto, and Vornado OP shall not be required to indemnify such SCR Unitholder for any damage incurred, in connection with or as a result of such agreement or the indebtedness, including without limitation a refinancing or prepayment thereof.

ARTICLE 7
SECTION 704(C) METHOD AND ALLOCATIONS

(a) Application of "Traditional Method." Notwithstanding any provision of the Vornado OP Partnership Agreement, Vornado OP shall use the "traditional method" under Regulations ss. 1.704-3(b) for purposes of making all allocations under Section 704(c) of the Code (with no "curative allocations" to offset the effect of a "Ceiling Rule Disparity," as described in Section 7(b) below, except as set forth in Sections 7(c) and 7(d) below) with respect to (i) each of the assets acquired by Vornado OP from SCR in the Merger (including, without limitation, all assets owned by SCR or any direct or indirect Subsidiary of SCR that is treated either as a partnership or as a disregarded entity for federal income tax purposes), except to the extent that Vornado OP expressly would be required to use a different method under an SCR Tax Protection Agreement assumed by Vornado OP pursuant to the Merger Agreement and the affected SCR Partner has not executed an agreement to waive its right to such different method following the Merger. The 704(c) Values of the Protected Properties shall be as determined by agreement between SCR and Vornado OP prior to the effective time of the Merger, or in the absence of such agreement, as determined by Vornado REIT, in its capacity as general partner of Vornado OP, in good faith for purposes of preparing the financial statements of Vornado and Vornado OP reflecting the results of the Merger so long as the outside accountants of Vornado and Vornado OP have approved such financial statements as being in accordance with general accepted accounting procedures. 4/

(b) "Ceiling Rule Disparities." For purposes of Section 7(a), Section 7(c) and Section 7(d), the term "Ceiling Rule Disparity" shall mean, with respect to each Protected Property for each Fiscal Year, the excess, if any, of (i) the amount of Depreciation with respect to such asset allocated to the "non-contributing partners" (that is, the holders of Units who are not subject to Section 704(c) of the Code and Treasury Regulations ss. 1.704-3 with respect to such asset), over (ii) the actual amount of depreciation deductions with respect to such asset allocated to the "non-contributing partners" for federal income tax purposes for such Fiscal Year. It is agreed that Vornado OP and any partners in Vornado OP other than the SCR Unitholders shall be treated as "non-contributing partners" for this purpose. The term "Cumulative Net Ceiling Rule Disparity" with respect to a Protected Property, as that term is used in Section 7(d), means the sum of the Ceiling Rule Disparities for such Protected Property for all Fiscal Years through the date of determination, reduced by all Curative Allocations considered attributable to such Protected Property for prior Fiscal Years, determined as set forth in Section 7(d) below.

(c) Annual Curative Allocations. In order to offset the effect of Ceiling Rule Disparities, Vornado OP shall make the Curative Allocation with respect to each Non-Rock Spring Protected Unit each Fiscal Year, provided that no Curative Allocation shall be made with respect to any Non-Rock Spring Protected Units acquired by Vornado OP or

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4/ SCR and Vornado OP agree to negotiate in good faith to agree upon these amounts prior to the closing of the Merger.

Vornado REIT from SRC Unitholders as a result of the exercise of their redemption right under Section 8.6 of the Vornado Partnership Agreement), with respect to any Fiscal Year (or portion thereof) following such acquisition.

(d) Additional Curative Allocations Upon Disposition. The Ceiling Rule Disparity, as described in Section 7(b), with respect to each Protected Property (other than the Democracy I property) shall be reduced by the amount of the Curative Allocation that is considered attributable to that Protected Property. For this purpose, the Curative Allocation for each Fiscal Year shall be considered allocable among the Protected Properties (other than the Democracy I property) based upon ratio of the Ceiling Rule Disparity for each Protected Property (other than the Democracy I property) for the Fiscal Year in question to the aggregate Ceiling Rule Disparity for all of the Protected Properties (other than the Democracy I property) for such Fiscal Year, provided that if the Curative Allocation for a particular Fiscal Year exceeds the aggregate Ceiling Rule Disparity for all of the Protected Properties (other than the Democracy I property) for the Fiscal Year in question, the excess amount of the Curative Allocation shall be allocated to reduce the Cumulative Net Ceiling Rule Disparities with respect to prior years for each of the Protected Properties (other than the Democracy I property) (based upon the relative amounts of such Cumulative Net Ceiling Rule Disparities for all Protected Properties). To the extent that the cumulative Curative Allocations provided for herein are not sufficient to eliminate the effect of the Cumulative Net Ceiling Rule Disparity with respect to a particular Protected Property, Vornado OP shall make an additional "curative allocation" upon a disposition of that particular Protected Property (including the Democracy I property) to offset the remaining balance, if any, of the remaining Cumulative Net Ceiling Rule Disparity with respect to that particular Protected Property, with such "curative allocation" to be comprised of income and gain of such character (e.g., ordinary income, long-term capital gain, and "unrecaptured Section 1250 gain") as the character of the income and recognized by Vornado OP in connection with such disposition, in the same proportion as the aggregate amounts thereof recognized by Vornado OP. For example, if fifty percent of the gain recognized by Vornado OP is "unrecaptured Section 1250 gain" and fifty percent is long-term capital gain, then 50% of the curative allocation would be comprised of "unrecaptured Section 1250 gain" and fifty percent would be comprised of long-term capital gain.

(e) 1750 Pennsylvania Avenue. In the event that (i) any SCR Unitholder who holds Protected Units that were issued in the Merger with respect to SCR Units that previously were issued by SCR in connection with the acquisition by SCR of Penn Associates L.P. (which Protected Units are referred to as "1750 Penn Units") should successfully assert that Vornado OP is required to use the "remedial method" under Treasury Regulation ss. 1.704-3(d) with respect to the 1750 Pennsylvania Avenue property and (ii) the cumulative "remedial allocations" of income for any Fiscal Year and all prior Fiscal Years subsequent to the SCR Merger Closing Date with respect to the 1750 Penn Units, on a per unit basis, is less than the cumulative Curative Allocations for such period with respect to the 1750 Penn Units, on a per unit basis (a "Curative Allocation Shortfall"), then an amount of income equal to the aggregate Curative Allocation Shortfall for all then outstanding 1750 Penn Units shall be specially allocated to the holders of the then outstanding Non-Rock Spring Protected Units (excluding any 1750 Penn Units), with an equal amount of the aggregate Curative Allocation Shortfall being allocated to each such

then outstanding Non-Rock Spring Unit that is not a 1750 Penn Unit. The principles underlying the procedures set forth in Section 10(c) shall apply in the event that any holder of 1750 Penn Units should make an assertion that, if successful, would cause this Section 7(e) to apply.

ARTICLE 8
ALLOCATIONS OF LIABILITIES PURSUANT TO REGULATIONS UNDER SECTION 752

(a) Allocation Methods to be Followed. All tax returns prepared by Vornado OP during the Protected Period that allocate liabilities of Vornado OP for purposes of Section 752 and the Treasury Regulations thereunder shall treat each SCR Partner Guarantor as being allocated for federal income tax purposes an amount of recourse debt (in addition to any nonrecourse debt otherwise allocable to such SCR Partner Guarantor in accordance with the Vornado OP Partnership Agreement, Treasury Regulations ss. 1.752-3, and this Agreement) pursuant to Treasury Regulation ss. 1.752-2 equal to such SCR Partner Guarantor's Scheduled Guarantee Amount, as set forth on Schedule 9 hereto, and Vornado OP and Vornado REIT shall not, during or with respect to the Protected Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as Forms K-1, provided to partners in Vornado OP and returns of Subsidiaries of Vornado OP) or any dealings involving the Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of Vornado OP or the tax treatment of any holder of partnership interests Vornado OP).

(b) Exception to Required Allocation Method. Notwithstanding the provisions of this Tax Reporting and Protection Agreement, Vornado OP shall not be required to make allocations of Guaranteed Debt to the SCR Unitholders as set forth in this Agreement if and to the extent that Vornado OP determines in good faith that there may not be "substantial authority" (within the meaning of Section 6662(d)(2)(B)(i)) of the Code for such allocation; provided that Vornado OP shall provide to Mr. Robert H. Smith and Mr. Robert P. Kogod (or in the event of their death or disability, their executor, guardian or custodian, as applicable), notice of such determination and if, within forty five (45) days after the receipt thereof, Vornado OP is provided an opinion of Hogan & Hartson LLP or Arthur Andersen LLP (or another comparable firm of attorneys or accountants) to the effect that there is "substantial authority" (within the meaning of Section 6662(d)(2)(B)(i) of the Code) for such allocations, Vornado OP shall continue to make allocations of Guaranteed Debt to the SCR Unitholders as set forth in this Agreement; provided further that if there shall have been a judicial determination in a proceeding to which Vornado OP is a party and as to which the SCR GP has been allowed to participate as and to the extent contemplated in Section 10 to the effect that such allocations are not correct, Section 8(a) shall not apply unless the matter is being appealed to an applicable court of appeals, the requirements of Sections 10(c)(i) and 10(c)(iii) shall have been satisfied in connection therewith, and the opinion described above from counsel or accountants engaged by Messrs. Smith and Kogod shall have been provided, except that such opinion shall be to the effect that it is more likely than not that such allocations will be respected. In no event shall this Section 8(b) be construed to relieve Vornado OP for liability arising from a failure by Vornado OP to comply with one or more of the provisions of Article 3 of this Agreement.

(c) Cooperation in the Event of a Change. If a change in Vornado OP's allocations of Guaranteed Debt to the SCR Unitholders is required by reason of circumstances described in the Section 8(b), Vornado OP and its professional tax advisors shall cooperate in good faith with Messrs. Robert H. Smith and Robert P. Kogod (or in the event of their death or disability, their executor, guardian or custodian, as applicable) and their professional tax advisors to develop alternative allocation arrangements and/or other mechanisms that protect the federal income tax positions of the SCR Unitholders in the manner contemplated by the allocations of Guaranteed Debt to the SCR Unitholders as set forth in this Agreement.

ARTICLE 9
OTHER AGREEMENTS WITH SCR UNITHOLDERS

Pursuant to the Merger Agreement, Vornado, Vornado OP, SCR GP, and SCR Partnership shall enter into an Assignment and Assumption Agreement, dated as of [the date of closing], pursuant to which Vornado OP shall assume all obligations of SCR GP and SCR pursuant to certain tax protection agreements (the "SCR Tax Protection Agreements"). A list of the SCR Tax Protection Agreements is set forth on Schedule 5 hereto.

