

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2003

or

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

For the transition period from _____ to _____

Commission File Number: 001-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation
or organization)

22-1657560

(I.R.S. Employer
Identification Number)

888 Seventh Avenue, New York, New York

(Address of principal executive offices)

10019

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2)

Yes No

As of August 1, 2003, 112,871,552 of the registrant's common shares of beneficial interest are outstanding.

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PART I.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VORNADO REALTY TRUST CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share amounts)	(UNAUDITED) June 30, 2003	December 31, 2002
ASSETS		
Real estate, at cost:		
Land	\$ 1,447,235	\$ 1,447,414
Buildings and improvements	5,886,384	5,846,338
Development costs and construction in progress	83,729	40,294
Leasehold improvements and equipment	69,618	67,521
Total	7,486,966	7,401,567
Less accumulated depreciation and amortization	(800,612)	(713,069)
Real estate, net	6,686,354	6,688,498
Assets related to discontinued operations	124,124	125,294
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$38,560 and \$33,393	173,199	208,200
Escrow deposits and restricted cash	139,460	263,125
Marketable securities	65,084	42,525
Investments and advances to partially-owned entities, including Alexander's of \$200,088 and \$193,879	1,051,064	997,711
Due from Officers	20,811	20,643
Accounts receivable, net of allowance for doubtful accounts of \$16,287 and \$13,887	75,446	65,754
Notes and mortgage loans receivable	60,489	86,581
Receivable arising from the straight-lining of rents, net of allowance of \$4,887 and \$4,071	247,568	229,467
Other assets	327,981	290,381
TOTAL ASSETS	\$ 8,971,580	\$ 9,018,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	\$ 3,461,714	\$ 3,537,720
Senior Unsecured Notes due 2007, at fair value (accrued face amount of \$499,426 and \$499,355)	542,880	533,600
Accounts payable and accrued expenses	190,643	202,756
Officers' compensation payable	18,351	16,997
Deferred credit	54,298	59,362
Other liabilities	4,730	3,030
Total liabilities	4,272,616	4,353,465
Minority interest of unitholders in the Operating Partnership	1,937,746	2,037,358
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest:		
no par value per share; authorized 70,000,000 shares;		
Series A: liquidation preference \$50.00 per share; issued and outstanding 1,436,623 and 1,450,623 shares	71,834	72,535
Series B: liquidation preference \$25.00 per share; issued and outstanding 3,400,000 shares	81,805	81,805
Series C: liquidation preference \$25.00 per share; issued and outstanding 4,600,000 shares	111,148	111,148
Common shares of beneficial interest: \$.04 par value per share; authorized, 270,000,000 shares; issued and outstanding, 112,275,653 and 108,629,736 shares	4,492	4,320
Additional capital	2,597,960	2,481,414
Distributions in excess of net income	(151,156)	(169,629)
	2,716,083	2,581,593
Deferred compensation shares earned but not yet delivered	68,204	66,660
Deferred compensation shares issued but not yet earned	(8,561)	(2,629)

Accumulated other comprehensive loss	(9,804)	(13,564)
Due from officers for purchase of common shares of beneficial interest	(4,704)	(4,704)
Total shareholders' equity	2,761,218	2,627,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,971,580	\$ 9,018,179

See notes to consolidated financial statements.

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands except per share amounts)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues:				
Rentals	\$ 313,848	\$ 303,467	\$ 625,211	\$ 599,360
Expense reimbursements	44,058	35,203	87,428	71,742
Fee and other income	16,630	7,033	29,760	13,763
Total revenues	374,536	345,703	742,399	684,865
Expenses:				
Operating	141,635	121,589	290,055	244,798
Depreciation and amortization	53,974	49,352	105,597	96,731
General and administrative	27,436	23,501	54,672	46,719
Amortization of officer's deferred compensation expense	—	6,875	—	13,750
Total expenses	223,045	201,317	450,324	401,998
Operating income	151,491	144,386	292,075	282,867
Income applicable to Alexander's	4,348	4,487	11,602	10,055
Income from partially-owned entities	19,799	9,826	43,033	23,612
Interest and other investment income	3,628	9,934	13,424	19,577
Interest and debt expense	(58,485)	(59,212)	(116,238)	(116,335)
Net loss on disposition of wholly-owned and partially-owned assets	(1,294)	(4,981)	(1,106)	(3,450)
Minority interest:				
Perpetual preferred unit distributions	(17,738)	(18,254)	(35,476)	(36,508)
Minority limited partnership earnings	(19,388)	(19,229)	(39,483)	(34,344)
Partially-owned entities	35	(554)	(736)	(1,543)
Income from continuing operations	82,396	66,403	167,095	143,931
Discontinued operations	5,361	4,046	12,404	8,174
Cumulative effect of change in accounting principle	—	—	—	(30,129)
Net income	87,757	70,449	179,499	121,976
Preferred share dividends	(5,426)	(5,896)	(10,851)	(12,027)
NET INCOME applicable to common shares	\$ 82,331	\$ 64,553	\$ 168,648	\$ 109,949
NET INCOME PER COMMON SHARE – BASIC:				
Income from continuing operations	\$.66	\$.57	\$ 1.42	\$ 1.26
Discontinued operations	.05	.04	.11	.08
Cumulative effect of change in accounting principle	—	—	—	(.29)
Net income per common share	\$.74	\$.61	\$ 1.53	\$ 1.05
NET INCOME PER COMMON SHARE – DILUTED:				
Income from continuing operations	\$.66	\$.54	\$ 1.38	\$ 1.21
Discontinued operations	.05	.04	.11	.08
Cumulative effect of change in accounting principle	—	—	—	(.28)
Net income per common share	\$.71	\$.58	\$ 1.49	\$ 1.01
DIVIDENDS PER COMMON SHARE	\$.68	\$.66	\$ 1.36	\$ 1.32

See notes to consolidated financial statements.

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For The Six Months Ended June 30,

(Amounts in thousands)

	2003	2002
Cash Flows From Operating Activities:		
Net income	\$ 179,499	\$ 121,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate	(2,644)	—
Minority interest	75,695	72,395
Net loss on disposition of wholly-owned and partially-owned assets	1,106	3,450
Depreciation and amortization	105,597	95,507
Straight-lining of rental income	(18,874)	(17,298)
Amortization of acquired below market leases, net	(3,752)	(6,234)
Equity in income of Alexander's	(11,602)	(10,055)
Equity in income of partially-owned entities	(43,033)	(23,612)
Cumulative effect of change in accounting principle	—	30,129
Amortization of Officer's deferred compensation expense	—	13,750
Changes in operating assets and liabilities	(17,504)	(32,710)
Net cash provided by operating activities	<u>264,488</u>	<u>247,298</u>

Cash Flows From Investing Activities:

Development costs and construction in progress	(32,237)	(34,841)
Additions to real estate	(42,990)	(60,323)
Investments in partially-owned entities	(36,011)	(21,984)
Distributions from partially-owned entities	33,439	67,454
Proceeds received from repayment of notes and mortgage loans receivable	26,092	60,000
Cash restricted for mortgage escrows and tenant improvements	123,665	(113,831)
Proceeds from sale of real estate	4,752	—
Acquisition of Building Maintenance Service Company	(13,000)	—
Acquisition of Kaempfer Management Company	(31,237)	—
Acquisitions of real estate	(30,000)	—
Proceeds from sale of marketable securities	—	53,445
Real estate deposits and other	—	(24,970)
Investment in notes and mortgage loans receivable	—	(741)
Net cash provided by (used in) investing activities	<u>2,473</u>	<u>(75,791)</u>

Cash Flows From Financing Activities:

Dividends paid on common shares	(150,175)	(169,838)
Repayments of borrowings	(293,006)	(200,612)
Distributions to minority partners	(89,547)	(70,782)
Dividends paid on preferred shares	(10,851)	(12,027)
Exercise of stock options	24,617	23,728
Proceeds from borrowings	217,000	619,965
Proceeds from issuance of common shares	—	56,658
Net cash (used in) provided by financing activities	<u>(301,962)</u>	<u>247,092</u>
Net (decrease) increase in cash and cash equivalents	(35,001)	418,599
Cash and cash equivalents at beginning of period	208,200	265,584
Cash and cash equivalents at end of period	<u>\$ 173,199</u>	<u>\$ 684,183</u>

Supplemental Disclosure Of Cash Flow Information:

Cash payments for interest (including capitalized interest of \$2,196 and \$4,721)	<u>\$ 125,171</u>	<u>\$ 113,172</u>
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Non-Cash Transactions:

Class A units issued in acquisitions	\$ 3,600	\$ 607,155
Financing assumed in acquisitions	—	991,980
Unrealized gain on securities available for sale	4,467	—
Capitalized development payroll	1,045	1,719

See notes to consolidated financial statements.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 81% of the common limited partnership interest in, the Operating Partnership at June 30, 2003. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. Basis of Presentation

The consolidated balance sheet as of June 30, 2003, the consolidated statements of income for the three and six months ended June 30, 2003 and 2002 and the consolidated statements of cash flows for the six months ended June 30, 2003 and 2002 are unaudited. In the opinion of management, all

adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Vornado's annual report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission. The results of operations for the three and six months ended June 30, 2003 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P., as well as entities in which the Company has a 50% or greater interest, provided that the Company exercises control (where the Company does not exercise control, such entities are accounted for under the equity method). All significant intercompany amounts have been eliminated. Equity interests in partially-owned corporate entities are accounted for under the equity method of accounting when the Company's ownership interest is more than 20% but less than 50%. When partially-owned investments are in partnership form, the 20% threshold may be reduced. For all other investments, the Company uses the cost method. Equity investments are recorded initially at cost and subsequently adjusted for the Company's share of the net income or loss and cash contributions and distributions to or from these entities.

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

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 144 — Accounting for the Impairment or Disposal of Long-Lived Assets, for all periods presented the Company reclassified its consolidated statements of operations to reflect income and expenses for properties which are held for sale or sold during 2003 as discontinued operations and reclassified assets and liabilities related to such properties as assets related to discontinued operations and liabilities related to discontinued operations on its consolidated balance sheets.

3. Recently Issued Accounting Standards

Financial Accounting Standards Board ("FASB") Interpretation No. 46 – Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46 – *Consolidation of Variable Interest Entities*, which requires the consolidation of an entity by an enterprise (i) if that enterprise, known as a "primary beneficiary", has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both and (ii) if the entity is a variable interest entity, as defined by Interpretation No. 46. An entity is a variable interest entity if (a) the total equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (b) the equity investors do not have the characteristics of a controlling financial interest in the entity. Interpretation No. 46 applies immediately to all variable interest entities created after January 31, 2003. For variable interest entities created by public companies before February 1, 2003, Interpretation No. 46 must be applied no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The initial determination of whether an entity is a variable interest entity shall be made as of the date at which a primary beneficiary becomes involved with the entity and reconsidered as of the date one of three triggering events described by Interpretation No. 46 occur. The adoption of this statement on July 1, 2003 will cause the Company to consolidate its 85% equity investment in 400 North LaSalle, a development joint venture which has total assets of \$68,500,000 and no operating results as the project is under development and all costs are being capitalized.

SFAS No. 149 – Amendment of SFAS 133 on Derivative Instruments and Hedging Activities

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 on July 1, 2003, as required, had no impact on the Company's consolidated financial statements.

SFAS No. 150 - Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 establishes standards for classifying and measuring as liabilities, certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. The adoption of SFAS No. 150 on July 1, 2003 will not have a material effect on the Company's consolidated financial statements.

4. Acquisitions, Dispositions and Financings

Acquisitions

Upon acquisition of real estate, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their relative fair values. The Company utilizes third party appraisers or methods similar to those used by third party appraisers such as estimated cash flow projections utilizing appropriate discount and capitalization rates and available market information.

4. Acquisitions, Dispositions and Financings - continued

The fair value of the tangible assets (land, building and improvements) of an acquired property considers the value of the property as if it were vacant. The fair value of the identified intangible assets and liabilities for (1) above and below market in-place leases is based on the present value of the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of the market lease rates measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above market (deferred charge) or below market (deferred credit) intangible is amortized to rental income over the non-cancelable term of the respective leases and (2) the aggregate value of the other acquired identified intangible assets, consisting of in-place leases and tenant relationships considers the difference between the estimated fair value of the property as if vacant and the estimated value of property as if occupied at the level it was on the date of acquisition, adjusted to market rental rates. Management considers current market conditions and costs to execute similar leases in arriving at an estimate of carrying costs during the expected lease-up period in determining the value of in-place leases. In estimating carrying costs management includes real estate taxes, insurance, other operating expenses and estimates of lost revenue during the expected lease-up periods and costs to execute similar leases including commissions and other related costs. In estimating the value of tenant relationships management considers, among other factors, the nature and extent of the existing tenant relationship and the expectation of lease renewals, growth prospects and tenant credit quality. The value of the tenant relationship is amortized over the anticipated life of the relationship while the value of the in-place leases is amortized over the non-cancelable term of the acquired in-place leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

Building Maintenance Service Company ("BMS")

On January 1, 2003, the Company acquired for \$13,000,000 in cash BMS, which provides cleaning, security and engineering services to office properties, including the Company's Manhattan office properties. This company was previously owned by the estate of Bernard Mendik and certain other individuals including Mr. David R. Greenbaum, one of the Company's executive officers. This acquisition was recorded as a business combination under the purchase method of accounting. Accordingly, the operations of BMS are consolidated into the accounts of the Company beginning January 1, 2003.

For the three and six months ended June 30, 2003, BMS revenues of \$6,977,000 and \$14,675,000 are included in fee and other income and BMS expenses of \$4,456,000 and \$10,524,000 are included in operating expenses in the Company's consolidated statements of income.

Kaempfer Company ("Kaempfer")

On April 9, 2003, the Company acquired Kaempfer, which owns partial interests in six Class "A" office properties in Washington D.C., manages and leases these properties and four others for which it receives customary fees and has options to acquire certain other real estate interests, including 50% of Kaempfer's 5% interest in the planned redevelopment of Waterfront, located at 401 M Street, a mixed-use project in Southwest Washington D.C. Kaempfer's equity interest in the properties approximates 5.0%. The aggregate purchase price for the equity interests and the management and leasing business was \$33,400,000 (consisting of \$29,800,000 in cash and \$3,600,000 of Vornado's Operating Partnership Units) and may be increased by up to \$9,000,000 based on the performance of the management company. This acquisition was recorded as a business combination under the purchase method of accounting. Accordingly, the operations of Kaempfer are consolidated into the accounts of the Company beginning April 9, 2003.

The six Class "A" office buildings contain 1.8 million square feet and are as follows: the Warner Building located at 1299 Pennsylvania Avenue containing 600,000 square feet, the Investment Building located at 1501 K Street containing 380,000 square feet, the Commonwealth Tower located at 1300 Wilson Boulevard in Rosslyn, VA, containing 343,000 square feet, the Bowen Building (under development) located at 875 15th Street containing 220,000 square feet, 1925 K Street containing 150,000 square feet, and the Executive Tower located at 1399 New York Avenue, containing 123,000 square feet. Kaempfer, which was founded in 1977 and has 65 employees, was combined with the Company's Charles E. Smith Commercial Realty division ("CESCR"). Mitchell N. Schear, the President of Kaempfer, has become President of CESCR.

4. Acquisitions, Dispositions and Financings - continued

20 Broad Street

On May 2, 2003, the Company acquired the remaining 40% of a 78-year leasehold interest in 20 Broad Street it did not already own. The purchase price was approximately \$30,000,000 in cash. 20 Broad Street contains 466,000 square feet of office space, of which 348,000 square feet is leased to the New York Stock Exchange. Prior to the acquisition of the remaining 40%, the Company consolidated the operations of this property and reflected the 40% interest that it did not own as a component of minority interest. Subsequent to this acquisition, the Company will no longer reflect the 40% minority interest.

2101 L Street

On August 4, 2003, the Company completed the acquisition of 2101 L Street, a 370,000 square foot office building located in Washington D.C. The consideration for the acquisition consisted of approximately 1.1 million newly issued Vornado Realty L.P. partnership units (valued at approximately \$50,000,000) and the assumption of existing mortgage debt and transaction costs totaling approximately \$32,000,000. Mr. Robert H. Smith and Mr. Robert P. Kogod, trustees of Vornado, together with family members own approximately 24 percent of the limited partnership that sold the building. Mr. Smith is also a general partner in the limited partnership.

Dispositions

On January 9, 2003, the Company sold its Baltimore, Maryland shopping center for \$4,752,000, which resulted in a net gain of \$2,644,000.

The Company recognized a gain of \$188,000 in the three months ended March 31, 2003 and gains of \$1,531,000 and \$1,875,000 in the three and six months ended June 30, 2002 from the sale of residential condominiums in Chicago, Illinois, which are included in the income statement caption "net loss on disposition of wholly-owned and partially-owned assets."

On June 27, 2003, the Park Laurel joint venture completed the sale of the remaining condominium unit in the project resulting in a net gain to the Company of \$94,000.

On June 13, 2003, the Company received its \$5,000,000 share of a settlement with affiliates of Primestone Investment Partners of the amounts due under the guarantees of the Primestone loans. In connection therewith, the Company recognized a \$1,388,000 loss on settlement of the guarantees which has been reflected as a component of Net Loss on Dispositions of Wholly-owned and Partially-owned Assets in the Company's consolidated income statement for the three months and six ended June 30, 2003.

Financings

On February 25, 2002, the Company sold 1,398,743 common shares based on the closing price of \$42.96 on the NYSE. The net proceeds to the Company were approximately \$56,658,000.

For further details of the Company's financing activities see Note 6. - Debt.

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5. Investments and Advances to Partially-Owned Entities

The Company's investments and advances to partially-owned entities and income recognized from such investments are as follows:

Investments and Advances:

(Amounts in thousands)	June 30, 2003	December 31, 2002
Temperature Controlled Logistics	\$ 466,540	\$ 459,559
Alexander's	200,088	193,879
Newkirk Master Limited Partnership ("MLP")	202,909	182,465
400 North LaSalle Joint Venture	64,024	36,585
Monmouth Mall Joint Venture	32,679	31,416
Partially-Owned Office Buildings	43,211	27,164
Starwood Ceruzzi Joint Ventures	24,967	24,959
Prime Group Realty L.P.	—	23,408
Park Laurel	—	3,481
Other	16,646	14,795
	<u>\$ 1,051,064</u>	<u>\$ 997,711</u>

Income:

(Amounts in thousands)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Income applicable to Alexander's:				
33.1% share of equity in net (loss) income	\$ (1,655)	\$ (525)	\$ (215)	\$ 494
Interest income (1)	2,567	2,756	5,094	5,287
Development and guarantee fees (1)	2,366	1,158	4,559	1,974
Management and leasing fees (1)	1,070	1,098	2,164	2,300
	<u>\$ 4,348</u>	<u>\$ 4,487</u>	<u>\$ 11,602</u>	<u>\$ 10,055</u>
Temperature Controlled Logistics:				
60% share of equity in net income (loss)	\$ 1,316	\$ (424)	\$ 5,677	\$ 3,383
Management fee (40% of 1% per annum of Total Combined Assets, as defined)	1,384	1,389	2,753	2,765
Other	250	122	372	244
	<u>2,950</u>	<u>1,087</u>	<u>8,802</u>	<u>6,392</u>
Newkirk MLP:				
22.6% share of equity in income	8,378(2)	5,974	23,557(2)	11,403
Interest and other income	1,750	2,326	3,571	4,597
	<u>10,128</u>	<u>8,300</u>	<u>27,128</u>	<u>16,000</u>
Partially-Owned Office Buildings				
	791	726	1,409	1,276
Other	5,930(3)	(287)	5,694(3)	(56)
	<u>\$ 19,799</u>	<u>\$ 9,826</u>	<u>\$ 43,033</u>	<u>\$ 23,612</u>

- (1) Alexander's capitalizes the fees and interest charged by the Company. Because the Company owns 33.1% of Alexander's, the Company recognizes 66.9% of such amounts as income and the remainder is reflected as a reduction of the Company's carrying amount of the investment in Alexander's.
- (2) The three months ended June 30, 2003 includes \$1,900 for the Company's share of gains on sale of real estate. The six months ended June 30, 2003 includes net gains of \$9,900 from the sale of properties and the early extinguishment of debt in the first quarter of 2003.
- (3) Includes \$4,576 and \$5,583 for the Company's share of Prime Group Realty L.P.'s equity in net income recognized by the Company in the three and six months ended June 30, 2003, which the Company records on a one-quarter lag basis. Included in these amounts is \$4,413 for the Company's share of Prime Group's lease termination fee income recognized by the Company in the second quarter of 2003.

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Below is a summary of the debt of partially owned entities as of June 30, 2003 and December 31, 2002, none of which is guaranteed by the Company.

(Amounts in thousands)	100% of Partially-Owned Entities Debt	
	June 30, 2003	December 31, 2002
Alexander's (33.1% interest):		
Due to Vornado on January 3, 2006 with interest at 12.48% (prepayable without penalty)	\$ 124,000	\$ 119,000
Lexington Avenue construction loan payable, due on January 3, 2006, plus two one-year extensions, with interest at LIBOR plus 2.50% (3.62% at June 30, 2003)	142,957	55,500
Rego Park mortgage payable, due in June 2009, with interest at 7.25%	82,000	82,000
Kings Plaza Regional Shopping Center mortgage payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	217,950	219,308
Paramus mortgage payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
Temperature Controlled Logistics (60% interest):		
Mortgage notes payable collateralized by 58 temperature controlled warehouses, due from 2004 to 2023 with a weighted average interest rate of 6.92% (various prepayment terms)	530,312	537,716
Other notes and mortgages payable	37,037	37,789
Newkirk MLP (22.6% interest):		
Portion of first mortgages and contract rights, collateralized by the partnership's real estate, due from 2003 to 2024, with a weighted average interest rate of 10.1% at June 30, 2003 (various prepayment terms)	1,283,649	1,432,438
Prime Group Realty L.P. (14.9% interest):		
24 mortgages payable	—(1)	868,374
Partially Owned Office Buildings:		
330 Madison Avenue (25% interest) mortgage note payable, due in April 2008, with interest at 6.52% (prepayable with yield maintenance)	60,000	60,000
Fairfax Square (20% interest) mortgage note payable due in August 2009, with interest at 7.50%	68,485	68,900
825 Seventh Avenue (50% interest) mortgage payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	23,190	23,295
Orleans Hubbard (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,882	9,961
Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,735	15,860
Kaempfer Equity Interests (1% to 10% interests in six partnerships)		
Mortgage notes payable, collateralized by the partnerships' real estate, due from 2007 to 2031, with a weighted average interest rate of 6.56% at June 30, 2003 (various prepayment terms)	378,642	—
Monmouth Mall (50% interest):		
Mortgage note payable, due in November 2005, with interest at LIBOR + 2.05% and two one-year extension options (3.65% at June 30, 2003)	135,000	135,000

Based on the Company's ownership interest in the partially-owned entities above, the Company's share of the debt of these partially-owned entities was \$935,525,000 and \$1,048,108,000 as of June 30, 2003 and December 31, 2002.

(1) The Company's investment in Prime Group Realty L.P. was converted into common shares of Prime Group Realty Trust on May 23, 2003, and is reflected as a marketable security at June 30, 2003.

Temperature Controlled Logistics

Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$7,726,000 and \$11,103,000 of rent it was due for the three and six months ended June 30, 2003 and \$3,744,000 and \$5,552,000 of rent it was due for the three and six months ended June 30, 2002, which together with previously deferred rent is \$35,452,000.

On March 7, 2003, AmeriCold Logistics and the Landlord extended the deferred rent period to December 31, 2004 from December 31, 2003.

On March 28, 2003, a joint venture in which the Company had a 44% interest acquired \$6,640,000 of trade receivables from AmeriCold Logistics for \$6,500,000 in cash (a 2% discount). These receivables were collected in full during the second quarter of 2003.

Alexander's

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. As of June 30, 2003, the Company has a receivable from Alexander's of \$16,440,000 under the management and development agreement.

At June 30, 2003, the Company had loans receivable from Alexander's of \$124,000,000, including \$29,000,000 drawn under a \$50,000,000 line of credit, of which \$5,000,000 was drawn this quarter. The maturity date of the loan and the line of credit is the earlier of January 3, 2006 or the date the Alexander's Lexington Avenue construction loan is repaid. The interest rate on the loan and line of credit, which resets quarterly using the same spread to treasuries as presently exists with a 3% floor for treasuries, is 12.48% at June 30, 2003. The Company believes that although Alexander's has disclosed that it does not have positive cash flow sufficient to repay this loan to the Company currently, Alexander's will be able to repay the loan upon the successful development and permanent financing of its Lexington Avenue development project or through asset sales.

Equity in income from Alexander's reflects the Company's share of Alexander's stock appreciation rights compensation expense of \$3,285,000 and \$1,402,000 for the three months ended June 30, 2003 and 2002, respectively, based on a closing Alexander's stock price of \$83.49 and \$76.80 on June 30,

Prime Group Realty L.P.

On May 23, 2003, the Company exercised its right to exchange the 3,972,447 units it owned in Prime Group Realty L.P. for 3,972,447 common shares in Prime Group Realty Trust (NYSE: PGE). Prior to the exchange, the Company accounted for its investment in the partnership on the equity method.

Subsequent to the exchange, since the Company's shares represent less than a 20% ownership interest in PGE, which is not a partnership, and the Company does not exercise direct or indirect control over PGE, the Company is accounting for its investment in PGE as a marketable equity security – available for sale. Accordingly, the carrying amount previously included in Investments and Advances to Partially-owned Entities has been reclassified to Marketable Securities on the Company's consolidated balance sheet as of June 30, 2003. The Company was also required to mark-to-market these securities based on the closing price of the PGE shares on the NYSE on June 30, 2003, and recognized a \$2,805,000 unrealized gain, which is not included in the Company's net income, but is reflected as a component of Accumulated Other Comprehensive Loss in the Shareholders' Equity section of the consolidated balance sheet. From the date of exchange, income recognition is limited to dividends received on the PGE shares.

On June 13, 2003, the Company received its \$5,000,000 share of a settlement with affiliates of Primestone Investment Partners of the amounts due under the guarantees of the Primestone loans. In connection therewith, the Company recognized a \$1,388,000 loss on settlement of the guarantees which has been reflected as a component of Net Loss on Dispositions of Wholly-owned and Partially-owned Assets in the Company's consolidated income statement for the three months ended June 30, 2003.

6. Debt

Following is a summary of the Company's debt:

(Amounts in thousands)	Maturity	Interest Rate as at June 30, 2003	Balance as of	
			June 30, 2003	December 31, 2002
Notes and Mortgages Payable:				
Fixed Interest:				
Office:				
NYC Office:				
Two Penn Plaza	03/04	7.08%	\$ 153,073	\$ 154,669
888 Seventh Avenue	02/06	6.63%	105,000	105,000
Eleven Penn Plaza	05/07	8.39%	49,854	50,383
866 UN Plaza	04/04	7.79%	33,000	33,000
CESCR Office:				
Crystal Park 1-5	07/06-08/13	6.66%-7.08%	262,575	264,441
Crystal Gateway 1-4 Crystal Square 5	07/12-01/25	6.75%-7.09%	215,191	215,978
Crystal Square 2, 3 and 4	10/10-11/14	6.82%-7.08%	145,112	146,081
Skyline Place	08/06-12/09	6.60%-6.93%	137,743	139,212
1101 17 th , 1140 Connecticut, 1730 M & 1150 17 th	08/10	6.74%	96,617	97,318
Courthouse Plaza 1 and 2	01/08	7.05%	79,535	80,062
Crystal Gateway N., Arlington Plaza and 1919 S. Eads	11/07	6.77%	72,125	72,721
Reston Executive I, II & III	01/06	6.75%	73,365	73,844
Crystal Plaza 1-6	10/04	6.65%	69,653	70,356
One Skyline Tower	06/08	7.12%	65,293	65,764
Crystal Malls 1-4	12/11	6.91%	63,377	65,877
1750 Pennsylvania Avenue	06/12	7.26%	49,569	49,794
One Democracy Plaza	02/05	6.75%	27,309	27,640
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	484,619	487,246
Green Acres Mall	02/08	6.75%	149,557	150,717
Montehiedra Town Center	05/07	8.23%	59,248	59,638
Las Catalinas Mall	11/13	6.97%	67,219	67,692
Merchandise Mart:				
Market Square Complex	07/11	7.95%	47,633	48,213
Washington Design Center	10/11	6.95%	48,257	48,542
Washington Office Center	02/04	6.80%	44,061	44,924
Furniture Plaza	02/13	5.23%	46,552	—
Other	10/10-06/13	7.52%-7.71%	18,567	18,703
Other:				
Industrial Warehouses	10/11	6.95%	49,207	49,423
Student Housing Complex	11/07	7.45%	18,899	19,019
Other	08/21	9.90%	6,928	6,937
Total Fixed Interest Notes and Mortgages Payable		7.36%	2,739,138	2,713,194

6. Debt - - continued

(Amounts in thousands)	Maturity	Spread	Interest Rate	Balance as of
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		over LIBOR		as at June 30, 2003	June 30, 2003	December 31, 2002
Notes and Mortgages Payable:						
Variable Interest:						
Office:						
NYC Office:						
One Penn Plaza	06/05	L+125		2.25%	\$ 275,000	\$ 275,000
595 Madison Avenue	(2)	L+40		1.72%	20,000	70,345
770 Broadway (1)	06/06	L+105		2.36%	170,000	83,314
909 Third Avenue	(2)	L+165		2.96%	105,254	105,837
CESCR Office:						
Tyson Dulles Plaza (1)	N/A	L+130		2.61%	—	69,507
Commerce Executive III, IV & V	(3)	L+150		2.61%	52,944	53,307
Merchandise Mart:						
Furniture Plaza	N/A	L+200		—	—	48,290
33 North Dearborn Street (1)	N/A	L+175		—	—	18,926
Other:						
Palisades construction loan	12/03	L+185		2.79%	99,378	100,000
Total Variable Interest Notes and Mortgages Payable				2.47%	722,576	824,526
Total Notes and Mortgages Payable				6.34%	\$ 3,461,714	\$ 3,537,720
Senior unsecured notes due 2007 at fair value (accrued face amount of \$499,426 and \$499,355)						
	06/07	L+77		1.96%	\$ 542,880	\$ 533,600
Unsecured revolving credit facility (4)						
	(4)	L+90		N/A	\$ —	\$ —

- (1) On June 9, 2003, the Company completed a \$170,000 mortgage financing of its 770 Broadway property. The loan bears interest at LIBOR plus 1.05%, is prepayable after one year without penalty and matures in June 2006 with two one year extension options. The proceeds of the new loan were used primarily to repay (i) a \$18,926 mortgage loan on 33 North Dearborn, (ii) a \$69,507 mortgage loan on Tysons Dulles Plaza, and (iii) \$40,000 of borrowings under the Company's unsecured revolving credit facility. In connection with the closing of the 770 Broadway loan, the Company purchased an interest rate cap, and simultaneously sold an interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes in their respective values are charged to earnings. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments is expected to substantially offset one another. Simultaneously with the completion of the 770 Broadway loan, the Company used cash from its mortgage escrow account to repay \$133,659 of the \$153,659 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties.
- (2) On August 4, 2003, the Company completed a refinancing of its 909 Third Avenue mortgage loan. The new \$125,000 mortgage loan is for a term of three years and bears interest at LIBOR plus .70% and has two one-year extension options. Simultaneously with the completion of the 909 Third Avenue loan, the Company used cash from its mortgage escrow account to repay the balance of \$20,000 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties.
- (3) On July 31, 2003, the Company replaced the mortgage on the Commerce Executive property with (i) a new \$43,000 non-recourse mortgage loan at LIBOR plus 1.50% with a two-year term and a one-year extension option and (ii) a \$10,000 unsecured loan for three years at LIBOR plus .65% with a one-year extension option.
- (4) On July 3, 2003, the Company entered into a new \$600 million unsecured revolving credit facility which has replaced its \$1 billion unsecured revolving credit facility due to mature in July, 2003. The new facility has a three-year term, a one-year extension option and bears interest at LIBOR plus .65%. The Company also has the ability under the new facility to seek up to \$800 million of commitments during the facility's term. The new facility contains financial covenants similar to the prior facility.

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7. Fee And Other Income

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

(Amounts in thousands)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Tenant cleaning fees	\$ 6,977	\$ —	\$ 14,675	\$ —
Management and leasing fees	3,767	3,567	6,045	7,504
Other income	5,886	3,466	9,040	6,259
	<u>\$ 16,630</u>	<u>\$ 7,033</u>	<u>\$ 29,760</u>	<u>\$ 13,763</u>

The above table excludes fee income from partially-owned entities which is included in income from partially-owned entities (see Note 5). Fee and other income above includes management fee income from Interstate Properties, a related party, of \$387,000 and \$381,000 in the three months ended June 30, 2003 and 2002 and \$563,000 and \$584,000 in the six months ended June 30, 2003 and 2002.

8. Income Per Share

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

(Amounts in thousands except per share amounts)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Numerator:				
Income from continuing operations	\$ 82,396	\$ 66,403	\$ 167,095	\$ 143,931

Discontinued operations	5,361	4,046	12,404	8,174
Cumulative effect of change in accounting principle	—	—	—	(30,129)
Net income	87,757	70,449	179,499	121,976
Preferred share dividends	(5,426)	(5,896)	(10,851)	(12,027)
Numerator for basic income per share – net income applicable to common shares	82,331	64,553	168,648	109,949
Impact of assumed conversions:				
Series A Preferred share dividends	1,175	—	2,350	—
Numerator for diluted income per share – net income applicable to common shares and assumed conversions	\$ 83,506	\$ 64,553	\$ 170,998	\$ 109,949
Denominator:				
Denominator for basic income per share – weighted average shares	111,478	105,903	110,297	104,486
Effect of dilutive securities:				
Series A Convertible Preferred Shares	1,992	—	1,998	—
Employee stock options	3,191	4,464	2,604	4,204
Deferred compensation shares issued but not yet earned	220	347	187	264
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	116,881	110,714	115,086	108,954
INCOME PER COMMON SHARE – BASIC:				
Income from continuing operations	\$.69	\$.57	\$ 1.42	\$ 1.26
Discontinued operations	.05	.04	.11	.08
Cumulative effect of change in accounting principle	—	—	—	(.29)
Net income per common share	\$.74	\$.61	\$ 1.53	\$ 1.05
INCOME PER COMMON SHARE – DILUTED:				
Income from continuing operations	\$.66	\$.54	\$ 1.38	\$ 1.21
Discontinued operations	.05	.04	.11	.08
Cumulative effect of change in accounting principle	—	—	—	(.28)
Net income per common share	\$.71	\$.58	\$ 1.49	\$ 1.01

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9. Comprehensive Income

The following table sets forth the Company's comprehensive income:

(Amounts in thousands)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Net income applicable to common shares	\$ 82,331	\$ 64,553	\$ 168,648	\$ 109,949
Other comprehensive income (loss)	3,669	(11,787)	3,760	(8,862)
Comprehensive income	\$ 86,000	\$ 52,766	\$ 172,408	\$ 101,087

10. Stock-Based Compensation

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the six months ended June 30, 2003, the Company recognized compensation expense of \$1,544,000, of which \$474,000 related to the January 2003 awards.

Prior to 2003, the Company accounted for stock-based compensation using the intrinsic value method (i.e. the difference between the price per share at the grant date and the option exercise price). Accordingly, no stock-based compensation was recognized in the Company's financial statements for these years. If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below:

(Amounts in thousands, except per share amounts)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Net income applicable to common shares:				
As reported	\$ 82,331	\$ 64,553	\$ 168,648	\$ 109,949
Stock-based compensation cost, net of minority interest	(1,094)	(2,023)	(2,187)	(4,046)
Pro-forma	\$ 81,237	\$ 62,530	\$ 166,461	\$ 105,903
Net income per share applicable to common shares:				
Basic:				
As reported	\$.74	\$.61	\$ 1.53	\$ 1.05
Pro-forma	\$.73	\$.59	\$ 1.51	\$ 1.01
Diluted:				
As reported	\$.71	\$.58	\$ 1.49	\$ 1.01
Pro-forma	\$.70	\$.56	\$ 1.47	\$.97

11. Discontinued Operations

Assets related to discontinued operations at June 30, 2003, represents the Company's New York City office property located at Two Park Avenue (see Note 14). The results of operations of this property as well as the Company's Baltimore, Maryland retail property which was sold on January 9, 2003 (resulting in net gain of \$2,644,000) are shown as discontinued operations. The following is a summary of the combined results of operations of these properties:

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Total revenues	\$ 8,994	\$ 9,236	\$ 18,136	\$ 18,495
Total expenses	3,633	5,190	8,376	10,321
Net income	5,361	4,046	9,760	8,174
Gain on sale of Baltimore	—	—	2,644	—
Income from discontinued operations	\$ 5,361	\$ 4,046	\$ 12,404	\$ 8,174

12. Commitments and Contingencies

At June 30, 2003, the Company's revolving credit facility had a zero balance, and the Company utilized \$9,112,000 of availability under the facility for letters of credit and guarantees. In addition, the Company has \$10,167,000 of other letters of credit outstanding as of June 30, 2003.

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

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company) and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that since the Company's current all risk insurance policies, differ from policies in effect prior to September 11, 2001 as to coverage for terrorist acts, there are breaches of these debt instruments that allow the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks, as it existed prior to September 11, 2001, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

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

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

13. Segment Information

The Company has four business segments: Office, Retail, Merchandise Mart Properties and Temperature Controlled Logistics. Effective with the first quarter of 2003, to comply with the Securities and Exchange Commission's Regulation G concerning non-GAAP financial measures, the Company has revised its definition of EBITDA to include minority interest, gains (losses) on the sale of depreciable real estate and income arising from the straight-lining of rent and the amortization of below market leases net of above market leases. EBITDA as disclosed represents "Earnings Before Interest, Taxes, Depreciation and Amortization". The prior period EBITDA has been restated to reflect these changes.

(Amounts in thousands)	For The Three Months Ended June 30,						2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 301,927	\$ 205,766	\$ 33,285	\$ 49,297	\$ —	\$ 13,579	\$ 291,157	\$ 197,671	\$ 29,082	\$ 50,599	\$ —	\$ 13,805
Straight-line rents:												
Contractual rent increases	8,057	5,760	1,714	574	—	9	8,559	7,131	380	1,042	—	6
Amortization of free rent	1,557	(502)	1,104	871	—	84	634	(243)	569	(198)	—	506
Amortization of acquired below market leases, net	2,307	2,147	160	—	—	—	3,117	3,117	—	—	—	—
Total rentals	313,848	213,171	36,263	50,742	—	13,672	303,467	207,676	30,031	51,443	—	14,317
Expense reimbursements	44,058	24,462	14,534	4,216	—	846	35,203	18,926	11,711	3,872	—	694
Fee income:												
Tenant cleaning fees	6,977	6,977	—	—	—	—	—	—	—	—	—	—
Management and leasing fees	3,767	3,368	387	—	—	12	3,567	3,186	381	—	—	—
Other	5,886	3,969	991	792	—	134	3,466	1,874	10	1,220	—	362
Total revenues	374,536	251,947	52,175	55,750	—	14,664	345,703	231,662	42,133	56,535	—	15,373
Operating expenses	141,635	91,688	18,805	19,264	—	11,878	121,589	76,535	13,554	19,928	—	11,572
Depreciation and amortization	53,974	38,700	4,235	6,719	—	4,320	49,352	33,818	3,638	7,288	—	4,608
General and administrative	27,436	9,469	2,679	4,881	—	10,407	23,501	9,215	1,763	4,894	—	7,629
Amortization of officer's deferred compensation expense	—	—	—	—	—	—	6,875	—	—	—	—	6,875
Total expenses	223,045	139,857	25,719	30,864	—	26,605	201,317	119,568	18,955	32,110	—	30,684
Operating income	151,491	112,090	26,456	24,886	—	(11,941)	144,386	112,094	23,178	24,425	—	(15,311)

Income applicable to Alexander's	4,348	—	—	—	—	4,348	4,487	—	—	—	—	4,487
Income from partially-owned entities	19,799	791	2,722	(3)	2,950(3)	13,339	9,826	726	(298)	11	1,087(3)	8,300
Interest and other investment income	3,628	761	54	27	—	2,786	9,934	2,758	78	143	—	6,955
Interest and debt expense	(58,485)	(34,151)	(15,188)	(3,939)	—	(5,207)	(59,212)	(34,024)	(13,835)	(6,687)	—	(4,666)
Net (loss) gain on disposition of wholly-owned and partially-owned assets	(1,294)	—	—	—	—	(1,294)	(4,981)	—	—	344	—	(5,325)
Minority interest	(37,091)	—	—	450	—	(37,541)	(38,037)	(474)	—	(223)	—	(37,340)
Income from continuing operations	82,396	79,491	14,044	21,421	2,950	(35,510)	66,403	81,080	9,123	18,013	1,087	(42,900)
Discontinued operations	5,361	5,361	—	—	—	—	4,046	3,847	199	—	—	—
Net income	87,757	84,852	14,044	21,421	2,950	(35,510)	70,449	84,927	9,322	18,013	1,087	(42,900)
Interest and debt expense(2)	75,848	35,368	15,864	4,286	6,197	14,133	76,199	35,436	14,470	6,687	6,302	13,304
Depreciation and amortization(2)	67,572	38,982	4,987	6,808	8,721	8,074	62,670	34,755	4,229	7,288	7,880	8,518
EBITDA(1)	\$ 231,177	\$ 159,202	\$ 34,895	\$ 32,515	\$ 17,868	\$ (13,303)	\$ 209,318	\$ 155,118	\$ 28,021	\$ 31,988	\$ 15,269	\$ (21,078)

See footnotes on page 20.