ARTICLE 10
TAX TREATMENT AND REPORTING; TAX PROCEEDINGS

(a) Tax Treatment of Merger. Each of the parties hereto shall treat the Merger for federal income tax purposes as a contribution by SCR of all of its assets to Vornado OP in exchange for Vornado OP Units under Section 721 of the Code, with those Vornado OP Units distributed by SCR to the SCR Unitholders in accordance with their respective interests in SCR in liquidation of SCR, in a transaction in which no gain is recognized by any of the SCR Unitholders under any of Section 721, Section 707, Section 731, Section 737, or any other provision of the Code. Each of the parties agrees (i) to treat the Merger, pursuant to Treasury Regulation ss. 1.708-1(c)(3), as an "assets over" form of merger, with the consequences set forth in Treasury Regulation ss. 1.708-1(c)(3)(i) and (ii) that, in addition, if and to the extent that any transaction entered into pursuant to the Merger Agreement or otherwise deemed undertaken in connection with the transactions contemplated by the Merger Agreement is treated for federal income tax purposes as a direct or indirect transfer of cash from Vornado OP to a holder of SCR Units that would be characterized as a sale for federal income tax purposes (including, without limitation, purchases of SCR Units pursuant to Section 4.7(a) of the Merger Agreement and payments to holders of SCR options pursuant to Section 1.10 of the Merger Agreement), pursuant to Treasury Regulation ss. 1.708-1(c)(4) such sale shall be treated as a sale of such SCR Units by the former holder of SCR Units receiving (or deemed to receive) such cash directly to Vornado OP and as a direct purchase by Vornado OP of such SCR Units from such former holder of SCR Units immediately prior to the Merger (and not as a transfer of cash from Vornado OP to SCR as part of the Merger). The parties agree and acknowledge (and will not take any position inconsistent therewith) that no consideration (whether actual consideration or deemed consideration under Section 707(a) of the Code or otherwise) other than Vornado OP Units has been or will be given by Vornado OP or Vornado REIT to the SCR or the SCR Unitholders in connection with the Merger (other than cash paid by SCR directly to certain holders of partnership interests in SCR who agreed to sell such partnership interests back to SCR prior to the closing of the Merger). Without limiting the

foregoing, the parties agree to treat all liabilities of SCR and its Subsidiaries as "qualified liabilities" within the meaning of Treasury Regulation ss. 1.707-5a)(6). SCR represents to Vornado OP and Vornado REIT for this purpose that, to the best of its knowledge, all liabilities of SCR and its Subsidiaries outstanding at the time of the Merger constitute "qualified liabilities" within the meaning of Treasury Regulation ss. 1.707-5a)(6). Vornado OP and Vornado REIT shall not, at any time during or with respect to the Protected Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as Forms K-1, provided to partners in Vornado OP and returns of Subsidiaries of Vornado OP) or any dealings involving the Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of Vornado OP or the tax treatment of any holder of partnership interests Vornado OP), except as permitted pursuant to Section 10(c) below.

(b) Notice of Tax Audits. If any claim, demand, assessment (including a notice of proposed assessment) or other assertion is made with respect to Taxes against SCR or Vornado OP the calculation of which involves a matter covered in this Agreement ("Tax Claim") or if Vornado REIT, Vornado OP or SCR receives any notice from any jurisdiction with respect to any current or future audit, examination, investigation or other proceeding ("Proceeding") involving SCR or Vornado OP or that otherwise could involve a matter covered in this Agreement and could directly or indirectly affect the SCR Unitholders (adversely or otherwise), then Vornado REIT, Vornado OP or SCR, as applicable shall promptly notify SCR GP, as representative of the SCR Unitholders of such Tax Claim or Tax Proceeding.

(c) Control of Tax Proceedings. Vornado REIT, as the general partner of Vornado OP shall have the right to control the defense, settlement or compromise of any Proceeding or Tax Claim; provided, however, that Vornado REIT shall not consent to the entry of any judgment or enter into any settlement with respect to such Tax Claim or Tax Proceeding without the prior written consent of SCR GP, as representative of the SCR Unitholders (unless, and only to the extent, that any Taxes required to be paid by the SCR Unitholders who are Protected Unitholders as a result thereof would be required to be reimbursed by Vornado OP and Vornado REIT under Article 5 and Vornado OP and Vornado REIT agree in connection with such settlement or consent, to make such required payments); provided further that Vornado OP shall keep SCR GP duly informed of the progress thereof to the extent that such Proceeding or Tax Claim could directly or indirectly affect (adversely or otherwise) the SCR Unitholders and that SCR GP shall have the right to review and comment on any and all submissions made to the to Internal Revenue Service ("IRS"), a court, or other governmental body with respect to such Tax Claim or Tax Proceeding and that Vornado OP will consider such comments in good faith. As a condition to withholding its consent to a settlement pursuant to the preceding sentence, the SCR GP (i) must have a reasonable basis to believe that such settlement would have a material adverse impact on one or more SCR Unitholders with respect to a matter covered by this Agreement and that such impact would be different from the impact that would result for other holders of Vornado OP Units who are not SCR Unitholders (which the SCR GP, upon request from Vornado OP, shall describe in reasonable detail in writing), (ii) the SCR GP must believe, based upon the advice of Hogan & Hartson L.L.P. or Arthur Andersen LLP (or another comparable firm of attorneys or accountants), that it is more likely than not that the position asserted by the SCR GP would prevail if it were to be asserted in a judicial

proceeding (and upon request of Vornado OP, the SCR GP shall provide to Vornado OP a letter from such counsel or accountants confirming such advice), and (iii) the SCR GP shall offer to assume the subsequent costs of defending and asserting the position asserted by the SCR GP (but not any other costs associated with such proceeding or any other issues involved therein); provided that the foregoing shall not apply with respect to, or otherwise restrict or limit or restrict in any matter, the exercise by the SCR GP or any of the SCR Unitholders of any rights or privileges provided for in Sections 6221-6234 of the Code and the Treasury Regulations thereunder or in the Vornado OP Partnership Agreement in connection with any examination of federal or state income tax matters related to SCR or Vornado OP.

(d) Timing of Tax Returns; Periodic Tax Information. Vornado OP shall cause to be delivered to the SCR Unitholders, no later than July 15 of each year (beginning in 2003), the Forms K-1 that Vornado OP is required to deliver to such SCR Unitholders with respect to the prior taxable year. In the case of the Forms K-1 relating to taxable year 2001 of SCR, Vornado shall engage Arthur Andersen and cause Arthur Andersen to prepare such Forms K-1 to be delivered to the SCR Unitholders no later than March 31, 2002. In addition, Vornado OP agrees to provide to Messrs. Robert Smith and Robert Kogod, upon request, an estimate of the taxable income expected to be allocable for a specified taxable year from Vornado OP to the Smith and Kogod families and the entities that they control, provided that such estimates shall not be required to be provided more frequently than once each calendar quarter.

ARTICLE 11
AMENDMENT OF THIS AGREEMENT

This Agreement may not be amended, directly or indirectly (including by reason of a merger between Vornado OP and another entity) except by a written instrument signed by Vornado, as general partner of Vornado OP, and approved by (i) the SCR Partners holding seventy-six percent (76%) of the then outstanding Protected Units and (ii) if any of Robert H. Smith, Robert P. Kogod, Clarice Smith or Arlene Kogod is then living, the consent of each such person then living; provided, however, that any amendment that would permit a sale of a Protected Property or other action in violation of Article 2 or the refinancing of debt or any other action with respect to debt in violation of Article 3 or Article 4, shall not be permitted without the written approval of holders of seventy-six percent (76%) of the then outstanding Protected Units held by SCR Partners that would be adversely affected by such actions.

ARTICLE 12
EARLY TERMINATION OF EXTENDED TAX PROTECTED PERIOD

The Extended Tax Protected Period shall terminate prior to the expiration thereof at 12:01 AM on January 1, 2022 (or if earlier, upon the date of death of the last to survive of Robert H. Smith, Clarice R. Smith, Robert P. Kogod, or Arlene R. Kogod) as follows:

(i) the Extended Tax Protected Period as to any SCR Unitholder shall terminate only as to that SCR Unitholder upon a Transfer (as defined in the

Lock-up Agreement) of Vornado Securities (as defined in the Lock-up Agreement) originally issued to such SCR Unitholder in the Merger in violation of the Lock-up Agreement applicable to such SCR Unitholder; and

(ii) the Extended Tax Protected Period shall terminate as to all SCR Unitholders that have entered into Lock-up Agreements in connection with the closing of the Merger (to the extent not earlier terminated pursuant to clause (i) hereof) upon a Transfer by a member of the Smith Family or the Kogod Family or any of their Permitted Transferees (as such terms are defined in the Merger Agreement) as a result of which the Smith Family, the Kogod Family, and their Permitted Transferees no longer Beneficially Own, after giving effect to such Transfer, at least (x) 50% of the original aggregate number of VNOP Units (or Vornado Common Shares issued in redemption thereof) issued to members of the Smith Family and the Kogod Family in the Merger or (ii) 100% of the original aggregate value of VNOP Units (or Vornado Common Shares issued in redemption thereof) issued to members of the Smith Family and the Kogod Family in the Merger (which value of the retained Vornado Securities shall be measured only at the time of the applicable Transfer based on the closing price of a Vornado Common Share on the NYSE after closing of trading on the date immediately preceding the date of the applicable Transfer, which value shall be compared to the original value of the VNOP Units issued to the undersigned in the Merger (based on an assumed price of $41.00 per VNOP Unit)). In determining whether a Transfer described in this paragraph (ii) has occurred, the two provisos in Section 2(a)(iii) of the Lock-up Agreement and the provisions of Sections 2(b), (c), (d), and (e) of the Lock-up Agreement shall be applied. Except as otherwise indicated, capitalized terms used in this subparagraph (ii) that are not otherwise defined in this Agreement shall have the meanings ascribed to them in the Lock-Up Agreement.

If Vornado OP believes an SCR Unitholder or, if applicable, a Permitted Transferee of such SCR Unitholder has made a Transfer (as defined in the Lock-up Agreement) in violation of the applicable Lock-Up Agreement that has resulted in a termination of the Extended Tax Protected Period under clause (i) or (ii), Vornado will notify such SCR Unitholder of such determination and the SCR Unitholder shall have the opportunity to contest such determination (and no Extended Tax Protected Period shall terminate as a result thereof unless and until such contest is resolved and such resolution results in a determination that a Transfer (as defined in the Lock-up Agreement) in violation of the applicable Lock-Up Agreement in fact occurred. Vornado shall promptly provide all SCR Unitholders who have the benefit of an Extended Tax Protected Period notice in the event of a termination of the Extended Tax Protected Period under clause (ii).

ARTICLE 13
MISCELLANEOUS

(a) Additional Actions and Documents. Each of the parties hereto hereby agrees to take or cause to be taken such further actions, to execute, deliver, and file or cause to be executed, delivered and filed such further documents, and will obtain such

consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

(b) Assignment. No party hereto shall assign its or his rights or obligations under this Agreement, in whole or in part, except by operation of law, without the prior written consent of the other parties hereto, and any such assignment contrary to the terms hereof shall be null and void and of no force and effect.