13. Segment Information - continued

(Amounts in thousands)	For The Six Months Ended June 30,											
	2003						2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 600,943	\$ 408,620	\$ 67,301	\$ 97,942	\$ —	\$ 27,080	\$ 575,624	\$ 396,034	\$ 58,898	\$ 95,024	\$ —	\$ 25,668
Straight-line rents:												
Contractual rent increases	16,554	13,080	2,114	1,370	—	(10)	16,958	14,096	760	2,091	—	11
Amortization of free rent	3,962	104	2,871	988	—	(1)	544	(849)	569	318	—	506
Amortization of acquired below market leases, net	3,752	3,425	327	—	—	—	6,234	6,234	—	—	—	—
Total rentals	625,211	425,229	72,613	100,300	—	27,069	599,360	415,515	60,227	97,433	—	26,185
Expense												
reimbursements	87,428	48,244	28,495	8,998	—	1,691	71,742	39,065	23,731	7,215	—	1,731
Fee income:												
Tenant cleaning fees	14,675	14,675	—	—	—	—	—	—	—	—	—	—
Management and leasing fees	6,045	5,458	563	—	—	24	7,504	6,903	584	17	—	—
Other	9,040	5,290	2,000	1,532	—	218	6,259	3,110	21	2,620	—	508
Total revenues	742,399	498,896	103,671	110,830	—	29,002	684,865	464,593	84,563	107,285	—	28,424
Operating expenses	290,055	183,481	37,996	44,133	—	24,445	244,798	156,021	27,990	40,135	—	20,652
Depreciation and amortization	105,597	74,721	8,494	13,822	—	8,560	96,731	67,646	7,111	13,768	—	8,206
General and administrative	54,672	17,627	5,054	9,666	—	22,325	46,719	17,123	3,061	9,705	—	16,830
Amortization of officer's deferred compensation expense	—	—	—	—	—	—	13,750	—	—	—	—	13,750
Total expenses	450,324	275,829	51,544	67,621	—	55,330	401,998	240,790	38,162	63,608	—	59,438
Operating income	292,075	223,067	52,127	43,209	—	(26,328)	282,867	223,803	46,401	43,677	—	(31,014)
Income applicable to Alexander's	11,602	—	—	—	—	11,602	10,055	—	—	—	—	10,055
Income from partially-owned entities	43,033	1,409	2,254	3	8,802(3)	30,565	23,612	1,276	(69)	13	6,392(3)	16,000
Interest and other investment income	13,424	1,645	101	57	—	11,621	19,577	3,869	157	278	—	15,273
Interest and debt expense	(116,238)	(67,955)	(29,970)	(7,150)	—	(11,163)	(116,335)	(68,108)	(27,311)	(13,870)	—	(7,046)
Net (loss) gain on disposition of wholly-owned and partially-owned assets	(1,106)	—	—	188	—	(1,294)	(3,450)	—	—	1,875	—	(5,325)
Minority interest	(75,695)	(818)	—	—	—	(74,877)	(72,395)	(1,786)	—	(772)	—	(69,837)
Income from continuing operations	167,095	157,348	24,512	36,307	8,802	(59,874)	143,931	159,054	19,178	31,201	6,392	(71,894)
Discontinued operations	12,404	9,760	2,644	—	—	—	8,174	7,891	283	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—	—	(30,129)	—	—	—	(15,490)	(14,639)
Net income	179,499	167,108	27,156	36,307	8,802	(59,874)	121,976	166,945	19,461	31,201	(9,098)	(86,533)
Cumulative effect of change in accounting principle	—	—	—	—	—	—	30,129	—	—	—	15,490	14,639
Interest and debt expense(2)	150,038	69,674	31,394	7,614	12,343	29,013	150,492	70,919	28,581	13,870	12,861	24,261
Depreciation and amortization(2)	133,682	76,619	9,998	13,999	17,470	15,596	123,806	69,780	8,009	13,768	17,253	14,996
EBITDA(1)	\$ 463,219	\$ 313,401	\$ 68,548	\$ 57,920	\$ 38,615	\$ (15,265)	\$ 426,403	\$ 307,644	\$ 56,051	\$ 58,839	\$ 36,506	\$ (32,637)

See footnotes on the following page.

13. Segment Information - continued

Notes to segment information:

- (1) Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.

- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$7,726 and \$3,744 for the three months ended June 30, 2003 and 2002 and \$11,103 and \$5,552 for the six months ended June 30, 2003 and 2002.
- (4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Newkirk MLP:				
Equity in income of limited partnership	\$ 14,655	\$ 15,500	\$ 38,457	\$ 30,529
Interest and other income	1,752	2,200	3,571	4,471
Alexander's	5,756	7,354	14,751	15,360
Industrial warehouses	1,586	1,163	3,128	2,901
Palisades (placed in service March 1, 2002)	1,269	(260)	1,907	(260)
Student Housing	432	614	1,060	1,268
Hotel Pennsylvania	267	2,404	(638)	3,157
	25,717	28,975	62,236	57,426
Minority interest expense	(37,541)	(37,340)	(74,877)	(69,837)
Unallocated general and administrative expenses	(9,443)	(6,829)	(20,256)	(14,549)
Investment income and other	9,352	6,316	19,020	13,398
Amortization of Officer's deferred compensation expense	—	(6,875)	—	(13,750)
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	(1,388)	(17,671)	(1,388)	(17,671)
Net gain on sale of marketable equity securities	—	12,346	—	12,346
Total	\$ (13,303)	\$ (21,078)	\$ (15,265)	\$ (32,637)

14. Subsequent Event

On August 6, 2003, the Company entered into an agreement to sell Two Park Avenue, a 965,000 square foot office building, for \$292 million to SEB Immobilien-Investment GMBH, a German capital investment company. The Company's net gain on the sale after closing costs will be approximately \$157,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the fourth quarter of the year.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Vornado Realty Trust as of June 30, 2003, and the related condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2003 and 2002, and of cash flows for the six-month periods ended June 30, 2003 and 2002. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Vornado Realty Trust as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 6, 2003, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Company's adoption of SFAS No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
August 7, 2003

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Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as “believes,” “expects,” “anticipates,” “intends,” “plans” or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K for the year ended December 31, 2002 under “Forward-Looking Statements” and “Item 1. Business – Certain Factors That May Adversely Affect the Company’s Business and Operations.” For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Overview

Management’s Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of the Company’s consolidated financial statements for the three and six months ended June 30, 2003 and 2002. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 periods. Actual results could differ from those estimates.

A summary of the Company’s critical accounting policies is included in the Company’s annual report on Form 10-K for the year ended December 31, 2002 in Management’s Discussion and Analysis of Financial Condition and Results of Operations and in the footnotes to the consolidated financial statements, Note 2 – Summary of Significant Accounting Policies also included in the Company’s annual report on form 10-K. There have been no significant changes to those policies during 2003.

Effective with the first quarter of 2003, to comply with the Securities and Exchange Commission’s Regulation G concerning non-GAAP financial measures, the Company has revised its definition of EBITDA to include minority interest, gains (losses) on the sale of depreciable real estate and income arising from the straight-lining of rent and the amortization of below market leases net of above market leases. EBITDA as disclosed represents “Earnings before Interest, Taxes, Depreciation and Amortization”. The prior period EBITDA has been restated to reflect these changes.

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Below is a summary of net income and a reconciliation of net income to EBITDA(1) by segment for the three months ended June 30, 2003 and 2002.

(Amounts in thousands)	Three Months Ended June 30, 2003					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 301,927	\$ 205,766	\$ 33,285	\$ 49,297	\$ —	\$ 13,579
Straight-line rents:						
Contractual rent increases	8,057	5,760	1,714	574	—	9
Amortization of free rent	1,557	(502)	1,104	871	—	84
Amortization of acquired below market leases, net	2,307	2,147	160	—	—	—
Total Rentals	313,848	213,171	36,263	50,742	—	13,672
Expense Reimbursements	44,058	24,462	14,534	4,216	—	846
Fee income:						
Tenant cleaning fees	6,977	6,977	—	—	—	—
Management and leasing fees	3,767	3,368	387	—	—	12
Other	5,886	3,969	991	792	—	134
Total revenues	374,536	251,947	52,175	55,750	—	14,664
Operating expenses	141,635	91,688	18,805	19,264	—	11,878
Depreciation and amortization	53,974	38,700	4,235	6,719	—	4,320
General and administrative	27,436	9,469	2,679	4,881	—	10,407
Total expenses	223,045	139,857	25,719	30,864	—	26,605
Operating income	151,491	112,090	26,456	24,886	—	(11,941)
Income applicable to Alexander’s	4,348	—	—	—	—	4,348
Income from partially-owned entities	19,799	791	2,722	(3)	2,950(3)	13,339
Interest and other investment income	3,628	761	54	27	—	2,786
Interest and debt expense	(58,485)	(34,151)	(15,188)	(3,939)	—	(5,207)
Net loss on disposition of wholly-owned and partially-owned assets	(1,294)	—	—	—	—	(1,294)
Minority interest	(37,091)	—	—	450	—	(37,541)
Income from continuing operations	82,396	79,491	14,044	21,421	2,950	(35,510)
Discontinued operations	5,361	5,361	—	—	—	—
Net income	87,757	84,852	14,044	21,421	2,950	(35,510)
Interest and debt expense(2)	75,848	35,368	15,864	4,286	6,197	14,133
Depreciation and amortization(2)	67,572	38,982	4,987	6,808	8,721	8,074
EBITDA(1)	\$ 231,177	\$ 159,202	\$ 34,895	\$ 32,515	\$ 17,868	\$ (13,303)

See footnotes on the following page.

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Three Months Ended June 30, 2002

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 291,157	\$ 197,671	\$ 29,082	\$ 50,599	\$ —	\$ 13,805
Straight-line rents:						
Contractual rent increases	8,559	7,131	380	1,042	—	6
Amortization of free rent	634	(243)	569	(198)	—	506
Amortization of acquired below market leases, net	3,117	3,117	—	—	—	—
Total rentals	303,467	207,676	30,031	51,443	—	14,317
Expense reimbursements	35,203	18,926	11,711	3,872	—	694
Fee income:						
Tenant cleaning fees	—	—	—	—	—	—
Management and leasing fees	3,567	3,186	381	—	—	—
Other	3,466	1,874	10	1,220	—	362
Total revenues	345,703	231,662	42,133	56,535	—	15,373
Operating expenses	121,589	76,535	13,554	19,928	—	11,572
Depreciation and amortization	49,352	33,818	3,638	7,288	—	4,608
General and administrative	23,501	9,215	1,763	4,894	—	7,629
Amount of officer's deferred compensation expense	6,875	—	—	—	—	6,875
Total expenses	201,317	119,568	18,955	32,110	—	30,684
Operating income	144,386	112,094	23,178	24,425	—	(15,311)
Income applicable to Alexander's	4,487	—	—	—	—	4,487
Income from partially-owned entities	9,826	726	(298)	11	1,087(3)	8,300
Interest and other investment income	9,934	2,758	78	143	—	6,955
Interest and debt expense	(59,212)	(34,024)	(13,835)	(6,687)	—	(4,666)
Net (loss) gain on disposition of wholly-owned and partially-owned assets	(4,981)	—	—	344	—	(5,325)
Minority interest	(38,037)	(474)	—	(223)	—	(37,340)
Income from continuing operations	66,403	81,080	9,123	18,013	1,087	(42,900)
Discontinued operations	4,046	3,847	199	—	—	—
Net income	70,449	84,927	9,322	18,013	1,087	(42,900)
Interest and debt expense(2)	76,199	35,436	14,470	6,687	6,302	13,304
Depreciation and amortization(2)	62,670	34,755	4,229	7,288	7,880	8,518
EBITDA(1)	\$ 209,318	\$ 155,118	\$ 28,021	\$ 31,988	\$ 15,269	\$ (21,078)

- (1) Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$7,726 and \$3,744 for the three months ended June 30, 2003 and 2002.
- (4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended June 30,	
	2003	2002
Newkirk MLP:		
Equity in income of limited partnership	\$ 14,655(A)	\$ 15,500
Interest and other income	1,752	2,200
Alexander's (B)	5,756	7,354
Industrial warehouses	1,586	1,163
Palisades (placed in service March 1, 2002)	1,269	(260)
Student Housing	432	614
Hotel Pennsylvania (C)	267	2,404
	25,717	28,975
Minority interest expense	(37,541)	(37,340)
Unallocated general and administrative expenses	(9,443)	(6,829)
Investment income and other	9,352(D)	6,316
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	(1,388)	(17,671)
Net gain on sale of marketable securities	—	12,346
Amortization of Officer's deferred compensation expense	—	(6,875)
Total	\$ (13,303)	\$ (21,078)

- (A) The three months ended June 30, 2003 includes \$1,900 for the Company's share of gains on sale of real estate.
- (B) Includes the Company's share of Alexander's stock appreciation rights compensation expense of \$3,285 and \$1,402 for the three months ended June 30, 2003 and 2002, respectively, based on a closing price for Alexander's stock of \$83.49 and \$76.80 on June 30, 2003 and 2002.
- (C) Average occupancy and REVPAR for the Hotel Pennsylvania were 54.8% and \$46.43 for the three months ended June 30, 2003 compared to 66.0% and \$58.77 for the prior year's quarter.

(D) The three months ended June 30, 2003, includes \$4,576 for the Company's equity in net income of Prime Group, which includes \$4,413 for the Company's share of Prime Group's lease termination fee income.

Results of Operations

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141, and fee income, were \$374,536,000 for the quarter ended June 30, 2003, compared to \$345,703,000 in the prior year's quarter, an increase of \$28,833,000. Below are the details of the increase by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Rentals:						
Acquisitions:						
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	September 2002	\$ 2,801	\$ —	\$ 2,801	\$ —	\$ —
Crystal Gateway One	July 2002	2,658	2,658	—	—	—
435 Seventh Avenue (placed in service)	August 2002	1,763	—	1,763	—	—
424 Sixth Avenue	July 2002	284	—	284	—	—
(Decrease) Increase in amortization of acquired below market leases, net		(810)	(970)	160	—	—
Same store:						
Hotel activity		(1,878)(1)	—	—	—	(1,878)(1)
Trade shows activity		(1,272)(2)	—	—	(1,272)(2)	—
Leasing activity		6,835	3,807	1,224	571	1,233
Total increase (decrease) in property rentals		10,381	5,495	6,232	(701)	(645)
Tenant expense reimbursements:						
Increase due to acquisitions		1,123	95	1,028	—	—
Same store		7,732	5,441	1,795	344	152
Total increase in tenant expense reimbursements		8,855	5,536	2,823	344	152
Fee and other income:						
Acquisitions:						
BMS tenant cleaning fees		6,977	6,977	—	—	—
Kaempfer management and leasing fees		1,756	1,756	—	—	—
Lease cancellation fee income		3,259	2,259	1,000	—	—
Management and leasing fees		(1,562)	(1,571)(3)	(3)	—	12
Other		(833)	(167)	(10)	(428)	(228)
Total increase (decrease) in fee and other income		9,597	9,254	987	(428)	(216)
Total increase (decrease) in revenues		\$ 28,833	\$ 20,285	\$ 10,042	\$ (785)	\$ (709)

- (1) Average occupancy and REVPAR for the Hotel Pennsylvania were 54.8% and \$46.43 for the three months ended June 30, 2003 compared to 66.0% and \$58.77 for the prior year's quarter.
- (2) Results primarily from a decrease in revenues of \$898 from the April Market show which was smaller in size than the prior year Market show due to the conversion of trade show space to permanent space.
- (3) Results primarily from (i) a reduction in CESCO third party leasing fees of \$576, (ii) a reduction in CESCO management fees of \$224 and (iii) a reduction in New York City office management fees of \$431.

See supplemental information on page 43 for further details of leasing activity and corresponding changes in occupancy.

Expenses

The Company's expenses were \$223,045,000 for the three months ended June 30, 2003, compared to \$201,317,000 in the prior year's quarter, an increase of \$21,728,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
BMS	\$ 4,958	\$ 4,958	\$ —	\$ —	\$ —
Crystal Gateway One	1,061	1,061	—	—	—
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	1,068	—	1,068	—	—
435 Seventh Avenue	179	—	179	—	—
424 Sixth Avenue	38	—	38	—	—
Hotel activity	(475)	—	—	—	(475)
Trade Shows activity	(269)	—	—	(269)	—
Same store operations	13,486	9,134(1)	3,966(2)	(395)	781
	<u>20,046</u>	<u>15,153</u>	<u>5,251</u>	<u>(664)</u>	<u>306</u>
Depreciation and amortization:					
Acquisitions	3,283	2,660	623	—	—
Same store operations	1,339	2,222	(26)	(569)	(288)
	<u>4,622</u>	<u>4,882</u>	<u>597</u>	<u>(569)</u>	<u>(288)</u>
General and administrative:					
Acquisitions	2,137	1,506	631	—	—
Same store operations	1,798	(1,252)(3)	285	(13)	2,778(4)
Total increase (decrease) in general and administrative	3,935	254	916	(13)	2,778
Amortization of officer's deferred compensation expense	(6,875)	—	—	—	(6,875)
	<u>\$ 21,728</u>	<u>\$ 20,289</u>	<u>\$ 6,764</u>	<u>\$ (1,246)</u>	<u>\$ (4,079)</u>

- (1) Results primarily from (i) a \$6,284 increase in real estate taxes in New York City and terrorism insurance coverage for the CESCO portfolio, a substantial portion of which is reimbursed by tenants, and (ii) an increase in bad debt expense of \$2,090, partially offset by lower commission expenses in connection with CESCO's third party leasing business.
- (2) Includes \$1,688 of allowances for doubtful accounts in excess of the quarter ended June 30, 2002.
- (3) Results from lower payroll.
- (4) Results primarily from a \$950 increase in professional fees in connection with corporate governance, insurance and other projects and a \$1,300 increase in payroll and other corporate expenses, of which (i) \$450 is due to a decrease in capitalized development payroll, (ii) \$181 is due to stock compensation expense (see below) and (iii) \$156 relates to the Company's deferred compensation plan which is offset by an equal amount of investment income.

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the second quarter of 2003, the Company recognized compensation expense of \$857,000, of which \$286,000 related to the January 2003 awards.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$4,348,000 in the quarter ended June 30, 2003, compared to \$4,487,000 in the prior year's quarter, a decrease of \$139,000. This decrease resulted primarily from the Company's share of Alexander's stock appreciation rights compensation expense of \$3,285,000 in 2003 as compared to \$1,402,000 in 2002, partially offset by an increase in development and guarantee fees in connection with Alexander's Lexington Avenue development project.

Income from Partially-Owned Entities

In accordance with accounting principles generally accepted in the United States of America, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who has shared board and management representation and authority and substantive participating rights on all significant business decisions, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income from partially-owned entities for the quarters ended June 30, 2003 and 2002:

(Amounts in thousands)	Total	Monmouth Mall(1)	Temperature Controlled Logistics	Newkirk MLP	Las Catalinas Mall(2)	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Other
June 30, 2003:								
Revenues	\$ 142,638	\$ 5,614	\$ 27,960	\$ 75,708		\$ 3,106(4)	\$ 30,250	
Expenses:								
Operating, general and administrative	(13,687)	(2,535)	(1,765)	(3,365)		(668)	(5,354)	
Depreciation	(28,865)	(998)	(14,196)	(8,159)		(316)	(5,196)	
Interest expense	(47,909)	(1,350)	(10,328)	(24,542)		—	(11,689)	
Other, net	(3,089)	(802)	522	(2,571)		—	(238)	
Net income (loss)	<u>\$ 49,088</u>	<u>\$ (71)</u>	<u>\$ 2,193</u>	<u>\$ 37,071</u>		<u>\$ 2,122</u>	<u>\$ 7,773</u>	
Vornado's interest		50%	60%	22.6%		80%	10%	

Equity in net income	\$ 15,355	\$ (36)	\$ 1,316	8,378(3)	\$ 1,698(4)	\$ 791	\$ 3,208(5)
Interest and other income	2,823	823	250	1,750	—	—	—
Fee income	1,621	237	1,384	—	—	—	—
Income from partially-owned entities	\$ 19,799	\$ 1,024	\$ 2,950	\$ 10,128	N/A(2)	\$ 1,698	\$ 3,208
June 30, 2002:							
Revenues	\$ 115,347		\$ 29,143	\$ 72,707	\$ 3,937	\$ 117	\$ 9,443
Expenses:							
Operating, general and administrative	(8,597)		(2,302)	(912)	(1,030)	(363)	(3,990)
Depreciation	(29,447)		(14,870)	(12,516)	(501)	(261)	(1,299)
Interest expense	(44,583)		(10,941)	(30,629)	(1,476)	—	(1,537)
Other, net	(2,671)		(1,987)	(336)	—	(400)	52
Net income (loss)	\$ 30,049		\$ (957)	\$ 28,314	\$ 930	\$ (907)	\$ 2,669
Vornado's interest							
			60%	21.1%	50%	80%	25%
Equity in net income	\$ 5,839		\$ (574)	\$ 5,974	\$ 428	\$ (726)	\$ 673
Interest and other income	2,476		150	2,326	—	—	—
Fee income	1,511		1,511	—	—	—	—
Income from partially-owned entities	\$ 9,826	N/A(1)	\$ 1,087	\$ 8,300	\$ 428	\$ (726)	\$ 673
Increase (decrease) in Income of partially-owned entities	\$ 9,973	\$ 1,024	\$ 1,863	\$ 1,828(3)	\$ (428)	\$ 2,424(4)	\$ 118
							\$ 3,144(5)

- The Company acquired a 50% interest in the Monmouth Mall on October 19, 2002.
- On September 23, 2002, the Company acquired the remaining 50% of the Mall and 25% of the Kmart anchor store it did not previously own. Accordingly, the operations of Las Catalinas are consolidated into the accounts of the Company subsequent to September 23, 2002.
- Includes \$1,900 for the Company's share of gains on sale of real estate.
- Includes \$2,838 of income from the settlement of a tenant bankruptcy claim, of which the Company's share is \$2,271.
- The Company records its equity in Prime Group Realty L.P. income on a one-quarter "lag basis". Equity in net income of \$4,576 for the three months ended June 30, 2003 includes the Company's share of Prime Group Realty L.P.'s lease termination income of \$4,413.

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Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$3,628,000 for the quarter ended June 30, 2003, compared to \$9,934,000 in the prior year's quarter, a decrease of \$6,306,000. This decrease resulted primarily from lower yields on the reinvestment of proceeds received from the repayment of loans from NorthStar Partnership L.P. in May 2002, and the Dearborn Center Mezzanine loan in March 2003.

Interest and Debt Expense

Interest and debt expense was \$58,485,000 for the three months ended June 30, 2003, compared to \$59,212,000 in the prior year's quarter, a decrease of \$727,000. This decrease was primarily comprised of a \$3,197,000 savings from a .71% reduction in weighted average interest rates of the Company's variable rate debt, partially offset by (i) the consolidation as of September 2002 of the Las Catalinas operations which were previously included in Income from partially-owned entities and (ii) a reduction in interest capitalized in connection with development projects.

Net Loss on Disposition of Wholly-owned and Partially-owned Assets

Net loss on disposition of wholly-owned and partially-owned assets of \$1,294,000 for the three months ended June 30, 2003 includes (i) a \$1,388,000 loss on the settlement of the guarantees of the Primestone loans on June 13, 2003, partially offset by (ii) a net gain of \$94,000 on the sale of the remaining condominium unit at the Park Laurel. The net loss on disposition of wholly-owned and partially-owned assets of \$4,981,000 for the three months ended June 30, 2002, represents (i) a \$17,671,000 loss on foreclosure of the Prime Group L.P. units, partially offset by (ii) a \$12,346,000 net gain on sale of marketable securities and (iii) a \$344,000 gain on sale of Chicago condominium units.

Discontinued Operations

Assets related to discontinued operations at June 30, 2003 represents the Company's New York City office property located at Two Park Avenue. The results of operations of this property as well as the Company's Baltimore, Maryland retail property which was sold on January 9, 2003 (resulting in net gain of \$2,644,000). The following is a summary of the combined results of operations of these properties:

	For The Three Months Ended	
	June 30,	
	2003	2002
Total revenues	\$ 8,994	\$ 9,236
Total expenses	3,633	5,190
Income from discontinued operations	\$ 5,361	\$ 4,046

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Three Months Ended June 30, 2003 and June 30, 2002

Below are the details of the changes by segment in EBITDA.

(Amounts in thousands)	Total	Office	Retail	Merchandise	Temperature	Other
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			Mart		Controlled Logistics	
Three months ended June 30, 2002	\$ 209,318	\$ 155,118	\$ 28,021	\$ 31,988	\$ 15,269	\$ (21,078)
2003 Operations:						
Same store operations(1)	(1,621)	1,906	1,025	1,744	(66)(3)	(6,230)(5)
Acquisitions, dispositions and non-same store income and expenses	23,480	2,178	5,849	(1,217)	2,665(4)	14,005(6)
Three months ended June 30, 2003	\$ 231,177	\$ 159,202(2)	\$ 34,895	\$ 32,515	\$ 17,868	\$ (13,303)
% increase (decrease) in same store operations		1.3%(2)	3.7%	5.6%	(.4)%(3)	

- Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- EBITDA and the same store percentage increase (decrease) were \$84,275 and 2.9% for the New York office portfolio and \$74,927 and (.6%) for the CESCRR portfolio. The CESCRR same store decrease of \$423 reflects a reduction in third party net leasing fees of \$287.
- The Company reflects its 60% share of the Vornado Crescent Portland Partnership's ("the Landlord") rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. The Company's joint venture does not recognize rental income unless earned and collection is assured or cash is received. The Company did not recognize \$7,726 of rent it was due for the three months ended June 30, 2003, which together with previously deferred rent is \$35,452. The tenant has advised the Landlord that (i) its revenue for the current quarter ended June 30, 2003 from the warehouses it leases from the Landlord, is lower than last year by 3.7%, and (ii) its gross profit before rent at these warehouses for the corresponding period is lower than last year by \$1,081 (a 2.9% decrease). These decreases were offset by lower general and administrative expenses and an increase in other income.
- Primarily represents losses on the sale of assets in the quarter ended June 30, 2002.
- The decrease in same store operations was primarily due to (i) a \$2,137 reduction in operating results at the Hotel Pennsylvania and (ii) a \$4,454 reduction in investment income resulting from the investment of the proceeds received from the repayment of loans at lower yields.
- Primarily reflects the loss on the Primestone foreclosure of \$17,671 and a charge of \$6,875 for the amortization of an Officer's compensation arrangement in the three months ended June 30, 2002, partially offset by a gain on the sale of marketable securities of \$12,346 during the same period.

Six Months Ended June 30, 2003 and June 30, 2002

Below is a summary of net income and a reconciliation of net income to EBITDA(1) by segment for the six months ended June 30, 2003 and 2002.

(Amounts in thousands)	Six Months Ended June 30, 2003					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 600,943	\$ 408,620	\$ 67,301	\$ 97,942	\$ —	\$ 27,080
Straight-line rents:						
Contractual rent increases	16,554	13,080	2,114	1,370	—	(10)
Amortization of free rent	3,962	104	2,871	988	—	(1)
Amortization of acquired below market leases, net	3,752	3,425	327	—	—	—
Total Rentals	625,211	425,229	72,613	100,300	—	27,069
Expense Reimbursements	87,428	48,244	28,495	8,998	—	1,691
Fee income:						
Tenant cleaning fees	14,675	14,675	—	—	—	—
Management and leasing fees	6,045	5,458	563	—	—	24
Other	9,040	5,290	2,000	1,532	—	218
Total revenues	742,399	498,896	103,671	110,830	—	29,002
Operating expenses	290,055	183,481	37,996	44,133	—	24,445
Depreciation and amortization	105,597	74,721	8,494	13,822	—	8,560
General and administrative	54,672	17,627	5,054	9,666	—	22,325
Total expenses	450,324	275,829	51,544	67,621	—	55,330
Operating income	292,075	223,067	52,127	43,209	—	(26,328)
Income applicable to Alexander's	11,602	—	—	—	—	11,602
Income from partially-owned entities	43,033	1,409	2,254	3	8,802(3)	30,565
Interest and other investment income	13,424	1,645	101	57	—	11,621
Interest and debt expense	(116,238)	(67,955)	(29,970)	(7,150)	—	(11,163)
Net (loss) gain on disposition of wholly-owned and partially-owned assets	(1,106)	—	—	188	—	(1,294)
Minority interest	(75,695)	(818)	—	—	—	(74,877)
Income from continuing operations	167,095	157,348	24,512	36,307	8,802	(59,874)
Discontinued operations	12,404	9,760	2,644	—	—	—
Net income	179,499	167,108	27,156	36,307	8,802	(59,874)
Interest and debt expense(2)	150,038	69,674	31,394	7,614	12,343	29,013
Depreciation and amortization(2)	133,682	76,619	9,998	13,999	17,470	15,596
EBITDA(1)	\$ 463,219	\$ 313,401	\$ 68,548	\$ 57,920	\$ 38,615	\$ (15,265)

(Amounts in thousands)	Six Months Ended June 30, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 575,624	\$ 396,034	\$ 58,898	\$ 95,024	\$ —	\$ 25,668
Straight-line rents:						
Contractual rent increases	16,958	14,096	760	2,091	—	11
Amortization of free rent	544	(849)	569	318	—	506
Amortization of acquired below market leases, net	6,234	6,234	—	—	—	—
Total rentals	599,360	415,515	60,227	97,433	—	26,185
Expense reimbursements	71,742	39,065	23,731	7,215	—	1,731
Fee Income:						
Tenant cleaning fees:	—	—	—	—	—	—
Management and leasing fees	7,504	6,903	584	17	—	—
Other	6,259	3,110	21	2,620	—	508
Total revenues	684,865	464,593	84,563	107,285	—	28,424
Operating expenses	244,798	156,021	27,990	40,135	—	20,652
Depreciation and amortization	96,731	67,646	7,111	13,768	—	8,206
General and administrative	46,719	17,123	3,061	9,705	—	16,830
Amount of officer's deferred compensation expense	13,750	—	—	—	—	13,750
Total expenses	401,998	240,790	38,162	63,608	—	59,438
Operating income	282,867	223,803	46,401	43,677	—	(31,014)
Income applicable to Alexander's	10,055	—	—	—	—	10,055
Income from partially-owned entities	23,612	1,276	(69)	13	6,392(3)	16,000
Interest and other investment income	19,577	3,869	157	278	—	15,273
Interest and debt expense	(116,335)	(68,108)	(27,311)	(13,870)	—	(7,046)
Net (loss) gain on disposition of wholly-owned and partially-owned assets	(3,450)	—	—	1,875	—	(5,325)
Minority interest	(72,395)	(1,786)	—	(772)	—	(69,837)
Income from continuing operations	143,931	159,054	19,178	31,201	6,392	(71,894)
Discontinued operations	8,174	7,891	283	—	—	—
Cumulative effect of change in accounting principle	(30,129)	—	—	—	(15,490)	(14,639)
Net income	121,976	166,945	19,461	31,201	(9,098)	(86,533)
Cumulative effect of change in accounting principle	30,129	—	—	—	15,490	14,639
Interest and debt expense(2)	150,492	70,919	28,581	13,870	12,861	24,261
Depreciation and amortization(2)	123,806	69,780	8,009	13,768	17,253	14,996
EBITDA(1)	\$ 426,403	\$ 307,644	\$ 56,051	\$ 58,839	\$ 36,506	\$ (32,637)

See footnotes on the following page.

Notes to segment tables:

- (1) Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$11,103 and \$5,552 for the six months ended June 30, 2003 and 2002.
- (4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Six Months Ended June 30,	
	2003	2002
Newkirk MLP:		
Equity in income of limited partnership	\$ 38,457(A)	\$ 30,529
Interest and other income	3,571	4,471
Alexander's (B)	14,751	15,360
Industrial warehouses	3,128	2,901
Palisades (placed in service on March 1, 2002)	1,907	(260)
Student Housing	1,060	1,268
Hotel Pennsylvania (C)	(638)	3,157
	62,236	57,426
Minority interest expense	(74,877)	(69,837)
Unallocated general and administrative expenses	(20,256)	(14,549)
Investment income and other	19,020(D)	13,398

Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	(1,388)	(17,671)
Net gain on sale of marketable securities	—	12,346
Amortization of Officer's deferred compensation expense	—	(13,750)
Total	<u>\$ (15,265)</u>	<u>\$ (32,637)</u>

- (A) Includes net gains of \$9,900 on sales of real estate and the early extinguishment of debt.
- (B) Includes the Company's share of Alexander's stock appreciation rights expense of \$3,285 and \$1,402 for the three months ended June 30, 2003 and 2002, respectively, based on a closing price for Alexander's stock of \$83.49 and \$76.80 at the end of such periods.
- (C) Average occupancy and REVPAR for the Hotel Pennsylvania were 54.1% and \$45.90 for the six months ended June 30, 2003 compared to 57.8% and \$52.19 for the prior year's quarter.
- (D) Includes (i) \$5,583 for the Company's equity in net income of Prime Group, which includes \$4,413 for the Company's share of lease termination fee income and (ii) \$5,655 of contingent interest income recognized in connection with the repayment of the Company's Dearborn Center Mezzanine loan.

Results of Operations

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141, and fee income, were \$742,399,000 for the six months ended June 30, 2003, compared to \$684,865,000 in the prior year's six months, an increase of \$57,534,000. Below are the details of the increase by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Rentals:						
Acquisitions:						
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	September 2002	\$ 5,556	\$ —	\$ 5,556	\$ —	\$ —
Crystal Gateway One	July 2002	5,851	5,851	—	—	—
435 Seventh Avenue (placed in service)	August 2002	3,527	—	3,527	—	—
424 Sixth Avenue	July 2002	344	—	344	—	—
(Decrease) increase in amortization of acquired below market leases, net		(2,482)	(2,809)	327	—	—
Same store:						
Hotel activity		(1,927)(1)	—	—	—	(1,927)(1)
Trade Shows activity		1,324(2)	—	—	1,324(2)	—
Leasing activity		13,658	6,672	2,632	1,543	2,811
Total increase in rentals		<u>25,851</u>	<u>9,714</u>	<u>12,386</u>	<u>2,867</u>	<u>884</u>
Tenant expense reimbursements:						
Increase due to acquisitions		2,390	128	2,262	—	—
Same store		13,296	9,051	2,502	1,783	(40)
Total increase (decrease) in tenant expense reimbursements		<u>15,686</u>	<u>9,179</u>	<u>4,764</u>	<u>1,783</u>	<u>(40)</u>
Fee and other income						
Acquisitions:						
BMS Tenant cleaning fees		14,675	14,675	—	—	—
Kaempfer management and leasing fees		1,756	1,756	—	—	—
Lease cancellation fee income		4,263	2,263	2,000	—	—
Management and leasing fees		(3,217)	(3,220)(3)	(21)	—	24
Other		(1,480)	(64)	(21)	(1,105)	(290)
Total increase (decrease) in fee and other income		<u>15,997</u>	<u>15,410</u>	<u>1,958</u>	<u>(1,105)</u>	<u>(266)</u>
Total increase in revenues		<u>\$ 57,534</u>	<u>\$ 34,303</u>	<u>\$ 19,108</u>	<u>\$ 3,545</u>	<u>\$ 578</u>

- (1) Average occupancy and REVPAR for the Hotel Pennsylvania were 54.1% and \$45.90 for the six months ended June 30, 2003 compared to 57.8% and \$52.19 for the prior year's quarter.
- (2) Reflects an increase of \$2,841 resulting from the rescheduling of two trade shows from the fourth quarter in which they were previously held to the first quarter of 2003, partially offset by lower trade show revenue in the second quarter of 2003 primarily due to a smaller April Market show this year as a result of a conversion of trade show space to permanent space.
- (3) Results primarily from a \$2,118 decrease in CESC third party leasing revenue and a \$400 decrease in CESC management fees.

Expenses

The Company's expenses were \$450,324,000 for the six months ended June 30, 2003, compared to \$401,998,000 in the prior year's six months, an increase of \$48,326,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
BMS	\$ 10,401	\$ 10,401	\$ —	\$ —	\$ —
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	1,969	—	1,969	—	—
Crystal Gateway One	1,742	1,742	—	—	—
435 Seventh Avenue	365	—	365	—	—
424 Sixth Avenue	72	—	72	—	—
Hotel activity	1,121	—	—	—	1,121
Trade Shows activity	1,559	—	—	1,559(3)	—
Same store operations	28,028	15,317(1)	7,600(2)	2,439	2,672
	<u>45,257</u>	<u>27,460</u>	<u>10,006</u>	<u>3,998</u>	<u>3,793</u>
Depreciation and amortization:					
Acquisitions	4,606	3,264	1,342	—	—
Same store operations	4,260	3,811	41	54	354
	<u>8,866</u>	<u>7,075</u>	<u>1,383</u>	<u>54</u>	<u>354</u>
General and administrative:					
Acquisitions	2,550	1,912	638	—	—
Same store operations	5,403	(1,408)	1,355	(39)	5,495(4)
Total increase (decrease) in general and administrative	<u>7,953</u>	<u>504</u>	<u>1,993</u>	<u>(39)</u>	<u>5,495</u>
Amortization of officer's deferred compensation expense	(13,750)	—	—	—	(13,750)
	<u>\$ 48,326</u>	<u>\$ 35,039</u>	<u>\$ 13,382</u>	<u>\$ 4,013</u>	<u>\$ (4,108)</u>

- (1) Results primarily from (i) an increase in real estate taxes and insurance of \$15,168, a substantial portion of which is reimbursed by tenants, and (ii) an increase in bad debt expense of \$1,736, partially offset by lower expenses in connection with CESCO's third party leasing business.
- (2) Includes \$3,706 of bad debt allowances in the six months ended June 30, 2003 of which approximately \$2,000 was recorded in connection with prior year's common area maintenance and tax billings relating to former Bradlees leases.
- (3) Results primarily from the rescheduling of two trade shows from the fourth quarter of 2002 to the first quarter of 2003.
- (4) Results primarily from a \$2,600 increase in professional fees in connection with corporate governance, insurance and other projects and a \$2,400 increase in payroll and other Corporate office expenses, of which (i) \$700 is due to a decrease in capitalized development payroll, (ii) \$306 is due to stock compensation expense (see below) and (iii) \$232 relates to the Company's deferred compensation plan which is offset by an equal amount of investment income.

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the six months ended June 30, 2003, the Company recognized compensation expense of \$1,544,000, of which \$474,000 related to the January 2003 awards.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$11,602,000 in the six months ended June 30, 2003, compared to \$10,055,000 in the prior year's six months, an increase of \$1,547,000. This resulted primarily from increased development and guarantee fees in connection with Alexander's Lexington Avenue development project, partially offset by the Company's share of Alexander's stock appreciation rights compensation expense of \$3,285,000 in 2003 as compared to \$1,402,000 in 2002.

Income from Partially-Owned Entities

In accordance with accounting principles generally accepted in the United States of America, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who has shared board and management representation and authority and substantive participating rights on all significant business decisions, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income from partially-owned entities for the six months ended June 30, 2003 and 2002:

(Amounts in thousands)	Total	Monmouth Mall(1)	Temperature Controlled Logistics	Newkirk MLP	Las Catalinas Mall(3)	Starwood Ceruzzi Joint Venture	Partially Owned Office Buildings	Other
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June 30, 2003:																		
Revenues	\$	303,072	\$	11,635	\$	60,875	\$	183,745	\$	3,433	\$	43,384						
Expenses:																		
Operating, general and administrative		(27,719)		(5,472)		(3,559)		(6,195)		(1,370)		(11,123)						
Depreciation		(54,395)		(1,996)		(28,440)		(15,857)		(632)		(7,470)						
Interest expense		(89,958)		(2,847)		(20,572)		(52,029)		—		(14,510)						
Other, net		(7,100)		(1,623)		1,158		(5,430)		(1,095)		(110)						
Net income (loss)	\$	123,900	\$	(303)	\$	9,462	\$	104,234	\$	336	\$	10,171						
Vornado's interest				50%		60%		22.6%		80%		14%						
Equity in net income	\$	34,200	\$	(152)	\$	5,677	\$	23,557(2)	\$	269(4)	\$	1,409	\$	3,440(5)				
Interest and other income		5,588		1,645		372		3,571		—		—		—				
Fee income		3,245		492		2,753		—		—		—		—				
Income from partially-owned entities	\$	43,033	\$	1,985	\$	8,802	\$	27,128		N/A(3)	\$	269	\$	1,409	\$	3,440		
June 30, 2002:																		
Revenues	\$	234,857			\$	62,709	\$	146,050	\$	7,329	\$	117	\$	18,652				
Expenses:																		
Operating, general and administrative		(19,616)				(4,217)		(4,578)		(1,939)		(913)		(7,969)				
Depreciation		(60,373)				(29,686)		(26,498)		(1,032)		(523)		(2,634)				
Interest expense		(88,050)				(21,873)		(60,594)		(2,519)		—		(3,064)				
Other, net		(1,556)				(1,805)		(336)		—		62		523				
Net income (loss)	\$	65,262			\$	5,128	\$	54,044	\$	1,839	\$	(1,257)	\$	5,508				
Vornado's interest						60%		21.1%		50%		80%		25%				
Equity in net income	\$	15,700			\$	3,077	\$	11,403	\$	937	\$	(1,006)	\$	1,237	\$	52		
Interest and other income		4,903				306		4,597		—		—		—		—		
Fee income		3,009				3,009		—		—		—		—		—		
Income from partially-owned entities	\$	23,612				N/A(1)	\$	6,392	\$	16,000	\$	937	\$	(1,006)	\$	1,237	\$	52
Increase (Decrease) in Income of partially-owned entities	\$	19,421	\$	1,985	\$	2,410	\$	11,128(2)	\$	(937)	\$	1,275(4)	\$	172	\$	3,388(5)		

- The Company acquired a 50% interest in the Monmouth Mall on October 19, 2002.
- The six months ended June 30, 2003 includes a net gain of \$9,900 from the sale of properties and the early extinguishment of debt.
- On September 23, 2002, the Company acquired the remaining 50% of the Mall and 25% of the Kmart anchor store it did not previously own. Accordingly, the operations of Las Catalinas are consolidated into the accounts of the Company subsequent to September 23, 2002.
- Reflects \$2,838 of income from the settlement of a tenant bankruptcy claim, of which the Company's share is \$2,271, partially offset by a \$1,095 net loss on dispositions of leasehold improvements in the first quarter of 2003, of which the Company's share is \$876.
- Includes \$4,576 for the Company's equity in net income of Prime Group Realty L.P., which the Company records on a one-quarter lag basis. This amount includes \$4,413 for the Company's share of lease termination fee income recognized by the Company in the second quarter of 2003.

Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$13,424,000 for the six months ended June 30, 2003, compared to \$19,577,000 in the six months ended June 30, 2002, a decrease of \$6,153,000. This decrease resulted primarily from (i) lower yields on the reinvestment of proceeds received from the repayment of the loan from NorthStar Partnership L.P. in May 2002 and the repayment of other loans (ii) lower average other investments at lower yields, partially offset by (iii) \$5,655,000 of contingent interest income recognized in connection with the repayment of the Dearborn Center loan.

Interest and Debt Expense

Interest and debt expense was \$116,238,000 for the six months ended June 30, 2003, compared to \$116,335,000 in the six months ended June 30, 2002, a decrease of \$97,000. This decrease was primarily comprised of a \$2,673,000 savings from a .63% reduction in weighted average interest rates of the Company's variable rate debt, partially offset by (i) the consolidation as of September 2002 of the Las Catalinas operations which were previously included in Income from partially-owned entities and (ii) a reduction in interest capitalized in connection with development projects.

Net Loss on Disposition of Wholly-owned and Partially-owned Assets

Net loss on disposition of wholly-owned and partially-owned assets of \$1,106,000 for the six months ended June 30, 2003, represents (i) a \$1,388,000 loss on the settlement of the guarantees of the Primestone loans on June 13, 2003, partially offset by (ii) a \$188,000 gain on sale of Chicago condominiums, and (iii) a \$94,000 gain on sale of the last Park Laurel condominium unit. The net loss on dispositions of wholly-owned and partially-owned assets in the six months ended June 30, 2002, represents (i) a \$17,671,000 loss on Primestone foreclosure, partially offset by (ii) a \$12,346,000 net gain on sale of marketable securities, and (iii) a \$1,875,000 gain on sale of Chicago condominiums.

Discontinued Operations

Assets related to discontinued operations at June 30, 2003 represents the Company's New York City office property located at Two Park Avenue. The results of operations of this property as well as the Company's Baltimore, Maryland retail property which was sold on January 9, 2003 (resulting in net gain of \$2,644,000). The following is a summary of the combined results of operations of these properties

	June 30,	
	2003	2002
Total revenues	\$ 18,136	\$ 18,495
Total expenses	8,376	10,321
Net income	9,760	8,174
Gain on sale of Baltimore	2,644	—
Income from discontinued operations	\$ 12,404	\$ 8,174

Cumulative Effect of Change in Accounting Principle

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, *Goodwill and Other Intangible Assets* (effective January 1, 2002). SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. In the first quarter of 2002, the Company wrote-off goodwill of approximately \$30,129,000 of which (i) \$15,490,000 represents its share of the goodwill arising from the Company's investment in Temperature Controlled Logistics and (ii) \$14,639,000 represents goodwill arising from the Company's acquisition of the Hotel Pennsylvania. The write-off has been reflected as a cumulative effect of a change in accounting principle.