(c) Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Protected Unitholders (through SCR GP, as representative of the SCR Unitholders) and their respective successors and permitted assigns, whether so expressed or not. This Agreement shall be binding upon Vornado REIT, Vornado OP, and any entity that is a direct or indirect successor, whether by merger, transfer, spin-off or otherwise, to all or substantially all of the assets of either Vornado REIT or Vornado OP (or any prior successor thereto as set forth in the preceding portion of this sentence), provided that none of the foregoing shall result in the release of liability of Vornado REIT and Vornado OP hereunder. Vornado REIT and Vornado OP covenant with and for the benefit of the SCR Unitholders not to undertake any transfer of all or substantially all of the assets of either entity (whether by merger, transfer, spin-off or otherwise) unless the transferee has in writing acknowledged and agreed to be bound by this Agreement, provided that the foregoing shall not be deemed to permit any transaction otherwise prohibited by this Agreement.

(d) Modification; Waiver. No failure or delay on the part of any party hereto in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and not exclusive of any rights or remedies which they would otherwise have. No modification or waiver of any provision of this Agreement, nor consent to any departure by any party therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(e) Representations and Warranties Regarding Authority; Noncontravention.

(i) Representations and Warranties of Vornado REIT and Vornado OP. Each of Vornado REIT and Vornado OP has the requisite corporate or other (as the case may be) power and authority to enter into this Agreement and to perform is respective obligations hereunder. The execution and delivery of this Agreement by each of Vornado REIT and Vornado OP and the performance of each of its respective obligations hereunder have been duly authorized by all necessary trust, partnership, or other (as the case may be) action on the part of each of Vornado REIT and Vornado OP. This Agreement has been duly executed and delivered by each of Vornado REIT and Vornado OP and constitutes a valid and binding obligation of each of Vornado REIT and Vornado OP, enforceable against each of Vornado REIT and Vornado OP in accordance with its terms, notwithstanding Sections

7.1.E, 7.8.B, 10.1, 10.2, and 10.3 of the Partnership Agreement, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. The execution and delivery of this Agreement by each of Vornado REIT and Vornado OP do not, and the performance by each of its respective obligations hereunder will not, conflict with, or result in any violation of (i) the Vornado OP Partnership Agreement or (ii) any other agreement applicable to Vornado REIT and/or Vornado OP, other than, in the case of clause (ii), any such conflicts or violations that would not materially adversely affect the performance by Vornado OP and Vornado REIT of their obligations hereunder.

(ii) Representations and Warranties of SCR and SCR GP. Each of SCR and SCR GP has the requisite corporate or other (as the case may be) power and authority to enter into this Agreement and to perform is respective obligations hereunder. The execution and delivery of this Agreement by each of SCR and SCR GP and the performance of each of its respective obligations hereunder have been duly authorized by all necessary trust, partnership, or other (as the case may be) action on the part of each of SCR and SCR GP. This Agreement has been duly executed and delivered by each of SCR and SCR GP and constitutes a valid and binding obligation of each of SCR and SCR GP, enforceable against each of SCR and SCR GP in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. The execution and delivery of this Agreement by each of SCR and SCR GP do not, and the performance by each of its respective obligations hereunder will not, conflict with, or result in any violation of (i) the SCR Partnership Agreement or (ii) any other agreement applicable to SCR and SCR GP, other than, in the case of clause (ii), any such conflicts or violations that would not materially adversely affect the performance by SCR and SCR GP of their obligations hereunder.

(f) Captions. The Article and Section headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

(g) Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered, mailed or transmitted, and shall be effective upon receipt, if delivered personally, mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like changes of address) or sent by electronic transmission to the telecopier number specified below:

(i) if to SCR GP, as representative of the SCR Unitholders, to:

Charles E. Smith Commercial Realty, LLC
2345 Crystal Drive
Crystal City
Arlington, Virginia 22202
Attention: Robert H. Smith
Robert P. Kogod
Robert D. Zimet
Facsimile: (703) 769-1305

(ii) if to Vornado OP or Vornado REIT, to:

Vornado Realty Trust
Vornado Realty L.P.
888 Seventh Avenue, 44th Floor
New York, New York 10019
Attention: Steven Roth
Michael D. Fascitelli
Facsimile: (212) 894-7000

and

Vornado Realty Trust
Vornado Realty L.P.
210 Route 4 East
Paramus, New Jersey 07652
Attention: Joseph Macnow
Facsimile: (201) 587-1000

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be hand delivered, sent, mailed, telecopied or telexed in the manner described above, or which shall be delivered to a telegraph company, shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, or (with respect to a telecopy or telex) the answerback being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

(h) Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

(i) Governing Law. The interpretation and construction of this Agreement, and all matters relating thereto, shall be governed by the laws of the State of Delaware, without regard to the choice of law provisions thereof.

(j) Consent to Jurisdiction; Enforceability.

(i) This Agreement and the duties and obligations of the parties hereunder shall be enforceable against any of the parties in the courts of the State of Delaware. For such purpose, each party hereto hereby irrevocably submits to the nonexclusive jurisdiction of such courts and agrees that all claims in respect of this Agreement may be heard and determined in any of such courts.

(ii) Each party hereto hereby irrevocably agrees that a final judgment of any of the courts specified above in any action or proceeding relating to this Agreement shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(k) Severability. If any part of any provision of this Agreement shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Agreement.

(l) Costs of Disputes. Except as otherwise expressly set forth in this Agreement, the nonprevailing party in any dispute arising hereunder shall bear and pay the costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by the prevailing party or parties in connection with resolving such dispute.

IN WITNESS WHEREOF, Vornado REIT, Vornado OP, SCR and SCR GP have caused this Agreement to be signed by their respective officers (or general partners) thereunto duly authorized all as of the date first written above.

VORNADO REALTY TRUST

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow

Title: Executive Vice President - Finance and Administration and Chief Executive Officer

VORNADO REALTY L.P.

By: Vornado Realty Trust, its sole general partner

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow

Title: Executive Vice President - Finance and Administration and Chief Executive Officer

CHARLES E. SMITH COMMERCIAL REALTY L.P.

By: Charles E. Smith Realty, L.L.C., its sole general partner

By: /s/ PAUL F. LARNER

Name: Paul F. Larner

Title: Chief Financial Officer

CHARLES E. SMITH REALTY, L.L.C., for itself and as representative of each holder of partnership interests in Charles E. Smith Commercial Realty L.P. (other than Vornado CESCR LLC and Vornado CESCR II LLC), each of which holder is a third party beneficiary of this Agreement

By: /s/ PAUL F. LARNER

Name: Paul F. Larner

Title: Chief Financial Officer

Exhibit 23.1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in Exhibit 99.1 of this Form 8-K/A, into Vornado Realty Trust's previously filed Registration Statements File Nos. 333-36080, 333-64015, 333-50095, 333-52573, 333-29011, 333-09159, 333-76327, 333-89667, 333-81497, 333-40787, 333-29013 and 333-68462.

ARTHUR ANDERSEN LLP

Vienna, Virginia
March 15, 2002

CHARLES E. SMITH COMMERCIAL REALTY L.P.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2001
TOGETHER WITH AUDITORS' REPORT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Unitholders of
Charles E. Smith Commercial Realty L.P.:

We have audited the accompanying consolidated balance sheet of Charles E. Smith Commercial Realty L.P. and its subsidiaries (the "Operating Partnership", a Delaware limited partnership) as of December 31, 2001 and the related consolidated statement of income, changes in partners' deficit and comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charles E. Smith Commercial Realty L.P. and its subsidiaries as of December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Vienna, Virginia
February 22, 2002

CHARLES E. SMITH COMMERCIAL REALTY L.P.
Consolidated Balance Sheet
As of December 31, 2001
(Dollars in Thousands)

ASSETS	
Rental property, net of accumulated depreciation	$ 1,193,397
Escrows and tenants' security deposits - restricted	31,828
Tenant and other receivables, net of allowance for doubtful accounts of $1,091	20,664
Accrued rental income	24,133
Deferred charges, net of accumulated amortization	21,917
Investment in joint venture	8,424
Other assets	7,934
Total assets	$ 1,308,297
LIABILITIES AND PARTNERS' DEFICIT	
Liabilities:	
Mortgage notes payable	$ 1,470,057
Line of credit	33,000
Accounts payable and accrued expenses	34,564
Accounts payable - related parties	1,469
Rents received in advance	6,703
Tenants' security deposits	3,919
Other liabilities	7,174
Total liabilities	1,556,886
Commitments and contingencies	
Convertible, redeemable Class C unitholders (2.5 million units authorized, issued, and outstanding, $24 per unit carrying and redemption amount)	59,164
Partners' deficit:	
Cumulative, convertible, preferred Class D unitholders (7.7 million units authorized, issued, and outstanding)	241,900
Class A unitholders (19.7 million units authorized, issued, and outstanding)	(619,015)
Accumulated earnings	69,998
Accumulated comprehensive loss	(636)
Total partners' deficit	(307,753)
Total liabilities and partners' deficit	$1,308,297

The accompanying notes are an integral part of this consolidated statement.

CHARLES E. SMITH COMMERCIAL REALTY L.P.
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001
(DOLLARS IN THOUSANDS)

Revenues	
Property rentals	$ 354,818
Expense reimbursements	9,890
Property management and leasing	17,794
Total revenues	382,502
EXPENSES	
Operating	86,699
Real estate taxes	25,565
Ground rent	1,223
Depreciation and amortization	53,936
General and administrative	19,737
Other	1,822
Total operating expenses	188,982
Operating income	193,520
Income from unconsolidated joint venture	371
Interest income	1,604
Interest expense	(112,695)
Net income before extraordinary item	82,800
Extraordinary loss on early extinguishment of debt	(87)
Net income	82,713
Class D preferred unit distributions	(15,080)
Net income applicable to Class A and Class C unitholders	$ 67,633

The accompanying notes are an integral part of this consolidated statement.

CHARLES E. SMITH COMMERCIAL REALTY L.P.
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' DEFICIT AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001
(DOLLARS IN THOUSANDS)

	CLASS A UNITHOLDERS	PREFERRED CLASS D UNITHOLDERS	ACCUMULATED EARNINGS	ACCUMULATED COMPREHENSIVE LOSS	PARTNERS' DEFICIT	COMPREHENSIVE INCOME
BALANCE, December 31, 2000	$ (616,115)	$ 241,900	$ 55,266	$ -	$ (318,949)	
Amortization of unit grants	490	-	-	-	490	
Contributions	216	-	-	-	216	
Distributions	-	-	(67,981)	-	(67,981)	
Repurchase of partnership units	(3,460)	-	-	-	(3,460)	
Other	(146)	-	-	-	(146)	
Net income	-	-	82,713	-	82,713	82,713
Unrealized loss on marketable securities	-	-	-	-	-	(2)
Change in fair value of the swap agreements	-	-	-	-	-	(634)
Other comprehensive loss	-	-	-	(636)	(636)	(636)
Comprehensive Income						$ 82,077
BALANCE, December 31, 2001	$ (619,015)	$ 241,900	$ 69,998	$ (636)	$ (307,753)	

The accompanying notes are an integral part of this consolidated statement.

CHARLES E. SMITH COMMERCIAL REALTY L.P.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001
(DOLLARS IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 82,713
Adjustments to reconcile net income to net cash provided by operating activities-	
Depreciation and amortization	53,936
Amortization of deferred financing charges	2,444
Amortization of unit grants	490
Provision for loss on marketable securities	1,423
Extraordinary item	87
Income from unconsolidated joint venture	(371)
Loss on asset disposals	73
Lease acquisition costs	(4,039)
Decrease in accrued rental income	160
Decrease in tenant and other receivables	4,781
Increase in other assets	(1,921)
Increase in rents received in advance	1,206
Increase in accounts payable and accrued expenses	5,092
Increase in tenants' security deposits	246
Decrease accounts payable - related parties	(486)
Decrease in other liabilities	(375)
Net cash provided by operating activities	145,459
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to rental property	(93,040)
Decrease in escrows and tenants' security deposits	5,500
Distributions from joint venture	694
Net cash used in investing activities	(86,846)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of mortgages payable	(76,935)
Proceeds from mortgages payable	88,762
Paydown of line of credit	(70,500)
Borrowings on line of credit	69,500
Merger costs	(3,519)
Payment of financing fees	(551)
Repurchase of partnership units	(3,460)
Contributions	216
Distributions to partners	(67,981)
Net cash used in financing activities	(64,468)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,855)
CASH AND CASH EQUIVALENTS, beginning of year	5,855
CASH AND CASH EQUIVALENTS, end of year	$ -

The accompanying notes are an integral part of this consolidated statement.

CHARLES E. SMITH COMMERCIAL REALTY L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2001

1. ORGANIZATION AND FORMATION OF OPERATING PARTNERSHIP:

Charles E. Smith Commercial Realty L.P. (the "Operating Partnership"), was formed on July 25, 1997, as a Delaware limited partnership. On October 31, 1997, the Operating Partnership completed its initial consolidation of certain property partnerships and property service companies (the "CES Group"); prior to October 31, 1997, the Operating Partnership had no operations. Simultaneously, the entities that owned the properties and the property service companies included in the CES Group (the "Predecessor Partners") contributed the properties and service businesses to the Operating Partnership (or to entities owned by the Operating Partnership) and received in exchange, directly or indirectly, limited partnership units in the Operating Partnership. In addition, Vornado Realty Trust (Vornado Realty Trust and its consolidated subsidiaries including Vornado Realty L.P. are herein after referred to as "VRLP") contributed $60 million on October 31, 1997 in return for 2.5 million convertible redeemable Class C units. As a result of the initial 1997 consolidation, and subsequent consolidations of additional property partnerships, the Operating Partnership issued Operating Partnership units to the Predecessor Partners of the entities acquired. Because of prior common ownership and management, contributed assets and liabilities were recorded at their historical net book value, which also resulted in the transfer of approximately $605.4 million of net carry-over equity deficits to the Operating Partnership.

On March 3, 1999, VRLP contributed to the Operating Partnership the land previously subject to certain ground leases under: (1) eight properties, containing approximately 2.5 million square feet, that were subject to ground leases requiring minimum rental plus 50% of net cash flows, and (2) seven properties, containing approximately 1.2 million square feet, that were subject to a ground lease requiring minimum rental and 5.1% of net cash flow. VRLP also contributed a 50% ownership in five properties (the "Crystal Parks") and the ground leases for the land underneath the Crystal Parks. In return for these contributions, the VRLP received approximately 7.7 million cumulative, convertible, preferred Class D limited partnership units for estimated consideration of approximately $242 million. As a result of this transaction (the "March 1999 Transaction"), VRLP increased its effective ownership in the Operating Partnership from approximately 11% at December 31, 1998, to approximately 34%, and the size of the Board of Managers of the general partner of the Operating Partnership was increased from two to three managers, with VRLP appointing the additional new manager. The March 1999 Transaction has been accounted for as a purchase and the $242 million purchase price has been allocated to the land acquired.

As of December 31, 2001, the Operating Partnership had approximately 19.7 million Class A units, 2.5 million Class C units, and approximately 7.7 million Class D units outstanding.

MERGER

On January 1, 2002, VRLP purchased the remaining 66% of the Operating Partnership units that it did not previously own. VRLP exchanged 0.7898 of a Class A unit of VRLP for each Class A unit of the Operating Partnership. The consideration paid for the remaining 66% of the Operating Partnership was approximately $1.6 billion. This consisted of 15.6 million newly issued VRLP units, valued at $608 million, and $985 million of debt. Approximately 609,000 Class A units of VRLP issued in the merger, will be held in escrow, subject to certain indemnification provisions. This transaction will be accounted

for as a purchase. In addition, the Operating Partnership incurred approximately $3.5 million of merger costs for which VRLP is contractually obligated to reimburse the Operating Partnership. These costs have been included in other assets on the accompanying consolidated balance sheet.

CURRENT OPERATIONS

The Operating Partnership and its subsidiaries are engaged in the ownership, operation, management, leasing, acquisition, expansion, and development of primarily commercial office building properties. As of December 31, 2001, the Operating Partnership owned, either through wholly-owned subsidiaries or through its non-controlling general partner interest in a joint venture, fifty-four office properties (the "Properties") containing approximately 13.0 million square feet of office space including approximately 297,000 square feet of retail space as follows: (1) a 100% fee interest in twenty-five properties containing approximately 7.0 million square feet located in Crystal City, VA; (2) a 100% fee interest in one property containing approximately 174,000 square feet located in Arlington County, VA; (3) a 100% fee interest in eight properties containing approximately 2.5 million square feet located in Bailey's Crossroads, VA; (4) a 100% fee interest in four properties containing approximately 868,000 square feet located in Washington, D.C.; (5) a 100% fee interest in three properties containing approximately 474,000 square feet located in Tyson's Corner, VA; (6) a 100% fee interest in six properties containing approximately 899,000 square feet located in Reston, VA; (7) a 100% interest in one property containing approximately 204,000 square feet, which is subject to a ground lease with a third party, located in Bethesda, MD; (8) a 100% interest in two properties containing approximately 609,000 square feet, which are subject to ground leases with a third party, located in Clarendon, VA; (9) a 100% interest in one property containing approximately 190,000 square feet, which is subject to a ground lease with a third party, located in Washington, D.C, and (10) a 20% non-controlling general partner interest in a partnership owning three properties containing approximately 541,000 square feet in Tyson's Corners, VA (the "Joint Venture"). The Operating Partnership also owns a 100% ownership interest in a commercial management company that provides leasing and management services to the Properties and to third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying consolidated balance sheet as of December 31, 2001, and the consolidated statement of income, partners' deficit and comprehensive income, and cash flows for the year then ended, include all of the accounts of the Operating Partnership and its majority owned subsidiaries where the Operating Partnership exercises control. All significant intercompany balances and transactions have been eliminated.

RENTAL PROPERTY

With the exception of the Joint Venture, the assets acquired in the March 1999 Transaction, the nine properties acquired in 2000, and a wholly-owned property containing approximately 400,000 square feet which was completed in September 2001, which are recorded at their actual cost, rental property is recorded at carry over basis and therefore is at the Predecessor Partners' historical cost net of accumulated depreciation at the time of contribution. The cost of buildings and improvements excludes financing costs, interest costs, and real estate taxes incurred during the original construction period except for properties constructed subsequent to December 15, 1979, and December 31, 1982, the dates for which Statement of Financial Accounting Standards ("SFAS") No. 34, Capitalization of Interest Cost

and No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, respectively, became effective. Ordinary repairs and maintenance are expensed as incurred; major replacements and improvements are capitalized.

Depreciation is computed using the straight-line method over the following estimated useful asset lives:

Buildings and improvements	20 to 40 years
Furniture, fixtures, and equipment	5 to 10 years
Tenant improvements	Lesser of lease term or useful life

When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts, with the resulting gains or losses reflected in net income for the period.

Impairment losses on long-lived assets used in operations are recorded when events and circumstances indicate that the assets might be impaired and the estimated undiscounted cash flows (before interest expense) to be generated by those assets are less than the carrying amount of those assets. Upon the determination that impairment has occurred, those assets will be reduced to fair value. No such impairment losses have been recognized during the year ended December 31, 2001.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statement of cash flows, cash and cash equivalents include amounts invested in overnight repurchase agreements backed by U. S. government obligations and other U.S. government obligation money funds, all with purchased maturities of three months or less.

ESCROWS AND TENANTS' SECURITY DEPOSITS

At December 31, 2001, escrows primarily include externally restricted funds established pursuant to agreements for tenants' security deposits and lender agreements requiring escrowed property taxes, insurance, and tenant and capital improvements.

DEFERRED CHARGES

Deferred charges consist primarily of deferred financing charges and lease acquisition costs. Fees incurred to obtain long-term financing have been deferred and are being amortized over the terms of the respective loans using the effective interest method. The amortization of deferred financing charges is included in interest expense in the accompanying consolidated statement of income. Costs incurred in the successful negotiation of leases, including brokerage, legal, and other costs, have been deferred and are amortized on a straight-line basis over the terms of the respective leases.

INVESTMENT IN JOINT VENTURE

In July 1999, a wholly-owned subsidiary of the Operating Partnership contributed approximately $8.9 million to acquire a twenty percent non-controlling general partner interest in the Joint Venture. The Joint Venture owns and operates three properties containing approximately 401,000 square feet of office and 140,000 square feet of retail space. Additionally, the Operating Partnership provides property management and leasing services to the Joint Venture. The Operating Partnership accounts for this investment under the equity method. This investment was recorded initially at cost and is adjusted by the Operating Partnership's share of subsequent income (loss) and cash contributions and distributions.

REVENUE RECOGNITION

Minimum rental income is recognized on a straight-line basis over the term of the lease, regardless of when payments are due. Accrued rental income on the accompanying consolidated balance sheet represents the cumulative minimum rental income recognized in excess of rental payments currently due. Rent currently due in excess of minimum rental income recognized was approximately $160,000 for the year ended December 31, 2001. Additionally, certain of the lease agreements contain provisions that provide for contingent rentals based on reimbursement of the tenants' share of real estate taxes and increases in operating expenses in excess of specified amounts. Contingent rentals are recognized as they are earned.

Property management and leasing fees are generally based on a percentage of gross monthly revenue of managed properties and are recognized as revenue as they are earned. Leasing commissions and facilities management fees are recognized as revenue as they are earned.

INCOME TAXES

The accompanying consolidated financial statements do not contain any provision for federal income taxes. All federal income tax liabilities and/or tax benefits are passed through to the partners in accordance with the Operating Partnership agreement and the Internal Revenue Code.