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Six Months Ended June 30, 2003 and June 30, 2002

Below are the details of the changes by segment in EBITDA.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Six months ended						
June 30, 2002	\$ 426,403	\$ 307,644	\$ 56,051	\$ 58,839	\$ 36,506	\$ (32,637)
2003 Operations:						
Same store operations(1)	(5,315)	2,341	1,800	1,835	(91)(3)	(11,200)(5)
Acquisitions, dispositions and non-same store income and expenses	42,131	3,416	10,697	(2,754)	2,200(4)	28,572(6)
Six months ended						
June 30, 2003	\$ 463,219	\$ 313,401(2)	\$ 68,548	\$ 57,920	\$ 38,615	\$ (15,265)
% increase (decrease) in same store operations		.8%(2)	3.2%	3.3%	(.2)%(3)	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) EBITDA and the same store percentage increase (decrease) were \$168,164 and 2.1% for the New York office portfolio and \$145,237 and (.8%) for the CESCRO portfolio. The CESCRO same store decrease of \$1,101 reflects a reduction in third party net leasing fees of \$869.
- (3) The Company reflects its 60% share of the Vornado Crescent Portland Partnership's ("the Landlord") the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. The Company's joint venture does not recognize rental income unless earned and collection is assured or cash is received. The Company did not recognize \$11,103 of rent it was due for the six months ended June 30, 2003, which together with previously deferred rent is \$35,452. The tenant has advised the Landlord that (i) its revenue for the six months ended June 30, 2003 from the warehouses it leases from the Landlord, is lower than last year by 2.2%, and (ii) its gross profit before rent at these warehouses for the corresponding period is lower than last year by \$1,573 (a 2.0% decrease). These decreases were offset by lower general and administrative expenses and an increase in other income.
- (4) Primarily represents losses on the sale of assets in the quarter ended June 30, 2002.
- (5) The decrease in same store operations was primarily due to (i) a \$5,707 increase in general and administrative expenses resulting primarily from higher professional fees and payroll, (ii) a \$4,078 reduction in investment income primarily resulting from the reinvestment of the proceeds received from the repayment of loans at lower yields and (iii) a \$3,787 reduction in operating results at the Hotel Pennsylvania.
- (6) Includes (i) \$9,900 for the Company's share of Newkirk's gains on sale of real estate and early extinguishment of debt in the six months ended June 30, 2003 and (ii) a \$17,671 loss on the Primestone foreclosure, a charge of \$13,750 for the amortization of an Officer's compensation arrangement, partially offset by a gain on sale of marketable securities of \$12,346 in the six months ended June 30, 2002.

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Liquidity And Capital Resources

Six Months Ended June 30, 2003

Cash flows provided by operating activities of \$264,488,000 was primarily comprised of (i) income of \$179,499,000 and (ii) adjustments for non-cash items of \$105,137,000 partially offset by (iii) the net change in operating assets and liabilities of \$17,504,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$105,597,000 and (ii) minority interest of \$75,695,000, partially offset by (iii) the effect of straight-lining of rental income of \$18,874,000, (iv) equity in net income of partially-owned entities and income applicable to Alexander's of \$54,635,000 and (v) amortization of acquired below market leases net of above market leases of \$3,752,000.

Net cash provided by investing activities of \$2,473,000 was primarily comprised of, (i) distributions from partially-owned entities of \$33,439,000, (ii) proceeds from the sale of real estate of \$4,752,000, (iii) repayments on notes and mortgages receivable of \$26,092,000, (iv) a decrease in restricted cash of \$123,665,000 (used primarily to repay the cross-collateralized mortgages on 770 Broadway and 595 Madison Avenue), partially offset by, (v) recurring capital expenditures of \$62,754,000, (see table on following page), (vi) non-recurring capital expenditures of \$4,404,000, (see table on following page), (vii) development and redevelopment expenditures of \$32,237,000 (see table on following page), (viii) investments in partially-owned entities of \$36,011,000, (ix) the acquisition of Building Maintenance Service Company of \$13,000,000, (x) the acquisition of Kaempfer company of \$31,237,000, and (xi) the acquisition of 20 Broad Street of \$30,000,000.

Net cash used in financing activities of \$301,962,000 was primarily comprised of (i) dividends paid on common shares of \$150,175,000 (ii) repayments of borrowings of \$293,006,000, (iii) dividends paid on preferred shares of \$10,851,000, and (iv) distributions to minority partners of \$89,547,000, partially offset by, (v) proceeds from borrowings of \$217,000,000 and (vi) proceeds of \$24,617,000 from the exercise by employees of stock options.

Capital expenditures are categorized as follows:

- Recurring — capital improvements expended to maintain a property's competitive position within the market and tenant improvements and leasing commissions for costs to re-lease expiring leases or renew or extend existing leases.
- Non-recurring — capital improvements completed in the year of acquisition and the following two years which were planned at the time of acquisition and tenant improvements and leasing commissions for space which was vacant at the time of acquisition of a property.
- Development and Redevelopment expenditures include all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions and capitalized interest and operating costs until the property is substantially complete and ready for its intended use.

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Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the six months ended June 30, 2003. See page 43 for per square foot data.

(Amounts in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures (Accrual basis):						
Expenditures to maintain the assets:						
Recurring	\$ 15,837	\$ 5,995	\$ 1,391	\$ 120	\$ 7,507	\$ 824
Non-recurring	1,766	—	1,766	—	—	—
	<u>17,603</u>	<u>5,995</u>	<u>3,157</u>	<u>120</u>	<u>7,507</u>	<u>824</u>
Tenant improvements:						
Recurring	46,917	9,603	16,529	5,079	15,706	—
Non-recurring	2,638	—	2,497	141	—	—
	<u>49,555</u>	<u>9,603</u>	<u>19,026</u>	<u>5,220</u>	<u>15,706</u>	<u>—</u>
Total	\$ 67,158	\$ 15,598	\$ 22,183	\$ 5,340	\$ 23,213	\$ 824
Leasing Commissions:						
Recurring	\$ 10,920	\$ 3,964	\$ 3,266	\$ 884	\$ 2,806	\$ —
Non-recurring	730	—	697	33	—	—
	<u>\$ 11,650</u>	<u>\$ 3,964</u>	<u>\$ 3,963</u>	<u>\$ 917</u>	<u>\$ 2,806</u>	<u>\$ —</u>
Total Capital Expenditures and Leasing Commissions (Accrual basis)						
	\$ 78,808	\$ 19,562	\$ 26,146	\$ 6,257	\$ 26,019	\$ 824
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	17,932	5,451	9,366	—	3,115	—
Expenditures to be made in future periods for the current period	(44,519)	(9,650)	(21,201)	—	(13,668)	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$ 52,221	\$ 15,363	\$ 14,311	\$ 6,257	\$ 15,466	\$ 824
Development and Redevelopment:						
Expenditures:						
640 Fifth Avenue	\$ 12,658	\$ 12,658	\$ —	\$ —	\$ —	\$ —
Other	19,579	9,602	3,889	6,068	236	(216)
	<u>\$ 32,237</u>	<u>\$ 22,260</u>	<u>\$ 3,889</u>	<u>\$ 6,068</u>	<u>\$ 236</u>	<u>\$ (216)</u>

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Six Months Ended June 30, 2002

Cash flow provided by operating activities of \$247,298,000 was primarily comprised of (i) income of \$121,976,000, (ii) adjustments for non-cash items of \$158,032,000, partially offset by (iii) the net change in operating assets and liabilities of \$32,710,000. The adjustments for non-cash items were primarily

comprised of (i) a cumulative effect of change in accounting principle of \$30,129,000, (ii) amortization of Officer's deferred compensation expense of \$13,750,000, (iii) depreciation and amortization of \$95,507,000, (iv) minority interest of \$72,395,000, partially offset by (v) the effect of straight-lining of rental income of \$17,298,000, and (vi) equity in net income of partially-owned entities and income applicable to Alexander's of \$33,667,000.

Net cash used in investing activities of \$75,791,000 was primarily comprised of (i) recurring capital expenditures of \$27,851,000, (ii) non-recurring capital expenditures of \$13,603,000, (iii) development and redevelopment expenditures of \$34,841,000, (iv) investment in notes and mortgages receivable of \$741,000, (v) investments in partially-owned entities of \$21,984,000, (vi) cash restricted of \$113,831,000 for funds escrowed in connection with a mortgage financing, partially offset by (vii) distributions from partially-owned entities of \$67,454,000, (viii) repayments on notes receivable of \$60,000,000 and (ix) proceeds from the sale of marketable securities of \$53,445,000.

Net cash provided by financing activities of \$247,092,000 was primarily comprised of (i) dividends paid on common shares of \$169,838,000, (ii) dividends paid on preferred shares of \$12,027,000, (iii) distributions to minority partners of \$70,782,000, (iv) repayments of borrowings of \$200,612,000, partially offset by proceeds from (v) the issuance of common shares of \$56,658,000, (vi) notes and mortgages payable of \$619,965,000, of which \$500,000,000 was from the issuance of the Company's senior unsecured notes on June 24, 2002, and (vii) the exercise of employee share options of \$23,728,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures.

(amounts in thousands)	Total	New York City Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures:						
Expenditures to maintain the assets:						
Recurring	\$ 6,095	\$ 2,411	\$ 1,734	\$ 397	\$ 1,112	\$ 441
Non-recurring	7,090	3,762	1,570	—	1,758	—
	<u>13,185</u>	<u>6,173</u>	<u>3,304</u>	<u>397</u>	<u>2,870</u>	<u>441</u>
Tenant improvements:						
Recurring	21,756	6,857	12,783	765	1,351	—
Non-recurring	6,513	1,525	4,988	—	—	—
	<u>28,269</u>	<u>8,382</u>	<u>17,771</u>	<u>765</u>	<u>1,351</u>	<u>—</u>
Total	\$ 41,454	\$ 14,555	\$ 21,075	\$ 1,162	\$ 4,221	\$ 441
Leasing Commissions:						
Recurring	\$ 3,659	\$ 2,028	\$ 1,292	\$ 153	\$ 98	\$ 88
Non-recurring	2,644	1,630	1,014	—	—	—
	<u>\$ 6,303</u>	<u>\$ 3,658</u>	<u>\$ 2,306</u>	<u>\$ 153</u>	<u>\$ 98</u>	<u>\$ 88</u>
Total Capital Expenditures and Leasing Commissions:						
Recurring	\$ 31,510	\$ 11,296	\$ 15,809	\$ 1,315	\$ 2,561	\$ 529
Non-recurring	16,247	6,917	7,572	—	1,758	—
	<u>\$ 47,757</u>	<u>\$ 18,213</u>	<u>\$ 23,381</u>	<u>\$ 1,315</u>	<u>\$ 4,319</u>	<u>\$ 529</u>
Development and Redevelopment Expenditures:						
Palisades-Fort Lee, NJ(1)	\$ 9,287	\$ —	\$ —	\$ —	\$ —	\$ 9,287
Other	25,554	20,199	5,097	(871)(2)	558	571
	<u>\$ 34,841</u>	<u>\$ 20,199</u>	<u>\$ 5,097</u>	<u>\$ (871)</u>	<u>\$ 558</u>	<u>\$ 9,858</u>

(1) Does not include \$15,421 of Fort Lee development costs funded by a construction loan.

(2) Represents reimbursements from tenants for expenditures incurred in the prior year.

SUPPLEMENTAL INFORMATION

Three Months Ended June 30, 2003 vs. Three Months Ended March 31, 2003

Below are the details of the changes by segment in EBITDA for the three months ended June 30, 2003 from the three months ended March 31, 2003.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended March 31, 2003	\$ 232,042	\$ 154,199	\$ 33,653	\$ 25,405	\$ 20,747	\$ (1,962)
2003 Operations:						
Same store operations(1)	4,195	2,186	241	7,515(3)	(2,879)	(2,868)(4)
Acquisitions, dispositions and other non-same store income and expenses	(5,060)	2,817	1,001	(405)	—	(8,473)(5)
Three months ended June 30, 2003	<u>\$ 231,177</u>	<u>\$ 159,202(2)</u>	<u>\$ 34,895</u>	<u>\$ 32,515</u>	<u>\$ 17,868</u>	<u>\$ (13,303)</u>
% increase (decrease) in same store operations		1.4%(2)	.8%	29.8%(3)	(13.9)%	

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.

(2) Same store percentage increase was 1.9% for the New York office portfolio, and .9% for the CESCR portfolio

(3) Primarily seasonality of operations.

- (4) The decrease resulted primarily from lower investment income.
- (5) Primarily reflects \$8,000 for the Company's share of the Newkirk MLP's gains on sale of properties and early extinguishment of debt in the three months ended March 31, 2003.

Below is a reconciliation of net income and EBITDA for the three months ended March 31, 2003.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Net income for the three months ended						
March 31, 2003	\$ 91,742	\$ 82,256	\$ 13,112	\$ 14,886	\$ 5,852	\$ (24,364)
Interest and debt expense	74,190	34,306	15,530	3,328	6,146	14,880
Depreciation and amortization	66,110	37,637	5,011	7,191	8,749	7,522
EBITDA for the three months ended						
March 31, 2003	\$ 232,042	\$ 154,199	\$ 33,653	\$ 25,405	\$ 20,747	\$ (1,962)

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Senior Unsecured Debt Covenant Compliance Ratios

The following ratios as of and for the three months ended June 30, 2003, are computed pursuant to the covenants and definitions of the Company's senior unsecured notes due 2007.

	Actual	Required
Total Outstanding Debt/Total Assets	47%	Less than 60%
Secured Debt/Total Assets	42%	Less than 55%
Interest coverage (Annualized Combined EBITDA to Annualized Interest Expense)	3.02	Greater than 1.50
Unencumbered Assets/Unsecured Debt	513%	Greater than 150%

The covenants and definitions of the Company's senior unsecured notes due 2007 are described in Exhibit 4.2 to the quarterly report on Form 10-Q for the three months ended June 30, 2002.

The defined terms and amounts used to determine compliance with the above-referenced covenants differ from such terms and amounts determined in accordance with generally accepted accounting principles in the United States. Management believes that presentation of its status under these covenants is important to an understanding of the Company's financial and liquidity position and its ability to incur additional debt.

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Leasing Activity

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity:

(Square feet and cubic feet in thousands)	Office		Retail	Merchandise Mart		Temperature Controlled Logistics
	New York	CESCR		Office	Showroom	
As of June 30, 2003:						
Square feet	14,524	13,509	12,514	2,804	5,601	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	61	62	9	9	88
Occupancy rate	95.9%	94.0%	89.2%	93.2%	95.4%	70.6%
Leasing Activity:						
Quarter ended June 30, 2003:						
Square feet	124	1,125	555	76	264	—
Initial rent(1)	\$ 39.43	\$ 31.43	\$ 12.96	\$ 20.26	\$ 21.83	—
Rent per square foot on relet space:						
Square feet	68	1,061	555	76	264	—
Initial rent(1)	\$ 36.47	\$ 31.63	\$ 12.96	\$ 20.26	\$ 21.83	—
Prior escalated rent	\$ 37.07	\$ 31.08	\$ 10.69	\$ 20.02	\$ 22.24	—
Percentage increase (decrease)	(1.6)%	1.8%	21.2%	1.2%	(1.8)%	—
Rent per square foot on space previously vacant:						
Square feet	56	64	—	—	—	—
Initial rent(1)	\$ 42.08	\$ 28.21	—	—	—	—
Tenant improvements per square foot(2)	\$ 24.37	\$ 13.69	\$ 9.27	\$ 13.74	\$ 8.76	—
Leasing commissions per square foot(2)	\$ 9.44	\$ 2.91	\$ 1.35	\$ 4.74	—	—
Six Months ended June 30, 2003:						
Square feet	359	1,688	653	183	687	—
Initial rent(1)	\$ 42.82	\$ 31.31	\$ 15.29	\$ 21.92	\$ 22.32	—
Rent per square foot on relet space:						
Square feet	242	1,567	653	183	687	—

Initial rent(1)	\$	42.20	\$	31.51	\$	15.29	\$	21.92	\$	22.32	—
Prior escalated rent	\$	34.43	\$	30.61	\$	12.71	\$	21.29	\$	21.71	—
Percentage increase (decrease)		22.6%		2.9%		20.3%		3.0%		2.8%	—
Rent per square foot on space previously vacant:											
Square feet		117		121		—		—		—	—
Initial rent(1)	\$	44.00	\$	28.68		—		—		—	—
Tenant improvements per square foot(2)	\$	27.24	\$	11.27	\$	7.99	\$	40.46	\$	16.14	—
Leasing commissions per square foot(2)	\$	11.09	\$	2.35	\$	1.40	\$	12.99	\$	13.60	—

As of March 31, 2003:

Square feet	14,312	13,387	12,514	2,798	5,601	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	55	62	9	9	88
Occupancy rate	95.9%	93.2%	87.5%	92.7%	95.3%	73.1%

As of December 31, 2002:

Square feet	14,304	13,395	12,528	2,838	5,528	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	55	62	9	9	88
Occupancy rate	95.9%	93.6%	88.3%	91.7%	95.2%	78.5%

As of June 30, 2002:

Square feet	14,325	13,008	11,301	2,831	5,497	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	22	51	55	9	9	88
Occupancy rate	96.1%	94.7%	88.5%	89.8%	94.9%	78.6%

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

(2) May not be indicative of the amounts for the full year.

In addition to the above, 1,000 square feet and 10,000 square feet of retail space included in the NYC office properties was leased for the quarter and the six months ended June 30, 2003, respectively, at an initial rent of \$57.76 per square foot and \$249.91 per square foot.

Funds From Operations (FFO) for the Three and Six Months Ended June 30, 2003 and 2002

Three Months Ended June 30, 2003 and 2002

FFO was \$133,410,000, or \$1.14 per diluted share in the three months ended June 30, 2003, compared to \$116,779,000, or \$1.03 per diluted share in the prior year's quarter, an increase of \$16,631,000 or \$.11 per share. Effective with the filing of the Company's first quarter 2003 Form 10-Q, in order to report FFO in accordance with the Securities and Exchange Commission's recent Regulation G concerning non-GAAP financial measures, adhere to NAREIT's definition of FFO and to disclose FFO on a comparable basis with the vast majority of other companies in the industry, the Company has revised its definition of funds from operations to include both the effect of income arising from the straight-lining of rents and income from the amortization of acquired below market leases net of above market leases. Income from the straight-lining of rents amounted to \$8,057,000, or \$.06 per diluted share for the quarter ended June 30, 2003, and \$8,559,000, or \$.06 per diluted share for the quarter ended June 30, 2002. Income from the amortization of acquired below market leases net of above market leases amounted to \$2,307,000, or \$.02 per diluted share in the three months ended June 30, 2003 and \$3,117,000, or \$.02 per diluted share in the three months ended June 30, 2002. Such amounts are included in reported FFO above.

Included in FFO are certain items that affect comparability as detailed below. Before these items, second quarter 2003 FFO is 3.6% higher than second quarter 2002 on a per share basis.

(Amounts in thousands, except per share amounts)	For the Three Months Ended			
	June 30, 2003		June 30, 2002	
	Amount	Per Share	Amount	Per Share
FFO as shown above	\$ 133,410	\$ 1.14	\$ 116,779	\$ 1.03
Items that affect comparability of FFO:				
Gain on sale of condominiums	\$ (94)	\$ —	\$ (344)	\$ (.01)
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	1,388	.01	17,671	.16
Amortization of Officer's employment arrangement	—	—	6,875	.06
Gain on sale of marketable securities	—	—	(12,346)	(.11)
Minority Interest	(237)	—	(2,420)	(.02)
	\$ 1,057	\$.01	\$ 9,436	\$.08

Six Months Ended June 30, 2003 and 2002

FFO was \$263,515,000, or \$2.29 per diluted share in the six months ended June 30, 2003, compared to \$235,227,000, or \$2.09 per diluted share in the six months ended June 30, 2002, an increase of \$28,286,000 or \$.20 per share. As disclosed above, FFO includes income from the straight-lining of rents and amortization of acquired below market leases, net of above market leases. Income from the straight-lining of rents amounted to \$16,554,000, or \$.12 per diluted share for the six months ended June 30, 2003, and \$16,958,000, or \$.12 per diluted share for the six months ended June 30, 2002. Income from the amortization of acquired below market leases net of above market leases amounted to \$3,752,000, or \$.03 per diluted share in the six months ended June 30, 2003 and \$6,234,000, or \$.04 per diluted share in the six months ended June 30, 2002. Such amounts are included in reported FFO above.

Included in FFO are certain items that affect comparability as detailed below. Before these items, six months ended June 30, 2003 FFO is 3.6% higher than six months ended June 30, 2002 on a per share basis.

(Amounts in thousands, except per share amounts)	For the Six Months Ended			
	June 30, 2003		June 30, 2002	
	Amount	Per Share	Amount	Per Share
FFO as shown above	\$ 263,515	\$ 2.29	\$ 235,227	\$ 2.09
Items that affect comparability of FFO:				
Gain on early extinguishment of debt of a partially-owned entity (Newkirk MLP)	\$ (1,600)	\$ (0.01)	\$ —	\$ —
Amortization of Officer's employment arrangement	—	—	13,750	.12
Gain on sale of condominiums	(282)	—	(1,875)	(.02)
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	1,388	.01	17,671	.16
Gain on sale of marketable securities	—	—	(12,346)	(.11)
Minority Interest	94	—	(3,531)	(.03)
	\$ (400)	\$ —	\$ 13,669	\$.12

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The following table reconciles FFO and net income:

(Amounts in thousands)	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Net income applicable to common shares	\$ 82,331	\$ 64,553	\$ 168,648	\$ 109,949
Cumulative effect of change in accounting principle	—	—	—	30,129
Depreciation and amortization of real property	51,066	48,553	100,573	94,601
Net gain on sale of real estate	—	—	(2,644)	—
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:				
Depreciation and amortization of real property	13,537	12,903	26,785	25,784
Net gain on sale of real estate	(1,400)	—	(7,800)	—
Other	(17)	1,337	876	1,146
Minority interest in excess of preferential distributions	(13,283)	(12,214)	(25,274)	(29,910)
Series A preferred shares	132,234	115,132	261,164	231,699
FFO-diluted (1)	1,176	1,647	2,351	3,528
	\$ 133,410	\$ 116,779	\$ 263,515	\$ 235,227

(1) Assuming all of the convertible units of the Operating Partnership were converted to shares, the minority interest in partnership earnings would not be deducted in calculating FFO and the shares used in calculating FFO per share would be increased to reflect the conversion. The following table reconciles FFO as shown above, to the Operating Partnership's FFO for the three and six months ended June 30, 2003 and 2002:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
FFO, as shown above	\$ 133,410	\$ 116,779	\$ 263,515	\$ 235,227
Addback of minority interest reflected as equity in the Operating Partnership	30,313	29,945	62,733	60,912
Operating Partnership FFO	\$ 163,723	\$ 146,724	\$ 326,248	\$ 296,139

The number of shares used in determining Operating Partnership FFO per share is as follows:

Shares used for determining diluted FFO per share	116,881	113,563	115,086	112,526
Convertible units:				
Non-Vornado owned Class A units	18,403	21,352	19,413	21,295
B-1 units	822	822	822	822
B-2 units	411	411	411	411
C-1 units	855	855	855	855
E-1 units	5,680	5,680	5,680	5,680
Shares used for determining Operating Partnership diluted FFO per share	143,052	142,683	142,267	141,589

FFO 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 for the applicable periods. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers FFO a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs. Funds from operations is computed in accordance with NAREIT's definition, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with NAREIT's definition.