The Operating Partnership calculates its provision for District of Columbia franchise taxes in accordance with SFAS No.109, Accounting for Income Taxes. As of December 31, 2001, the Operating Partnership had deferred tax assets of approximately $1.3 million, which are included as a component of other assets on the accompanying consolidated balance sheet. The deferred tax assets are primarily a result of temporary differences in the timing of the recognition of depreciation expense and rental revenue for financial reporting purposes and tax purposes. The Operating Partnership expects to realize the deferred tax assets over the time periods in which the related temporary differences reverse.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations (effective July 1, 2001) and SFAS No. 142, Goodwill and Other Intangible Assets (effective January 1, 2002). SFAS No. 141 prohibits pooling-of-interests accounting for acquisitions. SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, Accounting for Asset Retirement Obligations, which is effective for the Operating Partnership in the first quarter of 2003. SFAS No. 143 requires an entity to recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes SFAS No. 121, Accounting for

the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 is effective for the Operating Partnership in first quarter of 2002. The Operating Partnership does not believe that any of these standards will materially impact its financial statements.

During 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which is effective for the years beginning after June 15, 2000 as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133- an Amendment of FASB Statement No. 133. The Operating Partnership adopted SFAS No. 133 in the first quarter of 2001.

The Operating Partnership has identified two financial instruments which qualify as derivative instruments in accordance with SFAS No. 133. The Operating Partnership's investment securities include stock purchase warrants received from companies that provide fiber-optic network and broadband access to the Operating Partnership's office tenants. Statement No. 133 requires these warrants to be marked to fair value at the end of each reporting period with the change in value recognized currently in earnings. For the year ended December 31, 2001, the Operating Partnership recorded a $1.4 million loss in other expense on the consolidated statement of income related to these warrants. Additionally, during 2001, the Operating Partnership entered into an interest rate swap to convert the interest rate on $50 million of variable rate debt to a fixed rate (the "Hedge"). The Hedge is effective for the period January 2, 2002 through July 2, 2002. Fixing the rate on this debt with an interest rate swap is consistent with the Operating Partnership's strategy of minimizing interest rate risk. The swap was designed to mirror the underlying variable rate debt in terms of index, reset, and amortization. Due to the nature of the terms of the swap and the underlying debt, the Operating Partnership determined that the derivative instrument is highly effective. Consequently, the unrealized loss of $634,000 is included as a component of other comprehensive income on the accompanying consolidated statement of changes in partners' deficit and comprehensive income in accordance with SFAS No. 133.

3. RENTAL PROPERTY:

Rental property as of December 31, 2001, consists of the following (in thousands):

	DECEMBER 31, 2001
Land	$ 318,320
Buildings, improvements and tenant improvements	1,357,595
Construction in process	21,202
Subtotal	1,697,117
Less- Accumulated depreciation	(503,720)
Total	$1,193,397

Depreciation expense related to rental property was approximately $51.3 million for the year ended December 31, 2001. Repairs and maintenance expense of the Operating Partnership was approximately $14.8 million for the year ended December 31, 2001.

4. DEFERRED CHARGES:

Deferred charges as of December 31, 2001, consist of the following (in thousands):

	DECEMBER 31, 2001
Lease acquisition costs	$ 39,286
Deferred financing charges	19,702
Subtotal	58,988
Less- Accumulated amortization	(37,071)
Total	$ 21,917

Amortization expense of lease acquisition costs was approximately $2.6 million for the year ended December 31, 2001. Amortization expense of deferred financing charges was approximately $2.4 million for the year ended December 31, 2001, and is included in interest expense on the accompanying consolidated statement of income.

5. LEASING ACTIVITIES:

Future minimum lease payments to be received under noncancellable operating leases at December 31, 2001, expiring on various dates through December 2025 are as follows (in thousands):

YEAR ENDING DECEMBER 31,	AMOUNT
2002	$ 324,543
2003	272,711
2004	206,959
2005	139,023
2006	96,345
Thereafter	354,457
	$ 1,394,038

As of December 31, 2001, one major tenant, the General Services Administration ("GSA"), occupied approximately 43 percent of the Operating Partnership's total square feet. Included within the GSA amounts is the United States Patent and Trademark Office ("PTO"), which occupies approximately 15 percent of the Operating Partnership's total square feet in 17 of the Properties. The majority of the PTO space is under leases that expire between 2003 and 2006.

GSA has conducted a competition for the consolidation of the PTO in up to eight buildings in Northern Virginia pursuant to a new twenty-year lease. The Operating Partnership was one of three finalists for this long-term housing solution for the PTO. On June 1, 2000, GSA awarded a lease to the offeror of a

site in Alexandria, Virginia, and not the Operating Partnership. The June 1, 2000 lease for the Alexandria site was modified pursuant to an amended and restated lease dated December 19, 2001. Pursuant to the new lease, PTO is expected to occupy the new site beginning in late 2003 and continuing through May 2005.

The Operating Partnership and certain of the individual ownership entities have filed suit in the United States Court of Federal Claims seeking a permanent injunction to bar the implementation of the amended and restated lease dated December 19, 2001. The Operating Partnership is contending that the government violated federal procurement laws by making post-award modifications to the original June 1, 2000 lease that materially altered the fundamental nature of the transaction solely for the benefit of one bidder. A hearing in the case is scheduled for March 2002.

6. MORTGAGE NOTES PAYABLE:

The Operating Partnership has mortgage loans as follows as of December 31, 2001 (in thousands):

PROPERTY	BALANCE	INTEREST RATE	MATURITY
FIXED RATE DEBT			
CESC 1750 Pennsylvania Avenue L.L.C.	$34,458	10.21%	05/15/02
CESC Plaza L.P. & CESC Plaza Five L.P.	71,849	6.70%	10/01/04
CESC One Democracy Plaza L.P.	27,383	8.77%	02/01/05
CESC Reston Executive Center L.L.C.	72,500	7.83%	01/01/06
Fifth Crystal Park Associates L.P., Tranche A	40,500	6.80%	07/01/06
Fifth Crystal Park Associates L.P., Tranche B	3,774	8.39%	07/01/06
CESC One Skyline Place, L.L.C., Tranche A	14,163	8.30%	08/01/06
CESC One Skyline Place, L.L.C, Tranche B	9,975	6.93%	08/01/06
CESC Two Skyline Place, L.L.C.	14,163	8.30%	08/01/06
Second Crystal Park Associates L.P.	52,229	7.05%	08/01/07
CESC Six Skyline Place, L.L.C.	34,685	8.05%	11/01/07
CESC Two Courthouse Plaza L.P.	33,947	7.19%	01/01/08
CESC Square Four L.L.C.	49,586	8.07%	10/01/10
CESC Mall L.L.C.	61,148	9.89%	12/15/11
CESC Gateway Two L.P.	36,787	7.03%	08/01/13
Third Crystal Park Associates, L.P.	61,601	7.03%	08/01/13
CESC Square L.L.C.	92,867	7.81%	11/01/14
CESC Gateway/Square L.L.C.	117,110	7.94%	10/01/24
CESC Crystal/Rosslyn L.L.C.	73,371	6.90%	11/11/27
CESC One Courthouse Plaza L.L.C.	46,760	7.19%	01/01/28
CESC Four and Five Skyline Place L.L.C.	48,349	6.86%	01/01/28
CESC One Skyline Tower L.L.C.	66,602	7.05%	06/11/28
CESC Three Skyline Place L.L.C.	17,806	7.05%	06/11/28
Fourth Crystal Park Associates L.P.	64,703	6.51%	09/01/28
First Crystal Park Associates L.P.	54,959	8.11%	10/01/29

CESC 1101, 1730, 1140, & 1150 Streets, L.L.C.	93,729	7.99%	08/01/30
VARIABLE RATE DEBT			
CESC Seventh Skyline Place L.L.C. construction loan	51,030	5.69%	04/14/02
CESC Tyson's Dulles Plaza, L.L.C.	70,000	6.78%	06/30/03
CESC Commerce Executive Park, L.L.C.	54,033	7.55%	07/31/03
	$ 1,470,057		

On July 5, 2001, the Operating Partnership completed a $52.5 million refinancing of Second Crystal Park Associates L.P.'s mortgage loan. The new loan bears interest at a fixed rate of 7.05% and matures on August 1, 2007. All of the proceeds from the new loan plus approximately $7.2 million in cash were used to repay the existing mortgage loan of approximately $59.7 million. An extraordinary loss of $87,000 was recognized on the early extinguishment of debt.

During 2001, the Operating Partnership borrowed an additional $10 million on its CESC One Skyline Place, L.L.C. mortgage. The new tranche expires on August 1, 2006, and has an interest rate of 6.93%.

Borrowings on the construction loan bear interest at a rate which is the higher of the Prime Rate on the day of the draw or the Federal Funds Rate on that day plus 50 basis points, or at a rate of the London Interbank Offer Rate ("LIBOR") plus 135 basis points. The construction loan was obtained to finance the development of an approximately 400,000 square foot office building on a property located in Bailey's Crossroads, VA. Construction was completed on this building in September 2001. The construction loan is collateralized by the land and improvements and is partially guaranteed by the Operating Partnership. In February of 2002, the Operating Partnership exercised its option to extend the maturity on this loan from April of 2002 to October 2002. An extension fee of approximately $66,000 was paid in 2002 related to this extension.

As of December 31, 2001, mortgage notes payable consists of 27 loans collateralized by the land owned by the Operating Partnership, the land owned by the ground lessors, and substantially all of the buildings and improvements. The mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates through August 1, 2030. The CESC Tyson's Dulles Plaza, L.L.C. mortgage note has a variable rate of 150 basis points over LIBOR. The CESC Commerce Executive Park, L.L.C. mortgage note has a variable rate of 130 basis points over LIBOR. The loan is currently segregated into 2 tranches.

The scheduled principal payments of mortgage notes payable at December 31, 2001, are as follows (in thousands):

YEAR ENDING DECEMBER 31,	AMOUNT
2002	$ 104,463
2003	142,743
2004	88,941
2005	47,941
2006	167,744
Thereafter	918,225
	$ 1,470,057

Certain mortgage notes payable are subject to prepayment penalties or defeasance, typically calculated based on yield maintenance, in the event of an early principal repayment.

In connection with certain loans, lenders have required certain of the entities to establish escrows for real estate taxes, insurance, capital and tenant improvements, leasing costs, and capital reserves. The escrows are held by the lenders in money market accounts and had an aggregate carrying value at December 31, 2001 of approximately $31.1 million.

At December 31, 2001, the management of the Operating Partnership believes it was in compliance with all loan covenants on its outstanding mortgages.