Below are the cash flows provided by (used in) operating, investing and financing activities:

(Amounts in thousands)	For the Six Months Ended June 30,	
	2003	2002
Operating activities	\$ 264,488	\$ 247,298

Investing activities	\$	2,473	\$	(75,791)
Financing activities	\$	(301,962)	\$	247,092

Financings

On June 9, 2003, the Company completed a \$170,000,000 mortgage financing of its 770 Broadway property. The loan bears interest at LIBOR plus 1.05%, is prepayable after one year without penalty and matures in June 2006 with two-one year extension options. The proceeds of the new loan were used primarily to repay (i) a \$18,926,000 mortgage loan on 33 North Dearborn, (ii) a \$69,507,000 mortgage loan on Tysons Dulles Plaza and (iii) \$40,000,000 of borrowings under the Company's unsecured revolving credit facility. In connection with the closing of the 770 Broadway loan, the Company purchased an interest rate cap, and simultaneously sold an interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes in their respective values are charged to earnings. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments is expected to substantially offset one another.

Simultaneously with the completion of the 770 Broadway loan, the Company used cash from its mortgage escrow account to repay \$133,659,000 of the \$153,659,000 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties.

On July 3, 2003, the Company entered into a new \$600 million unsecured revolving credit facility which has replaced its \$1 billion unsecured revolving credit facility due to mature in July, 2003. The Company has reduced the capacity because historically it has not utilized this additional capacity and to reduce costs. The new facility has a three-year term with a one-year extension option and bears interest at LIBOR plus .65%. The Company also has the ability under the new facility to seek up to \$800 million of commitments during the facility's term. The new facility contains financial covenants similar to the prior facility.

On July 31, 2003, the Company replaced the mortgage on the Commerce Executive property with (i) a new \$43,000,000 non-recourse mortgage loan at LIBOR plus 1.50% with a two-year term and a one-year extension option and (ii) a \$10,000,000 unsecured loan for three years at LIBOR plus .65% with a one-year extension option.

On August 4, 2003, the Company completed a refinancing of its 909 Third Avenue property. The new \$125,000,000 mortgage loan is for a term of three years and bears interest at LIBOR plus .70% and has two one-year extension options. Simultaneously with the completion of the 909 Third Avenue loan, the Company used cash from its mortgage escrow account to repay the balance of \$20,000,000 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risks

The Company has exposure to fluctuations in market interest rates. Market interest rates are highly sensitive to many factors that are beyond the control of the Company. Various financial instruments exist which would allow management to mitigate the impact of interest rate fluctuations on the Company's cash flows and earnings.

The Company's exposure to a change in interest rates on its wholly-owned and partially-owned debt (all of which arises out of non-trading activity) is as follows:

(Amounts in thousands, except per share amounts)	As at June 30, 2003			As at December 31, 2002	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	Balance	Weighted Average Interest Rate
Wholly-owned debt:					
Variable rate	\$ 1,265,456(1)	2.25%	\$ 12,455(2)	\$ 1,358,126	2.69%
Fixed rate	2,739,138	7.36%	—	2,713,194	7.17%
	<u>\$ 4,004,594</u>	5.75%	<u>12,455</u>	<u>\$ 4,071,320</u>	5.61%
Partially-owned debt:					
Variable rate	\$ 120,412	3.71%	1,204	\$ 131,100	4.54%
Fixed rate	815,113	8.26%	—	917,008	8.41%
	<u>\$ 935,525</u>	7.68%	<u>1,204</u>	<u>\$ 1,048,108</u>	7.92%
Minority interest			(2,595)		
Total decrease in the Company's annual net income			\$ 11,064		
Per share-diluted			<u>\$.10</u>		

(1) Includes \$542,880 for the Company's senior unsecured notes due 2007, as the Company entered into interest rate swap agreements that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing 3 month LIBOR rate (1.96% if set on June 30, 2003). In accordance with SFAS 133, as amended, the Company is required to fair value the debt at each reporting period. At June 30, 2003, the fair value adjustment was \$43,454, and is included in the balance of the senior unsecured notes above.

- (2) The effect of a 1% change in wholly-owned debt base rates shown above excludes \$20,000 of variable rate mortgage financing, collateralized by the Company's 595 Madison Avenue office property, as the proceeds are held in a restricted mortgage escrow account which bears interest at the same rate as the loans.

The fair value of the Company's debt, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt, exceeds the aggregate carrying amount by approximately \$170,003,000 at June 30, 2003.

Item 4. Controls and Procedures

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

Internal Control Over Financial Reporting: There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter to which this reports relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is from time to time involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with legal counsel, the outcome of such matters, including in respect of the matters referred to below, is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The following supplements and amends the discussion set forth under Item 3 "Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as updated by the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2003.

Primestone

As previously disclosed, Primestone filed an amended counterclaim against the Company in Delaware Chancery Court, alleging, among other things, that Vornado's April 30, 2002 foreclosure on the collateral pledged by Primestone did not comply with the Uniform Commercial Code and that Vornado had tortiously interfered with Primestone's business relations. On December 19, 2002, the Delaware Chancery Court dismissed all of Primestone's counterclaims. Primestone appealed to the Delaware Supreme Court. On April 16, 2003, the Delaware Supreme Court unanimously affirmed the Chancery Court's decision. On May 1, 2003, Primestone filed motion papers seeking to reargue the appeal and that motion was subsequently denied. On June 13, 2003, the matters were settled pursuant to a settlement agreement and all complaints and counterclaims against the Company and its affiliates were discontinued with prejudice.

Stop & Shop

As previously disclosed, on January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey claiming the Company has no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, terminated the Company's right to reallocate. On March 3, 2003, after the Company moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint.

On March 26, 2003 Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its District of New Jersey complaint. On April 9, 2003, the Company moved the New York Supreme Court action to the United States District Court for the Southern District of New York. On June 30, 2003, the District Court ordered that the case be placed in suspension and ordered the parties to proceed in a related case that the Company commenced in the United States Bankruptcy Court for the Southern District of New York. On July 24, 2003, the Bankruptcy Court referred the related case to mediation. If this matter is not resolved through mediation, the hearing will reconvene on September 10, 2003. The Company believes that the additional rent provision of the guaranty expires at the earliest in 2012 and will vigorously oppose Stop & Shop's complaint.

Item 2. Changes in Securities and Use of Proceeds

During the three months ended June 30, 2003, the Company issued 859 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units in private placements in earlier periods in exchange for their interests in limited partnerships that owned real estate. Additionally, the Company issued an aggregate of 262,614 common shares upon redemption of Class A units during the three months ended March 31, 2003. All of the common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4(2) of that Act.

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

On May 28, 2003, the Company held its annual meeting of shareholders. The shareholders voted, in person or by proxy, for the election of three nominees to serve on the Board of Trustees for terms described below and until their respective successors are duly elected and qualified. The results of

the voting are shown below:

Election of Trustees:

Trustee	Term	Votes Cast for	Votes Cast Against or Withheld
Steven Roth	3 years	79,637,153	19,923,934
Michael D. Fascitelli	3 years	79,600,457	19,960,630
Russell B. Wight, Jr.	3 years	97,703,912	1,857,175

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index.
 (b) Reports on Form 8-K:

**Period Covered:
 (Date of Earliest Event
 Reported)**

Period Covered: (Date of Earliest Event Reported)	Items Reported	Dated Filed
April 23, 2003	Revision of definition of Funds from Operations to include straight-lining of rents.	April 24, 2003
May 5, 2003	Chairman's letter regarding results of the Company's operations and financial conditions.	May 6, 2003
May 28, 2003	Approval of filing of a shelf registration statement.	June 2, 2003

SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: August 8, 2003

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

EXHIBIT INDEX

Exhibit No.		
3.1	—	Amended and Restated Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 – Incorporated by reference to Exhibit 3(a) of Vornado's Registration Statement on Form S-4 (File No. 33-60286), filed on April 15, 1993 *
3.2	—	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 – Incorporated by reference to Exhibit 3.2 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002 *
3.3	—	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 – Incorporated by reference to Exhibit 3.3 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-11954), filed on March 11, 2002 *
3.4	—	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 – Incorporated by reference to Exhibit 3.2 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000 *
3.5	—	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 – Incorporated by reference to Exhibit 3.5 of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *

- 3.6 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 – Incorporated by reference to Exhibit 3.4 of Vornado’s Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000 *
- 3.7 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 – Incorporated by reference to Exhibit 3.5 of Vornado’s Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000 *
- 3.8 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 – Incorporated by reference to Exhibit 4.6 of Vornado’s Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001 *
- 3.9 — Articles of Amendment of Declaration of Trust of Vornado dated May 31, 2002, as filed with the Department of Assessments and Taxation of the State of Maryland on June 13, 2002 – incorporated by reference to Exhibit 3.9 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954) *

* Incorporated by reference.

- | Exhibit No. | | | |
|-------------|---|---|---|
| 3.10 | — | Articles of Amendment of Declaration of Trust of Vornado dated June 6, 2002, as filed with the Department of Assessments and Taxation of the State of Maryland on June 13, 2002 – incorporated by reference to Exhibit 3.10 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954) | * |
| 3.11 | — | Articles Supplementary Classifying Vornado’s \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share – Incorporated by reference to Exhibit 3.11 of Vornado’s Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 | * |
| 3.12 | — | Articles Supplementary Classifying Vornado’s \$3.25 Series A Convertible Preferred Shares of Beneficial Interest, as filed with the State Department of Assessments and Taxation of Maryland on December 15, 1997 – Incorporated by reference to Exhibit 3.10 to Vornado’s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002 | * |
| 3.13 | — | Articles Supplementary Classifying Vornado’s Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the “Series D-1 Preferred Shares”) – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 | * |
| 3.14 | — | Articles Supplementary Classifying Additional Series D-1 8.5% Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999 | * |
| 3.15 | — | Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.3 of Vornado’s Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999 | * |
| 3.16 | — | Articles Supplementary Classifying Vornado’s Series C 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.7 of Vornado’s Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999 | * |
| 3.17 | — | Articles Supplementary Classifying Vornado Realty Trust’s Series D-2 8.375% Cumulative Redeemable Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 | * |
| 3.18 | — | Articles Supplementary Classifying Vornado’s Series D-3 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 | * |

* Incorporated by reference.

- | Exhibit No. | | | |
|-------------|---|--|---|
| 3.19 | — | Articles Supplementary Classifying Vornado’s Series D-4 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 | * |

- 3.20 — Articles Supplementary Classifying Vornado’s Series D-5 8.25% Cumulative Redeemable Preferred Shares – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999 *
- 3.21 — Articles Supplementary Classifying Vornado’s Series D-6 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000 *
- 3.22 — Articles Supplementary Classifying Vornado’s Series D-7 8.25% Cumulative Redeemable Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000 *
- 3.23 — Articles Supplementary Classifying Vornado’s Series D-8 8.25% Cumulative Redeemable Preferred Shares – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 *
- 3.24 — Articles Supplementary Classifying Vornado’s Series D-9 8.75% Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.25 — Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 – Incorporated by reference to Exhibit 3.12 of Vornado’s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
- 3.26 — Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 (the “Partnership Agreement”) – Incorporated by reference to Exhibit 3.26 of Vornado’s Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003. *
- 3.27 — Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 of Vornado’s Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
- 3.28 — Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 of Vornado’s Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 *
- 3.29 — Third Amendment to the Partnership Agreement, dated as of November 12, 1998 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 *

* Incorporated by reference.

**Exhibit
No.**

- 3.30 — Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999 *
- 3.31 — Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999 *
- 3.32 — Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 *
- 3.33 — Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 – Incorporated by reference to Exhibit 3.3 of Vornado’s Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 *
- 3.34 — Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 – Incorporated by reference to Exhibit 3.4 of Vornado’s Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 *
- 3.35 — Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 – Incorporated by reference to Exhibit 3.3 of Vornado’s Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *
- 3.36 — Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 – Incorporated by reference to Exhibit 3.4 of Vornado’s Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 *
- 3.37 — Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on *

- 3.38 — Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000 *
- 3.39 — Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000 *
- 3.40 — Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 – Incorporated by reference to Exhibit 3.2 of Vornado’s Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 *
- 3.41 — Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 – Incorporated by reference to Exhibit 4.35 of Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001 *

* Incorporated by reference.

**Exhibit
No.**

- 3.42 — Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 – Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.43 — Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 – Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.44 — Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 – Incorporated by reference to Exhibit 3.1 of Vornado’s Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002 *
- 3.45 — Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 – Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954) *
- 3.46 — Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 – Incorporated by reference to Exhibit 3.27 of Vornado’s Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
- 4.1 — Instruments defining the rights of security holders (see Exhibits 3.1 through 3.24 of this Quarterly Report on Form 10-Q) *
- 4.2 — Specimen certificate representing Vornado’s Common Shares of Beneficial Interest, par value \$0.04 per share – Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Vornado’s Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995 *
- 4.3 — Specimen certificate representing Vornado’s \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share, no par value – Incorporated by reference to Exhibit 4.3 of Vornado’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
- 4.4 — Specimen certificate evidencing Vornado’s Series B 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 4.2 of Vornado’s Registration Statement on Form 8-A (File No. 001-11954), filed on March 15, 1999 *
- 4.5 — Specimen certificate evidencing Vornado’s 8.5% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preferences \$25.00 per share, no par value – Incorporated by reference to Exhibit 4.2 of Vornado’s Registration Statement on Form 8-A (File No. 001-11954), filed May 19, 1999 *
- 4.6 — Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. – Incorporated by reference to Exhibit 10.48 of Vornado’s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *

* Incorporated by reference.

**Exhibit
No.**

- 4.7 — Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee – Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.’s Current Report on Form 8-K dated June 19, 2002 *

- 4.8 — Officer's Certificate pursuant to Sections 102 and 301 of the Indenture, dated June 24, 2002 – Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002
- 10.1** — Employment agreement between Vornado Realty Trust and Mitchell N. Schear, dated April 9, 2003
- 10.2 — Revolving Credit Agreement, dated as of July 2, 2003 among Vornado Realty L.P., as borrower, Vornado Realty Trust, as general partner, and JPMorgan Chase Bank (as Administrative Agent), Bank of America, N.A. and Citicorp North American, Inc., Deutsche Bank Trust Company Americas and Fleet National Bank, and JPMorgan Chase Bank (in its individual capacity)
- 10.3 — Guaranty of Payment, made as of July 2, 2003, by Vornado Realty Trust, for the benefit of JPMorgan Chase Bank
- 15.1 — Letter regarding Unaudited Interim Financial Information
- 31.1 — Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
- 31.2 — Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
- 32.1 — Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 — Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference.

** Management contract or compensatory plan.

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of April 9, 2003, by and between Vornado Realty Trust (the "Company") and Mitchell N. Schear ("Employee").

WHEREAS, the Company, the Employee, Gretchen Dudney, Laurie Kramer, Paul Sowter, Patrick Tyrrell, John Nicolosi and Amy Schear have entered into a Contribution Agreement dated April 9, 2003 (the "Contribution Agreement"), in accordance with which the Company will acquire all of the membership interests in Kaempfer Management Services, LLC ("KMS"), and The Kaempfer Company, Inc. as well as the Kaempfer Ownership Entities and the Waterfront Option (as such terms are defined in the Contribution Agreement);

WHEREAS, Employee currently serves as President of KMS; and

WHEREAS, the Company wishes to secure the continued services of Employee to the Company following the completion of the transactions authorized by the Contribution Agreement;

NOW THEREFORE, in consideration of the premises and the mutual covenants set forth below, the parties hereby agree as follows:

1. **Employment.** The Company hereby agrees to employ Employee as President of the Charles E. Smith Commercial Realty Division of the Company (the "Smith Division") and President of KMS and Employee hereby accepts such employment, on the terms and conditions hereinafter set forth.
2. **Term.** The period of employment of Employee by the Company hereunder (the "Employment Period") shall commence as of the Closing Date (as such term is defined in the Contribution Agreement, hereinafter referred to as the "Commencement Date"), and shall continue until the fourth anniversary thereof; provided that commencing on the fourth anniversary of the Commencement Date, and upon each subsequent anniversary of the Commencement Date, the Employment Period shall be automatically extended for one (1) additional year unless either party gives written notice not to extend this Agreement prior to three (3) months before such extension would otherwise be effectuated. Notwithstanding the foregoing or anything to the contrary set forth herein, in the event Employee's employment earlier terminates in accordance with Section 6, the Employment Period shall end upon such earlier termination.
3. **Duties and Responsibilities.** During the Employment Period, Employee will serve as President of the Smith Division in charge of the Company's Washington, D.C. metropolitan area office division, will perform other executive duties on behalf of the Company consistent with his position and shall report to the President of the Company, or such other senior officer of the Company as designated by the President or

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Chief Executive Officer of the Company. In addition, Employee shall initially serve as President of KMS and shall continue in such position for a period to be determined by the Company in its sole discretion. Employee shall devote substantially all of his working time, attention and energies during normal business hours (other than absences due to illness or vacation) to the performance of his duties for the Company. Notwithstanding the foregoing or anything to the contrary set forth herein, Employee shall, during the term of this Agreement, have the right to engage in Items 6 and 7 on the list of "Excluded Activities" provided in Attachment A hereto, provided that such activities do not impair Employee's ability to perform services to the Company as set forth herein.

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

(a) **Base Salary and Bonus.** During the Employment Period the Company shall pay Employee a base salary at the rate of not less than \$500,000 per year ("Base Salary"). Employee's Base Salary shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. If Employee's Base Salary is increased by the Company, such increased Base Salary shall then constitute the Base Salary for all purposes under this Agreement. In addition to Base Salary, the Employee (i) may be entitled to an annual incentive bonus ("Bonus") each fiscal year (at a target of 50% of Base Salary) at the sole discretion of the Company, to be payable at the same time as bonuses are paid to the senior executive officers of the Company listed on Schedule 1 hereto (the "Senior Executive Officers"); and (ii) shall be entitled to participate in extraordinary bonus plans and programs of the Company along with other Senior Executive Officers eligible to participate in such programs. Notwithstanding the foregoing, Employee shall receive a bonus of not less than \$200,000 for the Company's fiscal year in which the Commencement Date occurs.

(b) **Share Options.** Employee shall be granted share options to purchase 125,000 common shares of beneficial interest ("Stock") of the Company pursuant to the terms of the Company's 2002 Omnibus Share Plan (the "2002 Plan") at a purchase price per share equal to the fair market value of the Stock on the date the options are granted (the "Options"). Such Options shall be granted on the Commencement Date, and shall be subject to the general terms of the 2002 Plan and the share option agreement thereunder in the form attached hereto as Exhibit A. The Options shall become exercisable at a rate of one-third (33 1/2 %) after the first anniversary of the date of grant, and an additional one-third (33 1/2 %) on each of the second and third anniversaries of such date, provided Employee remains an employee of the Company on such respective dates. Notwithstanding the foregoing, the Options will accelerate and become fully exercisable if (i) Employee is terminated pursuant to Sections 6(e) or 6(f), or (ii) upon the sale or change in control of the Company (collectively, a "Sale"). Any future share option grants shall be made to Employee on comparable terms as such grants are made to other Senior Executive Officers.

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(c) **Benefit Plans.** Employee shall be entitled to participate in such retirement, pension, insurance, health, or other benefit plan or program, fringe benefit or other perquisite that generally is provided by the Company for other Senior Executive Officers of the Company, or which it may adopt from time to time for its Senior Executive Officers, in accordance with the eligibility requirements for participation therein. Nothing herein shall be construed so as to prevent the Company from modifying or terminating any employee benefit plans or programs, or employee fringe benefits, it may adopt from time to time. Notwithstanding the foregoing, to the extent that the health benefits provided to the Employee by the Company hereunder are not economically

equivalent to those provided to Employee by his former employer immediately prior to the date hereof (as a result of new or increased co-pay arrangements, increased deductibles, or the like), the Company shall make a monthly cash payment to Employee to compensate him for any reduction in such benefits, provided, however, that the total of all such monthly cash payments shall not exceed \$10,000 per year.

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

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

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

(g) Restricted Stock Agreement. On the Commencement Date, the Employee will be granted a number of shares of restricted Stock (the "Restricted Shares") pursuant to the terms of the Company's 2002 Plan and a restricted stock agreement in the form of Exhibit B hereto equal to the result of dividing \$1,000,000 by the fair market value of one share of Stock on the Commencement Date. Such Restricted Shares shall vest in equal annual installments over a four (4) year period commencing on the Commencement Date and shall earlier vest if the Employee's employment is terminated pursuant to Sections 6(b), 6(c), 6(e) or 6(f). Notwithstanding the foregoing, such Restricted Shares shall become fully vested upon a Sale.

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

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

(b) Death. The death of Employee.

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(c) Disability. If Employee shall be Disabled for a period of six (6) consecutive months and within thirty (30) days after written Notice of Termination is given by the Company after such six (6) month period, Employee shall not have returned to the substantial performance of his duties on a full-time basis, the Company shall have the right to terminate Employee's employment hereunder for "Disability". For purposes of this Agreement, "Disability" or "Disabled" shall mean "Total Disability" or "Totally Disabled" or such similar term as may be defined in the Company's long term disability plan; provided, that, if no such plan exists, "Disability" or "Disabled" shall have the meaning provided in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(d) Cause. The Company terminates Employee for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate Employee's employment upon Employee's (i) willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness) which has not been cured within thirty (30) days after delivery to Employee of a written notice that identifies the manner in which the Company believes that Employee has willfully not substantially performed his duties, (ii) willful misconduct which is economically injurious to the Company or to any entity in control of, controlled by or under common control with the Company (an "Affiliate"), including, but not limited to, any breach of Sections 9 and 10 hereof which has not been cured within thirty (30) days after delivery to Employee of a written notice that identifies the manner in which the Company believes that Employee has willfully engaged in misconduct that has economically injured the Company or an Affiliate, or (iii) the conviction of, or plea of guilty or nolo contendere to, a felony, or (iv) habitual drug or alcohol abuse which materially impairs Employee's ability to perform his duties hereunder.

(e) Material Breach. Employee terminates his employment for a material breach of this Agreement by the Company. For purposes of this Agreement, a "material breach" shall be deemed to occur upon (i) a failure by the Company to comply with any material provision of this Agreement or (ii) a relocation by the Company of Employee's principal place of employment to outside the Washington, D.C. metropolitan area, which, in the case of clauses (i) and (ii) of this Section 6(e) has not been reasonably cured within thirty (30) days after written notice of such event has been given by Employee to the Company. Notwithstanding the foregoing or anything to the contrary set forth herein, in no event will the failure of the Company to employ Employee as President of KMS constitute a "material breach" of this Agreement.

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

(g) Voluntary Termination. Employee terminates this Agreement and Employee's employment hereunder at any time upon ninety (90) days prior written notice to the Company.

7. Termination Procedure.

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(a) Notice of Termination. Any termination of Employee by the Company or by Employee (other than termination pursuant to (i) Section 6(a) (which shall require the notice specified in Section 2) or (ii) Section 6(b) hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee under the provisions so indicated.

(b) Date of Termination. "Date of Termination" shall mean (i) if Employee's employment is terminated by the expiration of this Agreement, the date of expiration, (ii) if Employee's employment is terminated by his death, the date of his death, (iii) if Employee's employment is terminated pursuant to Section 6(c) hereof, thirty (30) days after Notice of Termination is given (provided that Employee shall not have again become available for service on a regular basis during such thirty (30) day period), (iv) if Employee's employment is terminated pursuant to Sections 6(d), 6(e), 6(f) or 6(g), the date specified in the Notice of Termination, and (v) if Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given.

8. Amounts Due Upon Termination or During Disability. In the event Employee is Disabled or his employment terminates during the Employment Period, the Company shall provide Employee with the payments set forth below. Employee acknowledges and agrees that the payments set forth in this Section 8 constitute liquidated damages for termination of his employment during the Employment Period, provided, however, that such payments shall not limit any rights Employee may have to payments arising from matters outside the terms of this Agreement.

(a) During any period that Employee is Disabled (“Disability Period”), Employee shall continue to receive his Base Salary at the rate then in effect for such Disability Period until his employment is terminated pursuant to Section 6(c) hereof. Payments made to Employee pursuant to this Section 8(a) during the first six (6) months of the Disability Period shall be reduced by the sum of the amounts, if any, paid to the Employee at or prior to the time of any such payment under disability benefit plans of the Company or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment, provided, however, that if any disability plan of the Company provides for the reduction of benefit payments thereunder as a result of payments that are made or may be made under this Section 8(a), then there shall be no reduction of payments under this Section 8(a) as a result of payments under such disability plan. Employee shall also be entitled to any other benefits or payments provided pursuant to any plan or policy of the Senior Executive Officers of the Company in accordance with such plan’s or policy’s terms.

(b) If Employee’s employment is terminated pursuant to Sections 6(a), 6(b), 6(d) or 6(g) the Company shall pay Employee (i) his accrued but unpaid Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is

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given, (ii) any annual earned but unpaid bonus for any completed fiscal year (plus a pro rata share of Employee’s target bonus for the fiscal year of termination), (ii) the benefits, fringes and perquisites, including, without limitation, accrued vacation, up to the date of termination, and (iii) any other amount due Employee under any other program or plan of the Company in which the Employee participates.

(c) If Employee’s employment is terminated pursuant to Sections 6(e), or 6(f), the Company shall pay to Employee his (A) accrued and unpaid Base Salary through the Date of Termination and (B) a payment (the “Severance Payment”) equal to the sum of (i) Employee’s then current Base Salary and (ii) the average of the Bonus earned by Employee, if any, in each of the two fiscal years immediately preceding the Date of Termination; if Employee has been employed less than two fiscal years, such average shall be deemed to be \$200,000. The payment described in clause (A) shall be made as soon as administratively feasible following the Date of Termination and the payment as described in clause (B) shall be paid ratably in accordance with the Company’s customary payroll practices over the one year period following the Date of Termination. Notwithstanding the forgoing or anything to the contrary set forth herein, the payment described in clause (B) shall equal at least \$750,000.

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

9. Confidential Information and Removal of Documents.

(a) Employee agrees to keep secret and retain in the strictest confidence all Confidential Information which relates to the Company and any of its Affiliates. “Confidential Information” (a) means information (i) that is learned by Employee from the Company or any Affiliate before or after the date of this Agreement (other than Confidential Information that was known by Employee on a nonconfidential basis prior to the disclosure thereof); (ii) that is commercially valuable to the Company and (iii) that is not published or of public record or otherwise generally known (other than through failure of Employee to fully perform his obligations hereunder), and (b) includes, without limitation, customer lists, client lists, trade secrets, pricing policies and other business affairs of the Company and any of its Affiliates. Employee agrees not to disclose any such Confidential Information to anyone outside the Company or any of its Affiliates, whether during or after his period of service with the Company, except (x) as such disclosure may be required or appropriate in connection with his service or (y) when required to do so by a court of law, by any governmental agency or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order his to divulge, disclose or make accessible such information. Employee agrees to give the Company advance written notice of any disclosure pursuant to clause (y) of the preceding sentence and to cooperate with any efforts by the Company to limit the extent of such disclosure.

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(b) All records, files, drawings, documents, models, equipment, and the like relating to the Company’s business, which Employee has control over shall not be removed from the Company’s premises without its written consent, unless such removal is in the furtherance of the Company’s business or is in connection with Employee’s carrying out his duties under this Agreement and, if so removed, shall be returned to the Company promptly after termination of Employee’s employment hereunder, or otherwise promptly after removal if such removal occurs following termination of employment. Employee’s rolodex, telephone directory and similar type items, and furniture, art work and property owned by Employee or otherwise not owned by the Company shall not be deemed Company property and shall not be covered by this Section 9(b). The Company shall be the owner of all trade secrets and other products relating to the Company’s business developed by Employee alone or in conjunction with others as part of his employment with the Company.

10. Non-Competition.

(a) In consideration of the benefits to be provided to Employee hereunder, Employee covenants that he will not, without the prior written consent of the Company, during the Employment Period and the period of one (1) year immediately following his termination of employment for any reason other than pursuant to Sections 6(a), 6(e) and 6(f) (the “Restriction Period”) engage, in the Washington, D.C. metropolitan area, in any way, directly or indirectly, in the financing, acquisition, operation, development, management, leasing or disposition of any commercial office real estate property or any improvements thereof on behalf of any public or non-public company, other than the activities set forth in Attachment A hereto (the “Excluded Activities”).

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

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

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the Employment Period by the Company or any of its Affiliates, or otherwise encourage or entice such person or entity to leave such employment.

(d) Employee acknowledges that the restrictions, prohibitions and other provisions of this Section 10 are reasonable, fair and equitable in scope, terms and duration, are necessary to protect the legitimate business interests of the Company and are a material inducement to the Company to enter into this Agreement. It is the intention of the parties hereto that the restrictions contained in this paragraph be enforceable to the fullest extent permitted by applicable law. Therefore, to the extent any court of competent jurisdiction shall determine that any portion of the foregoing restrictions is excessive, such provision shall not be entirely void, but rather shall be limited or revised only to the extent necessary to make it enforceable.

11. Remedy. Should Employee engage in or perform, either directly or indirectly, any of the acts prohibited by Sections 9 and 10, it is agreed that the Company shall be entitled to immediately withhold any payments or benefits to be made to Employee under Section 8 of this Agreement and shall be entitled to full injunctive relief, to be issued by any competent court of equity, enjoining and restraining Employee and each and every other person, firm, organization, association, or corporation concerned therein, from the continuance of such violative acts. The foregoing remedy available to Company shall not be deemed to limit or prevent the exercise by the Company of any or all further rights and remedies which may be available to the Company hereunder or at law or in equity.

12. Successors; Binding Agreement. This Agreement shall be binding upon and shall inure to the benefit of Employee, his heirs, executors, administrators, beneficiaries and assigns and shall be binding upon and shall inure to the benefit of the Company and its successors.

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

If to Employee:

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

With a copy to:

Jay A. Epstein, Esq.
Piper Rudnick LLP

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1200 19th Street, N.W.
Washington, D.C. 20036

If to the Company:

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

Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attention: Chief Administrative Officer

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

14. Resolution of Differences Over Breaches of Agreement. The parties shall use good faith efforts to resolve any controversy or claim arising out of, or relating to this Agreement or the breach thereof, first in accordance with the Company's internal review procedures, except that this requirement shall not apply to any claim or dispute under or relating to Sections 9 or 10 of this Agreement. If despite their good faith efforts, the parties are unable to resolve such controversy or claim through the Company's internal review procedures, then such controversy or claim shall be resolved by arbitration in Manhattan, New York, in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If any contest or dispute shall arise between the Company and Employee regarding any provision of this Agreement, the Company shall reimburse Employee for all legal fees and expenses reasonably incurred by Employee in connection with such contest or dispute, but only if Employee is successful in respect of substantially all of Employee's claims brought and pursued in connection with such contest or dispute.

15. **Governing Law.** This Agreement is governed by, and is to be construed and enforced in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. **Amendment.** No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Employee and by a duly authorized officer of the Company, and such waiver is

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set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

17. **Survival.** The respective obligations of, and benefits afforded to, Employee and Company as provided in Sections 8, 9, 10, and 14 of this Agreement shall survive the termination of this Agreement.

18. **No Conflict of Interest.** During the Employment Period, Employee shall not directly, or indirectly render service, or undertake any employment or consulting agreement with another entity without the express written consent of the Board. Notwithstanding the foregoing, it is expressly understood and agreed that the Employee's engaging in the Excluded Activities shall not constitute a conflict of interest for purposes of this Agreement.

19. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

20. **Entire Agreement.** This Agreement and the attachments and exhibits hereto sets forth the entire agreement of the parties hereto in respect of Employee's employment by the Company and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written by any officer, employee or representative of any party hereto in respect of such subject matter. Any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled.

21. **Section Headings.** The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

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

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

EMPLOYEE

/s/ Mitchell N. Schear

MITCHELL N. SCHEAR

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Attachment A
Excluded Activities

1. The right to engage, in the Washington, D.C. metropolitan area (the "Non-Compete Area"), in any way, directly or indirectly, in the financing, acquisition, operation, development, leasing or disposition of any primarily (determined on a relative square foot basis) commercial real estate property or any improvements thereof ("Ownership Prohibited Activities") on behalf of any private company (a "Prohibited Company") where the projects of the Prohibited Company directly related to Ownership Prohibited Activities in the Non-Compete Area involve ownership and control of operating properties of less than 3,500,000 rentable square feet (not including any square footage with respect to properties listed in Item 7 below).
2. The right to engage, in the Non-Compete area, in any way, directly or indirectly, in the management and leasing of any primarily (determined on a relative square foot basis) commercial office real estate property or any improvements thereof ("Management Prohibited Activities") on behalf of any Prohibited Company where the projects of the Prohibited Company directly related to Management Prohibited Activities in the Non-Compete Area involve management of operating properties of less than 6,000,000 rentable square feet (not including any square footage with respect to properties listed in Item 7 below).
3. The right to engage in Ownership Prohibited Activities and Management Prohibited Activities through a company started by Employee following the termination of the Employment Period.
4. The right to engage in lease brokerage (representing only tenants (excluding any Tenant (as defined in Section 10(c) of the Agreement)), sales brokerage or mortgage brokerage activities.

5. The acquisition, ownership, development, management, leasing or disposition of any property by any entity in which Employee owns or acquires an equity interest as a minority passive investor (including, without limitation, as a limited partner or a non-operating member of a limited liability company) having no managerial or similar role with respect to such property.
6. (i) Oversight and involvement in, and (ii) strategic control over the European “McArthur Glen” business, provided, however, that for purposes of Section 3 hereof, Employee may exercise strategic control over the European “McArthur Glen” business for a period not to exceed 180 days from the Commencement Date.

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7. Oversight of specified investments, passive investments and investments not being transferred 100% to the Company pursuant to the transactions authorized by the Contribution Agreement, including the following:
 - a. 1925 K Street
 - b. Waterfront
 - c. Central Place
 - d. French Holiday Investments, LLC
 - e. RRI, LLC
 - f. The Investment Building, 1501 K Street, N.W.
 - g. 2099 Pennsylvania Avenue, N.W.
8. Acting as consultant to governmental entities of the District of Columbia in connection with real estate developments.

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Schedule 1
List of Senior Executive Officers

1. Melvyn H. Blum, Executive Vice President - - Development
 2. Michelle Felman, Executive Vice President - - Acquisitions
 3. Paul Lerner, Executive Vice President - Chief Administrative Officer and Secretary
 4. Joseph Macnow, Executive Vice President - Finance and Administration and Chief Financial Officer
 5. Wendy Silverstein, Executive Vice President - Capital Markets
 6. David R. Greenbaum, President of the New York City Office Division
 7. Christopher Kennedy, President of the Merchandise Mart Division
 8. Sandeep Mathrani, Executive Vice President - Retail Real Estate
-

REVOLVING CREDIT AGREEMENT

dated as of July 2, 2003

among

VORNADO REALTY L.P.,
as Borrower,

VORNADO REALTY TRUST,
as General Partner,

THE BANKS SIGNATORY HERETO,
each as a Bank,

JPMORGAN CHASE BANK,
as Administrative Agent,

BANK OF AMERICA, N.A.
and
CITICORP NORTH AMERICA, INC.
as Syndication Agents,

and

DEUTSCHE BANK TRUST COMPANY AMERICAS
and
FLEET NATIONAL BANK
as Documentation Agents

J.P. MORGAN SECURITIES INC.
and
BANK OF AMERICA SECURITIES, L.L.C.
Lead Arrangers and Bookrunners

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REVOLVING CREDIT AGREEMENT (this "Agreement") dated as of July 2, 2003 among VORNADO REALTY L.P., a limited partnership organized and existing under the laws of the State of Delaware ("Borrower"), VORNADO REALTY TRUST, a real estate investment trust organized and existing under the laws of the State of Maryland and the sole general partner of Borrower ("General Partner"), JPMORGAN CHASE BANK, as agent for the Banks (in such capacity, together with its successors in such capacity, "Administrative Agent"), BANK OF AMERICA, N.A. and CITICORP NORTH AMERICA, INC., as Syndication Agents, DEUTSCHE BANK TRUST COMPANY AMERICAS and FLEET NATIONAL BANK, as Documentation Agents, and JPMORGAN CHASE BANK, in its individual capacity and not as Administrative Agent, and the other lenders signatory hereto (said lenders signatory hereto and the lenders who from time to time become Banks pursuant to Section 3.07 or 12.05 and, if applicable, any of the foregoing lenders' Designated Lender, each a "Bank" and collectively, the "Banks").

Now, Borrower has requested a revolving line of credit in the amount of Six Hundred Million Dollars (\$600,000,000), which may be increased pursuant to the terms of this Agreement to Eight Hundred Million Dollars (\$800,000,000) and the Administrative Agent and the Banks have agreed to Borrower's request pursuant to the terms and conditions of this Agreement. General Partner is fully liable for the obligations of Borrower under this Agreement by virtue of its status as the sole general partner of Borrower.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and conditions hereinafter set forth, Borrower, General Partner, the Administrative Agent and each of the Banks agree as follows:

ARTICLE I

DEFINITIONS; ETC.

SECTION 1.01. Definitions. As used in this Agreement the following terms have the following meanings (except as otherwise provided, terms defined in the singular to have a correlative meaning when used in the plural and vice versa):

"Additional Costs" has the meaning specified in Section 3.01.

"Administrative Agent" has the meaning specified in the preamble.

"Administrative Agent's Office" means Administrative Agent's office located at 270 Park Avenue, New York, NY 10017, or such other office in the United States as Administrative Agent may designate by written notice to Borrower and the Banks.

"Affiliate" means, with respect to any Person (the "first Person"), any other Person: (1) which directly or indirectly controls, or is controlled by, or is under common control with, the first Person; or (2) ten percent (10%) or more of the beneficial interest in which is directly or indirectly owned or held by the first Person or which owns 10% or more of the beneficial interest in the first Person. The term "control" means the possession, directly or indirectly, of the power, alone, to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agent" means, individually and collectively, Administrative Agent, each Syndication Agent and Documentation Agent.

"Agreement" means this Revolving Credit Agreement.

"Applicable Lending Office" means, for each Bank and for its LIBOR Loan, Bid Rate Loan(s), Base Rate Loan or Swingline Loan, as applicable, the lending office of such Bank (or of an Affiliate of such Bank) designated as such on its signature page hereof or in the applicable Assignment and Assumption Agreement, or such other office of such Bank (or of an Affiliate of such Bank) as such Bank may from time to time specify to Administrative Agent and Borrower as the office by which its LIBOR Loan, Bid Rate Loan(s), Base Rate Loan or Swingline Loan, as applicable, is to be made and maintained.

"Applicable Margin" means, with respect to Base Rate Loans and LIBOR Loans, the respective percentages per annum determined, at any time, based on the range into which any Credit Rating then falls, in accordance with the table set forth below. Any change in any Credit Rating causing it to move to a different range on the table shall effect an immediate change in the Applicable Margin. Borrower shall have not less than two (2) Credit Ratings at

all times. In the event that Borrower receives only two (2) Credit Ratings, and such Credit Ratings are not equivalent, the Applicable Margin shall be determined (i) based on the higher of the two Credit Ratings if the lower Credit Rating is no more than one level lower than the higher Credit Rating, and (ii) based on the average of the Credit Ratings if the lower Credit Rating is more than one level lower than the higher Credit Rating. In the event that Borrower receives more than two (2) Credit Ratings, and such Credit Ratings are not all equivalent, the Applicable Margin shall be the Credit Rating of S&P and Moody's if such Credit Ratings are equivalent and if such Credit Ratings of S&P and Moody's are not equivalent, shall be determined (i) based on the higher of the Credit Rating of S&P and Moody's if the lower of such two Credit Ratings is no more than one level lower than the higher of such two Credit Ratings, and (ii) based on the average of the Credit Ratings of S&P and Moody's if the lower of such two Credit Ratings is more than one level lower than the higher of such two Credit Ratings.

Borrower's Credit Rating (S&P/Moody's Ratings)	Applicable Margin for Base Rate Loans (% per annum)	Applicable Margin for LIBOR Loans (% per annum)
A-/A3 - or higher	0.00	0.600
BBB+/Baa1	0.00	0.650
BBB/Baa2	0.00	0.650
BBB-/Baa3	0.00	0.900
Below BBB-/Baa3 or unrated	0.00	1.250

“Assignee” has the meaning specified in Section 12.05.

“Assignment and Assumption Agreement” means an Assignment and Assumption Agreement, substantially in the form of EXHIBIT E, pursuant to which a Bank assigns and an Assignee assumes rights and obligations in accordance with Section 12.05.

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“Authorization Letter” means a letter agreement executed by Borrower in the form of EXHIBIT A.

“Available Total Loan Commitment” has the meaning specified in Section 2.01(b).

“Bank” and “Banks” have the respective meanings specified in the preamble; provided, however, that the term “Bank” shall exclude each Designated Lender when used in reference to a Ratable Loan, the Loan Commitments or terms relating to the Ratable Loans and the Loan Commitments.

“Bank Affiliate” means, (a) with respect to any Bank, (i) a Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Bank or (ii) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by any Bank or a Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Bank and (b) with respect to any Bank that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Bank or by a Person directly or indirectly controlling or controlled by or under direct or indirect common control with such investment advisor.

“Bank Parties” means Administrative Agent and the Banks.

“Banking Day” means (1) any day on which commercial banks are not authorized or required to close in New York City and (2) whenever such day relates to a LIBOR Loan, a Bid Rate Loan, an Interest Period with respect to a LIBOR Loan or a Bid Rate Loan, or notice with respect to a LIBOR Loan or Bid Rate Loan, a day on which dealings in Dollar deposits are also carried out in the London interbank market and banks are open for business in London.

“Base Rate” means, for any day, the higher of (1) the Federal Funds Rate for such day plus one-half percent (.50%), or (2) the Prime Rate for such day.

“Base Rate Loan” means all or any portion (as the context requires) of a Bank's Ratable Loan which shall accrue interest at a rate determined in relation to the Base Rate.

“Bid Borrowing Limit” means 50% of the Total Loan Commitment.

“Bid Rate Loan” has the meaning specified in Section 2.01(c).

“Bid Rate Loan Note” has the meaning specified in Section 2.09.

“Bid Rate Quote” means an offer by a Bank to make a Bid Rate Loan in accordance with Section 2.02.

“Bid Rate Quote Request” has the meaning specified in Section 2.02(a).

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“Borrower” has the meaning specified in the preamble.

“Borrower's Accountants” means Deloitte & Touche, LLP, or such other accounting firm(s) selected by Borrower and reasonably acceptable to the Required Banks.