7. LINE OF CREDIT:

On October 26, 2000, the Operating Partnership obtained a $200 million revolving line of credit (the "Line") of which $33 million was outstanding as of December 31, 2001. The Line expires on October 26, 2003. The Operating Partnership has two one-year options to extend the expiration date of the Line. Borrowings under the Line bear interest at a base rate (the greater of the Federal Funds Rate plus 50 basis points or the lender's Prime Rate) plus a range of 50 to 125 basis points depending on the leverage ratio of the Operating Partnership, or a rate of LIBOR plus a range of 225 to 300 basis points depending on the leverage ratio of the Operating Partnership. The Operating Partnership pays an annual fee ranging from 15 to 25 basis points of the unused portion of the Line depending on the leverage ratio of the Operating Partnership. The Line contains certain financial covenants, including maintenance of minimum net worth and debt service coverage ratios, maximum leverage ratio, and minimum cash reserves.

The merger of the Operating Partnership with VRLP on January 1, 2002 triggered the Operating Partnership's non-compliance with certain terms and conditions of the Line. The merger-related defaults were waived by the lenders for 90 days until March 31, 2002. The Operating Partnership plans to terminate the Line effective March 5, 2002. On January 4, 2002, the outstanding balance of $33 million on the Line was repaid by VRLP.

8. RELATED-PARTY TRANSACTIONS:

Commercial management and leasing fee revenues from entities in which certain partners of the Operating Partnership exercise control amounted to approximately $3.2 million for the year ended December 31, 2001.

In 1994, Charles E. Smith Management, Inc. ("CESMI"), and Facilities Management Corporation ("FMC"), the predecessor entities to Charles E. Smith Real Estate Services L.P. ("CESRES"), a wholly-owned subsidiary of the Operating Partnership, entered into a cost-sharing agreement with Charles E. Smith Residential Realty, Inc. ("SRW"), a related entity, under which CESRES is required to reimburse SRW for legal, systems, human resources, payroll, accounts payable, and other administrative functions. The agreement was for one year and automatically renews on an annual basis until such time as either party gives notice of nonrenewal. CESRES is allocated expenses based on formulas determined by the Operating Partnership's and SRW's management. Human resources, payroll department expenses, and office support are allocated primarily based on employee head count. Legal and systems costs were allocated based on actual usage. Accounts payable department costs are allocated based on the estimated nonpayroll expenditures. Included in expenses for the Operating Partnership were allocated expenses of approximately $2.7 million for the year ended December 31, 2001. Although these agreements were not negotiated at arms length, the Operating Partnership believes, based upon comparable fees charged by other service providers, that their terms are fair to the Operating Partnership.

On October 31, 2001, SRW merged with Archstone Communities Trust to form Archstone-Smith Operating Trust ("ASN"). As a result of this transaction, the Operating Partnership is currently establishing internal personnel and resources to perform the functions previously provided by SRW and currently by ASN, together SRW/ASN, including: legal, systems, human resources, payroll, accounts payable, and other administrative services. This transition is expected to be completed by the second quarter of 2002. The cost sharing agreement will then be limited to office services, certain executive office expenses, as well as shared conference, lunch, and training rooms.

- Substantially all of the Properties' tenant construction management services, engineering, repair, and maintenance services and insurance placement services are provided by operating subsidiaries of SRW/ASN. Certain partners of the Operating Partnership are also officers, directors, and shareholders of SRW/ASN. These agreements expire in 2005. Fees for these services are computed as follows:

  - Tenant Construction Management - The Properties pay SRW/ASN fees equal to 15% of the total cost of a project for construction management services related to tenant renovations and certain building improvements and repairs.

  - Engineering, Repair, and Maintenance - The Properties pay SRW/ASN fees for engineering, repair, and maintenance services based on time incurred and in lieu of engineering and maintenance wages and benefits to employees and payments to third-party contractors. Such amounts are based on costs incurred by SRW/ASN, including an overhead charge.

  - Insurance - The Properties pay SRW/ASN fees for insurance placement services based on a percentage of the insurance premiums.

Total payments to SRW/ASN for the year ended December 31, 2001, were as follows (in thousands):

	YEAR ENDED DECEMBER 31, 2001
Tenant construction management	$ 14,470
Engineering, repair and maintenance	18,515
Insurance	1,119
Total	$ 34,104

- For the year ended December 31, 2001, the Properties incurred environmental services fees of approximately $1.4 million to Environmental Control Associates ("ECA"), a joint venture in which the Operating Partnership has a 74.61% interest. ECA owns and operates a central environmental control system that controls various energy-consuming devices, equipment, and machinery located in buildings purchasing its services. A subsidiary of SRW/ASN manages ECA for a fee, which was approximately $211,000 for the year ended December 31, 2001.

- One of the Properties leases approximately 85,000 square feet of office space to SRW/ASN under noncancellable operating lease agreements. These lease agreements expire on April 2004. The lease contains certain provisions for escalations in the event of increased real estate taxes and operating expenses. SRW/ASN is allocated its portion of certain rents for space shared with affiliated entities. Rent is allocated ratably based on the amount of square footage occupied by each entity. For the year ended December 31, 2001, revenues under these leases were approximately $3.1 million. The lease agreement between the Operating Partnership and ASN is currently under negotiation. It is anticipated that a new lease agreement will be in place by the beginning of the second quarter of 2002.

- In August 1999 and December 1999, the Operating Partnership acquired a total of four development contracts (one third party development contract, one related party development contract, and two development contracts with Operating Partnership properties) from Charles E. Smith Construction, Inc. for approximately $1.3 million. The cost of approximately $600,000 for the two development contracts with properties not owned by the Operating Partnership is included as a component of other assets on the accompanying consolidated balance sheet and will be amortized on a straight-line basis over the terms of the respective development contracts. These development contract costs were fully amortized as of December 31, 2001. The cost of approximately $700,000 for the two development contracts with Operating Partnership properties is recorded as a component of rental property in the accompanying consolidated balance sheet.

- CESRES leases approximately 5,200 feet from a related party under an operating lease agreement on a month to month basis. The lease contains a provision for escalations in the event of increased real estate taxes and operating expenses. In addition CESRES is allocated its portion of certain rents for space shared with affiliated entities. Rent is allocated ratably based on the amount of square footage occupied by each entity. For the year ended December 31, 2001, rental payments under these leases approximated $246,000.

- During 1992, one of the Properties bought out the lease of Crystal Food Services of Virginia, Inc. ("CFS"), a related entity, as part of management's decision to increase the number of nationally known retail tenants. Under the terms of the buyout, the property is required to pay CFS 100% of the increased cash flow for ten years. For the year ended December 31, 2001, payments to this entity were approximately $91,000.

9. ACCUMULATED COMPREHENSIVE LOSS:

The Operating Partnership's accumulated comprehensive loss in 2001 consisted of $2,000 of unrealized loss on marketable securities and $634,000 for the change in fair value of the swap agreements.

10. COMMITMENTS AND CONTINGENCIES:

GROUND LEASES

Two of the Properties have ground leases that provide for an annual base rent of the greater of $50,000 or 50% of the properties' net cash flows after certain debt service and certain operating expenses; these ground leases expire in 2062.

One of the Properties has a ground lease with certain Class A unitholders of the Operating Partnership that provides for an annual rent based upon 6 percent of the appraised value of the land, adjusted every ten years, but in no event less than the prior period's rent. This ground lease is subordinate to the mortgage debt on the property and expires in 2061. The annual rent is $548,808 for the ten-year period ending April 30, 2002.

Another one of the Properties has a ground lease that expires in 2084 and provides for a fixed rent payment that increases 5.5 percent annually. The minimum ground rent expense for 2001 was $339,357.

At the expiration of the ground leases, the land and all of the improvements thereon will revert to the ground lessor. The future minimum annual rentals as of December 31, 2001, for the ground leases are as follows (in thousands):

YEAR ENDING DECEMBER 31,	AMOUNT
2002	$ 1,007
2003	1,027
2004	1,047
2005	1,069
2006	1,092
Thereafter	580,800
	$ 586,042

Ground rent expense for the year ended December 31, 2001 was approximately $1.2 million.

BENEFIT PLANS

Substantially all employees of the Operating Partnership are eligible to participate in the Charles E. Smith Companies Employees' Retirement Plan, a profit-sharing plan (the "Plan"). Contributions to the Plan consist of discretionary and matching contributions determined annually by the Board of Managers. For discretionary and matching contributions related to periods prior to December 31, 1999, and for matching contributions related to periods subsequent to December 31, 1999, vesting is based on years of continuous service. A participant is 100 percent vested in discretionary and matching contributions related to periods prior to December 31, 1999, and in matching contributions related to periods subsequent to December 31, 1999, plus earnings thereon after five years of service. Participants are immediately 100 percent vested in discretionary contributions plus earnings thereon related to periods subsequent to December 31, 1999. For the year ended December 31, 2001, contributions to the Plan included in operating expenses were approximately $564,000, of which approximately $447,000 was discretionary.

LITIGATION

CESRES and the Properties are defendants in a number of actions generally resulting from their roles as management agent or as property owners. These actions are generally insured cases and are being defended by the Operating Partnership's insurance carriers. In the opinion of management, based on the advice of legal counsel, the resolution of such litigation will not have an adverse effect on the financial position or results of operations.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS:

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure about the fair value for all financial instruments. The carrying values of escrows and tenants' security deposits, receivables, accounts payable and accrued expenses, and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments. Mortgage notes payable have an aggregate fair value of approximately $1.5 billion as of December 31, 2001, based on the remaining maturities of the debt and interest rates currently available to the Properties for debt with similar terms and remaining maturities.

12. INCENTIVE PLANS:

The Operating Partnership applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for the restricted unit plan. Had compensation cost for the Operating Partnership employee unit option plan been determined based on the fair value at the grant date consistent with the methodology prescribed under SFAS No. 123, Accounting for Stock-Based Compensation, the Operating Partnership's net income would have been reduced by approximately $2.0 million for the year ended December 31, 2001. The fair value of the options issued in 2001 is estimated at approximately $58,000. The following assumptions were used: dividend yield of 4.8%, volatility of 21.7%, average risk-free interest rate of 5.1%, and expected life of 10 years.

OPTION PLAN

The Operating Partnership maintains an employee stock and unit option plan (the "Option Plan") designed for executive officers and other key employees of the Operating Partnership. The Option Plan authorizes the issuance of up to approximately 1,836,000 Class A limited partnership units pursuant to options granted ("Unit Options").

Unit Options outstanding under the Option Plan are as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISEABLE
Unit Options outstanding, December 31, 2000	1,333,400	$29.85	430,844
Unit Options granted	10,000	34.00	
Unit Options exercised	(9,000)	24.00	
Unit Options cancelled	(84,982)	28.64	
Unit Options outstanding, December 31, 2001	1,249,418	$30.01	609,768

The exercise price of Unit Options granted under the Option Plan may not be less than the fair market value of the limited partnership units on the date of grant. Payments for units granted under the Option Plan must be made in cash. The weighted average remaining contractual life of Unit Options outstanding as of December 31, 2001 was 7.21 years.

Unit Options granted under the Option Plan have a maximum term of ten years and vest generally in three to five equal annual installments beginning on the first anniversary of the date of grant. Generally, Unit Options terminate three months after the optionee's termination of employment with the Operating Partnership. The Executive Compensation Committee of the Board of Managers may provide, however, that an Unit Option may be exercised over a longer period following termination of employment, but in no event beyond the expiration date of the Unit Option.

As a result of the merger with VRLP on January 1, 2002, 293,334 of the 478,418 outstanding $24 Unit Options were exchanged for cash by VRLP. The purchase price of each $24 Unit Option exchanged for cash was $8.38 per unit, which represents the difference between the stipulated value of $32.38 for a $24 Unit Option and its exercise price of $24. The remaining 205,084 $24 Unit Options were exchanged for fully vested VRLP stock options. The $24 Unit Options exchanged for VRLP stock options were converted at a ratio of 0.7898 VRLP stock option to 1 $24 Unit Option. Of the 751,000 $34 Unit Options, 31,000 were exchanged for cash at a rate of $3.50 multiplied by the number of exercisable Unit Options held by the optionee. The remaining $34 Unit Options were exchanged for fully vested VRLP stock options at a conversion ratio of 0.7898 VRLP stock option to 1 $34 Unit Option.

RESTRICTED UNIT PLAN

The Operating Partnership adopted a restricted unit plan (the Restricted Plan) for executive officers and other key employees of the Operating Partnership. This Restricted Plan was amended on January 21, 2001 to allow for the issuance of up to 250,000 Class A limited partnership units. Restricted units that have not vested at the time of an employee's termination of employment with the Operating Partnership will be forfeited except where such termination occurs by reason of death or disability. Any restricted units forfeited pursuant to the vesting provisions of the Restricted Plan will again be available for award under the Restricted Plan. As of December 31, 2001, 155,544 Class A limited partnership restricted units had been awarded to certain executive officers and key employees. These grants vest in two to four equal annual installments beginning on the first anniversary of the date of grant, subject to acceleration of vesting upon a change of control of the Operating Partnership. As of December 31, 2001, 50,186 Class A limited partnership restricted units are vested. During the year ended December 31, 2001, compensation expense related to the restricted unit grants was approximately $490,000 based on the estimated fair market value of the Operating Partnership units at the date of grant.

As a result of the merger with VRLP on January 1, 2002, all the restricted units became fully vested and were converted into VRLP unrestricted partnership units at a conversion ratio of 0.7898 VRLP unit to 1 Operating Partnership unit.

On January 26, 2001, the Operating Partnership implemented a new incentive compensation program whereby certain eligible employees were awarded phantom units in the Operating Partnership. These phantom units allow the holder to receive quarterly cash distributions equivalent to those received by partners of the Operating Partnership, assuming the holder is employed by the Operating Partnership at the time the distributions are paid. The phantom units are considered 50% vested two years from the grant date. At that time, the holders of the phantom units can elect to either exchange the vested phantom units for the value of the units, as determined by the Operating Partnership, or retain the phantom units and continue to receive quarterly cash distributions. If the holder elects to receive cash for the vested phantom units, the holder will no longer receive cash distributions on those units. The phantom units are considered 100% vested four years from the grant date. Once fully vested, the holder of the phantom units will receive either the cash value for 100% of the phantom units or the remaining 50% of the phantom units depending on the holder's election made initially after two years. The holder does not have the option to continue holding the phantom units once they become fully vested. The value of the phantom units is determined solely by the Operating Partnership at the time of payment. If at any time subsequent to the grant date the employee is terminated, the phantom units cease to exist as do all benefits associated with them. The holders of the phantom units are not partners in the Operating Partnership. The Operating Partnership accrues a liability over the vesting period of the phantom units based on its estimate of the value it will pay out and records all cash distributions as expense when paid. As of December 31, 2001, the Operating Partnership had recognized approximately $301,000 in compensation expense related to these phantom units.

In connection with the merger agreement with VRLP, the outstanding phantom units were bought out in December of 2001 at $32.38 per phantom unit. These costs are included in the merger costs discussed in Note 1.

13. CONVERTIBLE, REDEEMABLE CLASS C UNITS:

As discussed in Note 1, the Operating Partnership has issued 2.5 million Class C limited partnership units. The Class C unitholder has the right to cause the Operating Partnership to redeem all of its Class

C units on or after October 31, 2007. The redemption price will be $24 per Class C unit, payable in cash or by a five-year note at the Operating Partnership's discretion. The Class C unitholder has the same rights in liquidation as the Class A unitholders. The Class C units are convertible into Class A units at any time at the option of the holder and will automatically convert into Class A units upon consummation of an Initial Public Offering or Public REIT Transaction, as defined. The Class C unitholder also has a contractual right to cause the Operating Partnership to redeem its Class C units in the event of a merger or similar transaction involving the Operating Partnership, for a redemption price equal to the value received in such transaction for the number of Class A units into which such Class C units are then convertible. The Class C units vote along with the Class A and Class D units as a single class on all matters, except any amendments to the terms of the Class C units, as to which they vote as a separate class. The accompanying consolidated statement of income includes net income applicable to Class A and Class C unitholders as Class C preferential distributions do not accrue until November 1, 2007.

On January 1, 2002, the Class C units were cancelled as a result of the merger with VRLP.

14. CUMULATIVE, CONVERTIBLE, PREFERRED CLASS D UNITS:

As discussed in Note 1, in March 1999, VRLP contributed to the Operating Partnership certain assets in return for approximately 7.7 million cumulative, convertible, preferred Class D limited partnership units. Each Class D preferred unit is entitled to receive a cumulative preferential cash distribution on an annual basis of $1.81 in the first year following issuance, $1.89 in the second year following issuance, $1.97 in the third year following issuance, and $2.05 in the fourth year following issuance and thereafter until February 2024. Accrued Class D preferred distribution amounts that are not paid on the applicable distribution payment dates accumulate, compounded quarterly until the arrearage is fully paid, at interest rates ranging from 7.75% during the first year following issuance to 8.50% during the fourth year following issuance and thereafter (subject to a 2% reduction in rate after a Public REIT Transaction or an Initial Public Offering). So long as any Class D preferred units are outstanding, no distributions on Class A units, Class C units, or any other class or series of units of the Operating Partnership over which the Class D preferred units have priority in the payment of distributions ("Junior Units") can be declared or paid unless all accrued Class D preferred distribution amounts are declared and paid. Aggregate distributions on each Class A unit for each applicable year to date or annual period may not exceed the aggregate distributions for such period on each Class D preferred unit (subject to customary antidilution adjustments for splits, combinations and recapitalizations).

In the event of a liquidation, dissolution, or winding up of the Operating Partnership, the holders of the Class D preferred units are entitled to receive a distribution equal to the full amount of all accrued and unpaid cumulative Class D preferred distribution amounts before any distribution of assets of the Operating Partnership is made to the holders of Junior Units. Additionally, after payment of any other preferential distributions or liquidation preferences in respect of interests in the Operating Partnership, upon a liquidation, dissolution, or winding up, the holders of the Class D preferred units are also entitled to participate in the distribution of the assets of the Operating Partnership ratably with the holders of the Class A units, Class C units, and any other common units of the Operating Partnership then outstanding, in accordance with the holders' respective capital accounts.

Class D preferred units are convertible into Class A units at any time at the option of the holder on a one-for-one basis (subject to customary antidilution adjustments for splits, combinations and recapitalizations). Any accrued but unpaid Class D preferred distribution amounts outstanding at the time of such optional conversion will also be converted into Class A units at the rate of $31.50 per Class

A unit (subject to similar adjustments). On February 15, 2024, all Class D preferred units will automatically convert into Class A units on a one-for-one basis (subject to similar adjustments), or if all Class D preferred distribution amounts accrued on or prior to such date have not been paid in full, then on the first date thereafter on which such payment is made in full. The Class D preferred units vote along with the Class A and Class C units as a single class on all matters except any amendments to the terms of the Class D preferred units, as to which they vote as a separate class. The Class D preferred units are not redeemable except following conversion into Class A units, and then to the same extent as other Class A units are redeemable following a Public REIT Transaction or Initial Public Offering.

VRLP has a right of first opportunity, subject to certain terms and conditions, to purchase common equity and convertible and hybrid debt securities to be issued by the Operating Partnership at a price below $31.50 per unit and to maintain its percentage equity ownership in the event that the Operating Partnership issues common equity or convertible or hybrid debt securities at a price equal to or greater than $31.50 or if the Operating Partnership issues nonconvertible preferred equity securities at any price.

On January 1, 2002, the Class D preferred units were cancelled as a result of the merger with VRLP.

15. SUPPLEMENTAL CASH FLOW DATA:

Information on non-cash investing and cash paid for interest is as follows (in thousands):

	YEAR ENDED DECEMBER 31, 2001
Cash paid for interest, net of amounts capitalized	$ 110,755
Capitalized interest	3,195

UNAUDITED PRO FORMA CONSOLIDATED
FINANCIAL STATEMENTS

The following unaudited pro forma consolidated financial information presents (i) the consolidated pro forma balance sheet of Vornado Realty Trust as of December 31, 2001, as if the merger had occurred on December 31, 2001, and (ii) the consolidated pro forma income statement of Vornado Realty Trust for the year ended December 31, 2001, as if the merger had occurred on January 1, 2001.

The unaudited pro forma consolidated financial information is not necessarily indicative of what Vornado Realty Trust's actual results of operations or financial position would have been had these transactions been consummated on the dates indicated, nor does it purport to represent Vornado Realty Trust's results of operations or financial position for any future period. In management's opinion, all adjustments necessary to reflect this transaction have been made.

The unaudited consolidated pro forma financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Securities and Exchange Commission on March 11, 2002, and the consolidated financial statements and notes thereto of Charles E. Smith Commercial Realty L.P. ("CESCR") as of and for the year ended December 31, 2001, which are attached to this Form 8-K/A as exhibit 99.1.

The unaudited pro forma consolidated financial statements do not reflect the non-recurring costs and expenses associated with integrating the operations of the two limited partnerships, nor any of the anticipated recurring expense savings arising from the integration. Costs of integration may result in significant non-recurring charges to the combined results of operations after completion of the merger; however, the actual amount of such charges cannot be determined until the transition plan relating to the integration of operations is completed.

VORNADO REALTY TRUST
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2001

(amounts in thousands)

	VORNADO HISTORICAL	CESCR HISTORICAL	PRO FORMA ADJUSTMENTS	TOTAL PRO FORMA
ASSETS				
Real Estate, Net	$ 4,183,986	$ 1,193,397	$ 1,302,045 (A) (4,312)(C) (6,668)(D)	$6,668,448
Investments and Advances to Partially-Owned Entities	1,270,195	8,424	(347,263)(B)	931,356
Notes and Mortgages Receivable	258,555	-	-	258,555
Cash and Cash Equivalents	265,584	-	(30,000)(F)	235,584
Receivable Arising from the Straight-lining of Rents	138,154	24,133	(24,133)(A) 4,312 (C)	142,466
Other Assets	660,869	82,343	(21,917)(A) 14,059 (A) 6,668 (D)	742,022
TOTAL ASSETS	$ 6,777,343	$ 1,308,297	$ 892,791	$8,978,431
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Notes and Mortgages Payable	$ 2,477,173	$1,470,057	$ 34,527 (E)	$3,981,757
Revolving Credit Facility	-	33,000	-	33,000
Other Liabilities	250,140	53,829	2,520 (A)	306,489
Total Liabilities	2,727,313	1,556,886	37,047	4,321,246
Minority Interest of Unitholders in the Operating Partnership	1,479,658	-	607,155 (A)	2,086,813
Convertible Redeemable Class C Units	-	59,164	(59,164)(G)	-
Shareholders' Equity	2,570,372	(307,753)	307,753 (G)	2,570,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,777,343	$1,308,297	$ 892,791	$8,978,431

VORNADO REALTY TRUST
PRO FORMA CONSOLIDATED INCOME STATEMENT
AS OF DECEMBER 31, 2001

(amounts in thousands,
except per share amounts)

	Historical		Pro Forma	Total
	Vornado	CESCR	Adjustments	Pro Forma
REVENUES:				
Rentals	$ 841,999	$ 354,818	$ 4,189 (H)	$1,201,006
Expense Reimbursements	133,114	9,890	-	143,004
Property Management, Leasing and Other	10,660	17,794	-	28,454
Total Revenues	985,773	382,502	4,189	1,372,464
EXPENSES:				
Operating	398,969	113,487	-	512,456
Depreciation and Amortization	123,862	53,936	25,819 (I)	203,617
General and Administrative	72,572	21,559	- (J)	94,131
Costs of Acquisitions not Consummated	5,223	-	-	5,223
Total Expenses	600,626	188,982	25,819	815,427
Operating Income	385,147	193,520	(21,630)	557,037
Income Applicable to Alexander's	24,548	-	-	24,548
Income from Partially-Owned Entities	80,612	371	(28,653)(K)	52,330
Interest and Other Investment Income	54,385	1,604	-	55,989
Interest and Debt Expense	(173,076)	(112,695)	4,565 (L)	(281,206)
Net Gain on Disposition of Assets	7,425	-	-	7,425
Minority Interest:				
Perpetual Preferred Unit Distributions	(70,705)	-	-	(70,705)
Minority Limited Partnership Earnings	(39,138)	-	(34,830)(M)	(73,968)
Partially-Owned Entities	(2,520)	-	-	(2,520)
Income before Cumulative Effect of Change in Accounting Principle and Extraordinary Item	266,678	82,800	(80,548)	268,930
Cumulative Effect of Change in Accounting Principle	(4,110)	-	-	(4,110)
Extraordinary Item	1,170	(87)	-	1,083
Net Income	263,738	82,713	(80,548)	265,903
Preferred Stock Dividends	(36,505)	(15,080)	15,080 (N)	(36,505)
Net Income Applicable to Common Shares	$ 227,233	$ 67,633	$ (65,468)	$ 229,398
Net Income per Common Share-diluted, based on 92,072,607 weighted average shares	$ 2.47			$ 2.49

(A) Excess of fair value over net assets acquired:		
Vornado's existing ownership interest		$ 347,263
Cost of 66% interest to be acquired:		
Value of units issued	$ 607,155	
Value of CESCR unit options acquired	2,520	
CESCR Phantom units acquired for cash	1,200	
Estimated transaction costs	28,800	
		639,675
		986,938
CESCR historical net deficit acquired		(248,589)
		1,235,527
Elimination of deferred rent receivable arising from straight-lining of rent escalations		24,133
Elimination of deferred charges		21,917
EXCESS OF FAIR VALUE OVER NET ASSETS ACQUIRED		$ 1,281,577
Balance Sheet Allocation:		
Adjustment to real estate		$ 1,302,045
Fair value of management company		14,059
Total Assets		1,316,104
Adjustment to fair value of CESCR outstanding debt		(34,527)
Excess of fair value over net assets acquired		$1,281,577

(B) Elimination of Vornado's existing ownership interest in CESCR which was accounted for on the equity method.

(C) Carryover basis of CESCR receivable arising from the straight-lining of rents relating to the portion of the business already owned by Vornado.

(D) Carryover basis of CESCR deferred charges related to the portion of the business already owned by Vornado.

(E) Adjustment to fair value CESCR outstanding debt at December 31, 2001.

(F) To record estimated transaction costs funded from Vornado's working capital.

(G) Elimination of CESCR preferred redeemable and common equity.

(H) To adjust rental income arising from straight-line rent to reflect the straight-lining of leases containing rent step-ups over the lease terms from January 1, 2001.

(I) To adjust depreciation and amortization for the acquisition of CESCR, assuming a depreciable life of 40 years on the real estate and 10 years on the intangible asset - management company.

(J) Management estimates that there will be a reduction of general and administrative expenses as a result of the acquisition of approximately $4 million annually. This reduction has not been reflected in the pro forma financial statements as there can be no assurance that Vornado will be successful in the realization of these savings.

(K) To eliminate Vornado's equity in income of CESCR.

(L) To adjust interest expense for the amortization of the mark-to-market adjustment on CESCR outstanding debt using the effective interest rate method.

(M) To adjust minority interest for units issued to CESCR partners. Prior to the Merger, Vornado Realty Trust owned approximately 88% of Vornado Realty L.P. and was its sole general partner. As a result of the Merger and as of February 1, 2002, Vornado Realty Trust owns approximately 79% of Vornado Realty L.P. and remains its sole general partner.

(N) To eliminate the CESCR preferred dividend paid to Vornado prior to the acquisition.

VORNADO REALTY TRUST
SUPPLEMENTAL INFORMATION

(amounts in thousands)

	FOR THE YEAR ENDED DECEMBER 31, 2001			
	HISTORICAL VORNADO	%	PRO FORMA VORNADO	%
EBITDA BY SEGMENT:				
NYC Office	$ 295,222	38%	$ 295,222	31%
CESCR	84,943	11%	250,237	26%
Total Office	380,165	49%	545,459	57%
Retail	117,651	15%	117,651	12%
Merchandise Mart	110,802	14%	110,802	12%
Temperature Controlled Logistics	78,437	10%	78,437	8%
Other (2)	96,827	12%	96,827	11%
Total EBITDA (1) (2)	$ 783,882	100%	$ 949,176	100%

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(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) EBITDA for the year ended December 31, 2001 includes (i) $5,223 for costs of acquisitions not consumated, (ii) $16,513 for the write-off of investments in technology companies, (iii) the write-off of Vornado Realty Trust's entire net investment in the Russian Tea Room of $7,374, (iv) $1,250 for donations to the Twin Towers Fund and the NYC Fireman's Fund and (v) $15,657 of an after-tax net gain on sale of Park Laurel condominium units.

VORNADO REALTY TRUST
SUPPLEMENTAL INFORMATION
(AMOUNTS IN THOUSANDS)

Funds from operations for the year ended December 31, 2001, includes (i) $15,657 of an after tax net gain on sale of Park Laurel condominium units, (ii) a charge of $5,223 for the write-off of costs associated with acquisitions not consummated, (iii) a charge of $16,513 resulting from the write-off of all of Vornado Realty Trust's investments in technology companies, (iv) the write-off of Vornado Realty Trust's entire net investment in the Russian Tea Room of $7,374, and (v) $1,250 for donations to the Twin Towers Fund and the NYC Firemman's Fund. The following table reconciles net income and funds from operations for the year ended December 31, 2001:

	FOR THE YEAR ENDED DECEMBER 31, 2001			
	HISTORICAL			
FUNDS FROM OPERATIONS ("FFO") (1)	VORNADO	CESCR	PRO FORMA ADJUSTMENTS	TOTAL PRO FORMA
Net Income Applicable to Common Shares	$ 227,233	$ 82,713	$ (80,548)	$ 229,398
Cumulative Effect of Change in Accounting Principle	4,110	-	-	4,110
Extraordinary Item	(1,170)	87	-	(1,083)
Depreciation and Amortization of Real Property	119,568	52,778	24,413	196,759
Straight-Lining of Property Rentals for Rent Escalations	(24,314)	160	(4,189)	(28,343)
Leasing Fees in Excess of Income Recognized	1,954	-	-	1,954
Appreciation of Securities Held in Officer's Deferred Compensation Trust	3,023	-	-	3,023
Net Gain on Sale of Real Estate	(12,445)	-	-	(12,445)
Net Gain on Condemnation Proceeding	(3,050)	-	-	(3,050)
Proportionate Share of Adjustments to Equity in Income of Partially-Owned Entities to Arrive at FFO	58,919	-	(17,999)	40,920
Minority Interest in Excess of Preferential Distributions	(16,810)	-	(20,128)	(36,938)
	357,018	135,738	(98,451)	394,305
Series A Preferred Stock Dividends	19,505	-	-	19,505
FFO (1)	376,523	135,738	(98,451)	413,810
Adjustments to arrive at Operating Partnership FFO: Addback of Minority Interest Reflected as Equity in the Operating Partnership	52,514	-	69,990	122,504
Operating Partnership FFO (2)	$ 429,037	$ 135,738	$ (28,461)	$ 536,314
CASH FLOW PROVIDED BY (USED IN):				
Operating Activities	$ 387,685	$ 145,459	$ 28,653	$ 561,797
Investing Activities	(79,722)	(86,846)	(21,048)	(187,616)
Financing Activities	(179,368)	(64,468)	-	(243,836)
Expenditures to Maintain the Assets, including Tenant Improvements	$ 41,093	$ 26,765	$ -	$ 67,858
Leasing Commissions	19,536	3,359	-	22,895
TOTAL RECURRING CAPITAL EXPENDITURES	$ 60,629	$ 30,124	$ -	$ 90,753

(1) Funds from operations does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows in Vornado Realty Trust's Form 10-Q. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of Vornado Realty Trust's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activites, it provides investors with an indication of the ability of Vornado Realty Trust to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including Vornado Realty Trust, calculate funds from operations in a manner different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains and losses on sales of real estate. Funds from operations as disclosed above has been modified from this definition to adjust primarily for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

(2) The number of shares that should be used for determining diluted funds from operations per share and Vornado Realty L.P. ("OP") funds from operations per share is as follows:

Funds From Operations ("FFO") (1)	For the Year Ended December 31, 2001			
	Historical			
	Vornado	CESCR	Pro Forma Adjustments	Total Pro Forma
Shares used for determining diluted FFO per share	99,719	-	-	99,719
Convertible OP units:				
Non-VNO Class A Units	6,140	-	15,613	21,753
Class D Units	-	-	-	-
B-1	822	-	-	822
B-2	411	-	-	411
C-1	855	-	-	855
E-1	5,680	-	-	5,680
Shares used for determining OP diluted FFO per share	113,627	-	15,613	129,240