“Capitalization Value” means, at any time, the sum of (1) Combined EBITDA for the most recently ended calendar quarter, annualized (i.e., multiplied by four (4)) (except that for purposes of this definition, the aggregate contribution to Combined EBITDA from leasing commissions and management and development fees shall not exceed 5% of Combined EBITDA), capitalized at a rate of 9.00% per annum, (2) Borrower's beneficial share of

unrestricted cash and marketable securities of Borrower and its Consolidated Businesses and UJVs, at such time, as reflected in the VRT Consolidated Financial Statements, and (3) without duplication, the cost basis of properties of Borrower under construction as certified by Borrower, such certificate to be accompanied by all appropriate documentation supporting such figure. For the purposes of this definition, for any acquisition or Disposition of any asset or assets during such calendar quarter, (a) in the case of an acquisition, Combined EBITDA will include actual Combined EBITDA generated from such asset or assets, annualized based upon the number of days in such calendar quarter that such asset or assets are owned by Borrower and (b) in the case of a Disposition, Combined EBITDA will be reduced by actual Combined EBITDA generated from such asset or assets.

“Capitalization Value of Unencumbered Assets” means, at any time, Unencumbered Combined EBITDA for the most recently ended calendar quarter, annualized (i.e., multiplied by four (4)) (except that for purposes of this definition, the aggregate contribution to Unencumbered Combined EBITDA from leasing commissions and management and development fees shall not exceed 5% of Unencumbered Combined EBITDA), capitalized at a rate of 9.00% per annum. For the purposes of this definition, for any acquisition or Disposition of any asset or assets during such calendar quarter, (a) in the case of an acquisition, Unencumbered Combined EBITDA will include actual Unencumbered Combined EBITDA generated from such asset or assets, annualized based upon the number of days in such calendar quarter that such asset or assets are owned by Borrower and (b) in the case of a Disposition, Unencumbered Combined EBITDA will be reduced by actual Unencumbered Combined EBITDA generated from such asset or assets.

“Capital Lease” means any lease which has been or should be capitalized on the books of the lessee in accordance with GAAP.

“Closing Date” means the date the Initial Advance is made.

“Code” means the Internal Revenue Code of 1986.

“Combined EBITDA” means, for any period of time, (1) revenues less operating costs before Interest Expense, income taxes, depreciation and amortization and extraordinary items (including, without limitation, non-recurring items such as gains or losses from asset sales) for Borrower and its beneficial interest in its Consolidated Businesses, plus (2) Borrower’s beneficial interest in revenues less operating costs before Interest Expense, income taxes, depreciation and amortization and extraordinary items (including, without limitation, non-recurring

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items such as gains or losses from asset sales) applicable to each of the UJVs (to the extent not included above), in accordance with GAAP, in all cases as reflected in the VRT Consolidated Financial Statements.

“Consolidated Businesses” means, collectively each Affiliate of Borrower who is included in the VRT Consolidated Financial Statements in accordance with GAAP.

“Consolidated Outstanding Indebtedness” means, as of any time, all indebtedness and liability for borrowed money, secured or unsecured, of Borrower and all indebtedness and liability for borrowed money, secured or unsecured, attributable to Borrower’s beneficial interest in its Consolidated Businesses, including mortgage and other notes payable but excluding any indebtedness which is margin indebtedness secured by cash and cash equivalent securities, all as reflected in the VRT Consolidated Financial Statements.

“Contingent Liabilities” means the sum of (1) those liabilities, as determined in accordance with GAAP, set forth and quantified as contingent liabilities in the notes to the VRT Consolidated Financial Statements and (2) contingent liabilities, other than those described in the foregoing clause (1), which represent direct payment guaranties of Borrower; provided, however, that Contingent Liabilities shall exclude contingent liabilities which represent the Other Party’s Share of Duplicated Obligations.

“Continue”, “Continuation” and “Continued” refer to the continuation pursuant to Section 2.12 of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next interest period.

“Convert”, “Conversion” and “Converted” refer to a conversion pursuant to Section 2.12 of a Base Rate Loan into a LIBOR Loan or a LIBOR Loan into a Base Rate Loan, each of which may be accompanied by the transfer by a Bank (at its sole discretion) of all or a portion of its Ratable Loan from one Applicable Lending Office to another.

“Credit Rating” means the rating assigned by the Ratings Agencies to Borrower’s senior unsecured long term indebtedness.

“Debt” means: (1) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (2) obligations as lessee under Capital Leases to the extent characterized as debt under GAAP; (3) current liabilities in respect of unfunded vested benefits under any Plan; (4) obligations (contingent or otherwise) in respect of letters of credit issued for the account or upon the application of any Person; (5) all obligations arising under bankers’ or trade acceptance facilities; (6) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase any of the items included in this definition, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss; (7) all obligations secured by any Lien on property owned by the Person whose Debt is being measured, whether or not the obligations have been assumed; and (8) all obligations under any agreement providing for contingent participation or other hedging mechanisms with respect to interest payable on any of the items described above in this definition, provided, however, that

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all debt described in this definition shall exclude debt which represent the Other Party’s Share of Duplicated Obligations.

“Default” means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

“Default Rate” means a rate per annum equal to: (1) with respect to Base Rate Loans, a variable rate three percent (3%) plus the rate of interest then in effect thereon (including the Applicable Margin); and (2) with respect to LIBOR Loans and Bid Rate Loans, a fixed rate three percent (3%) plus the rate(s) of interest in effect thereon (including the Applicable Margin or the LIBOR Bid Margin, as the case may be) at the time of any Default or

Event of Default until the end of the then current Interest Period therefor and, thereafter, a variable rate three percent (3%) plus the rate of interest for a Base Rate Loan (including the Applicable Margin).

“Designated Lender” means a special purpose corporation that (i) shall have become a party to this Agreement pursuant to Section 12.16 and (ii) is not otherwise a Bank.

“Designating Lender” has the meaning specified in Section 12.16.

“Designation Agreement” means an agreement in substantially the form of EXHIBIT H, entered into by a Bank and a Designated Lender and accepted by Administrative Agent.

“Disposition” means a sale (whether by assignment, transfer or Capital Lease) of an asset.

“Dollars” and the sign “\$” mean lawful money of the United States of America.

“Duplicated Obligations” means, collectively, all those payment guaranties in respect of Debt of UJVs for which Borrower and another party are jointly and severally liable, where the other party’s unsecured and unsubordinated long-term indebtedness has been assigned a credit rating of BBB- or better by S&P or Baa3 or better by Moody’s.

“Elect”, “Election” and “Elected” refer to elections, if any, by Borrower pursuant to Section 2.12 to have all or a portion of an advance of the Ratable Loans be outstanding as LIBOR Loans.

“Environmental Discharge” means any discharge or release of any Hazardous Materials in violation of any applicable Environmental Law.

“Environmental Law” means any applicable Law relating to pollution or the environment, including Laws relating to noise or to emissions, discharges, releases or threatened releases of Hazardous Materials into the work place, the community or the environment, or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

“Environmental Notice” means any written complaint, order, citation, letter, inquiry, notice or other written communication from any Person (1) affecting or relating to

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Borrower’s compliance with any Environmental Law in connection with any activity or operations at any time conducted by Borrower, (2) relating to the occurrence or presence of or exposure to or possible or threatened or alleged occurrence or presence of or exposure to Environmental Discharges or Hazardous Materials at any of Borrower’s locations or facilities, including, without limitation: (a) the existence of any contamination or possible or threatened contamination at any such location or facility and (b) remediation of any Environmental Discharge or Hazardous Materials at any such location or facility or any part thereof; and (3) any violation or alleged violation of any relevant Environmental Law.

“Equity Value” means, at any time, Capitalization Value less the Total Outstanding Indebtedness.

“ERISA” means the Employee Retirement Income Security Act of 1974, including the rules and regulations promulgated thereunder.

“ERISA Affiliate” means any corporation or trade or business which is a member of the same controlled group of organizations (within the meaning of Section 414(b) of the Code) as Borrower or General Partner or is under common control (within the meaning of Section 414(c) of the Code) with Borrower or General Partner or is required to be treated as a single employer with Borrower or General Partner under Section 414(m) or 414(o) of the Code.

“Event of Default” has the meaning specified in Section 9.01.

“Execution Date” means the date of this Agreement.

“Extension Date” has the meaning specified in Section 2.18.

“Extension Notice” has the meaning specified in Section 2.18.

“Facility Fee” means the respective percentages per annum determined, at any time, based on the range into which any Credit Rating then falls, in accordance with the table set forth below. Any change in any Credit Rating causing it to move to a different range on the table shall effect an immediate change in the Facility Fee. Borrower shall have not less than two (2) Credit Ratings at all times. In the event that Borrower receives only two (2) Credit Ratings, and such Credit Ratings are not equivalent, the Facility Fee shall be determined (i) based on the higher of the two Credit Ratings if the lower Credit Rating is no more than one level lower than the higher Credit Rating, and (ii) based on the average of the Credit Ratings if the lower Credit Rating is more than one level lower than the higher Credit Rating. In the event that Borrower receives more than two (2) Credit Ratings, and such Credit Ratings are not all equivalent, the Facility Fee shall be the Credit Rating of S&P and Moody’s if such Credit Ratings are equivalent and if such Credit Ratings of S&P and Moody’s are not equivalent, shall be determined (i) based on the higher of the Credit Rating of S&P and Moody’s if the lower of such two Credit Ratings is no more than one level lower than the higher of such two Credit Ratings, and (ii) based on the average of the Credit Ratings of S&P and Moody’s if the lower of such two Credit Ratings is more than one level lower than the higher of such two Credit Ratings.

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<u>Borrower’s Credit Rating (S&P/Moody’s/Ratings)</u>	<u>Facility Fee (% per annum)</u>
A-/A3 or higher	0.1250
BBB+/Baa1	0.150
BBB/Baa2	0.200

“Federal Funds Rate” means, for any day, the rate per annum (expressed on a 360-day basis of calculation) equal to the weighted average of the rates on overnight federal funds transactions as published by the Federal Reserve Bank of New York for such day provided that (1) if such day is not a Banking Day, the Federal Funds Rate for such day shall be such rate on such transactions on the immediately preceding Banking Day as so published on the next succeeding Banking Day, and (2) if no such rate is so published on such next succeeding Banking Day, the Federal Funds Rate for such day shall be the average of the rates quoted by three Federal Funds brokers to Administrative Agent on such day on such transactions.

“Fiscal Year” means each period from January 1 to December 31.

“Fitch” means Fitch, Inc.

“Fixed Charges” means, for any period of time, (1) Interest Expense plus (2) Preferred Dividend Expense and regularly scheduled principal amortization of Borrower and that attributable to Borrower’s beneficial interest in its Consolidated Businesses and UJV’s.

“Fronting Bank” means JPMorgan Chase Bank, Bank of America, N.A. or another Bank designated by Borrower from among those Banks identified by Administrative Agent as being acceptable for issuing a Letter of Credit pursuant to Section 2.17.

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.15 (except for changes concurred in by Borrower’s Accountants).

“General Partner” means Vornado Realty Trust, a Maryland real estate investment trust.

“Good Faith Contest” means the contest of an item if: (1) the item is diligently contested in good faith, and, if appropriate, by proceedings timely instituted; (2) adequate reserves are established with respect to the contested item; (3) during the period of such contest, the enforcement of any contested item is effectively stayed; and (4) the failure to pay or comply with the contested item during the period of the contest is not likely to result in a Material Adverse Change.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guaranty” means the guaranty(ies) of all or part of Borrower’s obligations to be executed by General Partner.

“Hazardous Materials” means any pollutant, effluents, emissions, contaminants, toxic or hazardous wastes or substances, as any of those terms are defined from time to time in or for the purposes of any relevant Environmental Law, including asbestos fibers and friable asbestos, polychlorinated biphenyls, and any petroleum or hydrocarbon-based products or derivatives.

“Initial Advance” means the first advance of proceeds of the Loans.

“Interest Expense” means, for any period of time, the consolidated interest expense, whether paid, accrued or capitalized (without deduction of consolidated interest income) of Borrower and that attributable to Borrower’s beneficial interest in its Consolidated Businesses, including, without limitation or duplication (or, to the extent not so included, with the addition of), (1) the portion of any rental obligation in respect of any Capital Lease obligation allocable to interest expense in accordance with GAAP; (2) the amortization of Debt discounts; (3) any payments or fees (other than up-front fees) with respect to interest rate swap or similar agreements; and (4) the interest expense and items listed in clauses (1) through (3) above applicable to each of the UJVs (to the extent not included above) multiplied by Borrower’s respective beneficial interests in the UJVs, in all cases as reflected in the applicable VRT Consolidated Financial Statements.

“Interest Period” means, (1) with respect to any LIBOR Loan, the period commencing on the date the same is advanced, converted from a Base Rate Loan or Continued, as the case may be, and ending, as Borrower may select pursuant to Section 2.06, on the numerically corresponding day in the first, second, third or, if available from all of the Banks, sixth calendar month thereafter (or at Administrative Agent’s reasonable discretion a period of shorter duration), provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month; and (2) with respect to any Bid Rate Loan, the period commencing on the date the same is advanced and ending, as Borrower may select pursuant to Section 2.02, on the numerically corresponding day in the first, second or third calendar month thereafter (or at Administrative Agent’s reasonable discretion a period of shorter duration) provided that each such Interest Period which commences on the last Banking Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Banking Day of the appropriate calendar month.

“Invitation for Bid Rate Quotes” has the meaning specified in Section 2.02(b).

“Law” means any federal, state or local statute, law, rule, regulation, ordinance, order, code, or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

“Lead Arrangers” means J.P. Morgan Securities Inc. and Bank of America Securities, L.L.C.

“Letter of Credit” has the meaning specified in Section 2.17(a).

“LIBOR Base Rate” means, with respect to any Interest Period therefor, the rate per annum quoted at approximately 11:00 a.m., London time, by the Bank serving as Administrative Agent two (2) Banking Days prior to the first day of such Interest Period for the offering to leading banks in the London interbank market of Dollar deposits in immediately available funds, for a period, and in an amount, comparable to such Interest Period and principal amount of the LIBOR Loan or Bid Rate Loan, as the case may be, in question outstanding during such Interest Period.

“LIBOR Bid Margin” has the meaning specified in Section 2.02(c)(2).

“LIBOR Bid Rate” means a rate per annum equal to the sum of (1) the LIBOR Interest Rate for the Bid Rate Loan and Interest Period in question and (2) the LIBOR Bid Margin.

“LIBOR Interest Rate” means, for any LIBOR Loan or Bid Rate Loan, a rate per annum determined by Administrative Agent to be equal to the quotient of (1) the LIBOR Base Rate for such LIBOR Loan or Bid Rate Loan, as the case may be, for the Interest Period therefor divided by (2) one minus the LIBOR Reserve Requirement for such LIBOR Loan or Bid Rate Loan, as the case may be, for such Interest Period.

“LIBOR Loan” means all or any portion (as the context requires) of any Bank’s Ratable Loan which shall accrue interest at rate(s) determined in relation to LIBOR Interest Rate(s).

“LIBOR Reserve Requirement” means, for any LIBOR Loan or Bid Rate Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during the Interest Period for such LIBOR Loan or Bid Rate Loan under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding One Billion Dollars (\$1,000,000,000) against “Eurocurrency liabilities” (as such term is used in Regulation D). Without limiting the effect of the foregoing, the LIBOR Reserve Requirement shall also reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (1) any category of liabilities which includes deposits by reference to which the LIBOR Base Rate is to be determined as provided in the definition of “LIBOR Base Rate” in this Section 1.01 or (2) any category of extensions of credit or other assets which include loans the interest rate on which is determined on the basis of rates referred to in said definition of “LIBOR Base Rate”.

“Lien” means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment for collateral purposes, deposit arrangement, lien (statutory or other), or other security agreement or charge of any kind or nature whatsoever of any third party (excluding any right of setoff but including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of

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the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

“Loan” means, with respect to each Bank, its Ratable Loan, Bid Rate Loan(s) and Swingline Loan(s), collectively.

“Loan Commitment” means, with respect to each Bank, the obligation to make a Ratable Loan in the principal amount set forth on Schedule 1 attached hereto and incorporated herein, as such amount may be reduced or increased from time to time in accordance with the provisions of Section 2.16 (upon the execution of an Assignment and Assumption Agreement, the definition of Loan Commitment shall be deemed revised to reflect the assignment being effected pursuant to such Assignment and Assumption Agreement).

“Loan Documents” means this Agreement, the Notes, the Guaranty, the Authorization Letter and the Solvency Certificate.

“Mandatory Borrowing” has the meaning specified in Section 2.03.

“Material Adverse Change” means either (1) a material adverse change in the status of the business, results of operations, financial or non-financial condition, property or prospects of Borrower or General Partner or (2) any event or occurrence of whatever nature which is likely to have a material adverse effect on the ability of Borrower or General Partner to perform their obligations under the Loan Documents.

“Material Affiliates” means the Affiliates of Borrower listed on EXHIBIT F.

“Maturity Date” means July 2, 2006, subject to extension pursuant to Section 2.18.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a Plan defined as such in Section 3(37) of ERISA to which contributions have been or are required to be made by Borrower or General Partner or any ERISA Affiliate and which is covered by Title IV of ERISA.

“Note” and “Notes” have the respective meanings specified in Section 2.09.

“Obligations” means each and every obligation, covenant and agreement of Borrower, now or hereafter existing, contained in this Agreement, and any of the other Loan Documents, whether for principal, reimbursement obligations, interest, fees, expenses, indemnities or otherwise, and any amendments or supplements thereto, extensions or renewals thereof or replacements therefor, including but not limited to all indebtedness, obligations and liabilities of Borrower to Administrative Agent and any Bank now existing or hereafter incurred under or arising out of or in connection with the Notes, this Agreement, the other Loan Documents, and any documents or instruments executed in connection therewith; in each case whether direct or indirect, joint or several, absolute or contingent, liquidated or unliquidated, now or hereafter existing, renewed or restructured, whether or not from time to time decreased or

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extinguished and later increased, created or incurred, and including all indebtedness of Borrower under any instrument now or hereafter evidencing or securing any of the foregoing.

“Other Party’s Share” means such other party’s fractional share of the obligation of the UJV in question.

“Parent” means, with respect to any Bank, any Person controlling such Bank.

“Participant” has the meaning specified in Section 12.05.

“PBGC” means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

“Person” means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company, Governmental Authority or other entity of whatever nature.

“Plan” means any employee benefit or other plan established or maintained, or to which contributions have been or are required to be made, by Borrower or General Partner or any ERISA Affiliate and which is covered by Title IV of ERISA or to which Section 412 of the Code applies.

“Preferred Dividend Expense” means preferred dividends and preferred distributions paid, without duplication, to holders of units or other interests in Borrower or General Partner.

“presence”, when used in connection with any Environmental Discharge or Hazardous Materials, means and includes presence, generation, manufacture, installation, treatment, use, storage, handling, repair, encapsulation, disposal, transportation, spill, discharge and release.

“Prime Rate” means that rate of interest from time to time announced by the Bank serving as Administrative Agent in the United States as its prime commercial lending rate. Any change in the Prime Rate shall be effective as of the date such change is announced by the Bank serving as Administrative Agent.

“Prior Credit Agreement” means that certain Revolving Credit Agreement, dated as of March 21, 2000, among Borrower, General Partner, UBS AG, Stamford Branch, the other banks signatory thereto, UBS AG, Stamford Branch, Citicorp Real Estate, Inc., The Chase Manhattan Bank and Bank of America, N.A.

“Pro Rata Share” means, for purposes of this Agreement and with respect to each Bank, a fraction, the numerator of which is the amount of such Bank’s Loan Commitment and the denominator of which is the Total Loan Commitment.

“Prohibited Transaction” means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

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“Qualified Institution” means any of (a) a commercial bank organized under the laws of the United States or any State thereof or the District of Columbia and having total assets in excess of \$1,000,000,000 calculated in accordance with GAAP, (b) a savings and loan association or savings bank organized under the laws of the United States or any State thereof or the District of Columbia and having total assets in excess of \$1,000,000,000 calculated in accordance with GAAP, (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the “OECD”) or a political subdivision of any such country, and having total assets in excess of \$1,000,000,000, calculated in accordance with GAAP, provided that such bank is acting at all times with respect to the Loan through a branch or agency located in the United States of America and (d) an entity reasonably acceptable to Administrative Agent and, so long as no Event of Default exists, Borrower, which is regularly engaged in making, purchasing or investing in loans and having total assets in excess of \$500,000,000, calculated in accordance with GAAP, provided that if such entity is a Bank Affiliate, no such consent of Administrative Agent or Borrower shall be required.

“Ratable Loan” has the meaning specified in Section 2.01(b).

“Ratable Loan Note” has the meaning specified in Section 2.09.

“Rating Agencies” means, collectively, S&P, Moody’s and Fitch.

“Regulation D” means Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time, or any similar Law from time to time in effect.

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time, or any similar Law from time to time in effect.

“Regulatory Change” means, with respect to any Bank, any change after the date of this Agreement in United States federal, state, municipal or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Bank of or under any United States, federal, state, municipal or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

“REIT” means a “real estate investment trust,” as such term is defined in Section 856 of the Code.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty (30) day notice period is waived by the PBGC.

“Required Banks” means at any time the Banks having Pro Rata Shares aggregating at least 66 2/3% (excluding, however, any Bank that is in default of its obligations under this Agreement); provided, however, that during the existence of an Event of Default, the

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“Required Banks” shall be the Banks holding at least 66 2/3% of the then aggregate unpaid principal amount of the Loans (excluding, however, any Bank that is in default of its obligations under this Agreement); and provided, further that in the case of Swingline Loans, the amount of each Bank’s funded participation interest in such Swingline Loans shall be considered for purposes hereof as if it were a direct Loan and not a participation interest, and the aggregate amount of Swingline Loans owing to Swingline Lender shall be considered for purposes hereof as reduced by the amount of such funded participation interests.

“SEC Reports” means the reports required to be delivered to the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

“Secured Indebtedness” means that portion of Total Outstanding Indebtedness that is secured.

“Solvency Certificate” means a certificate in substantially the form of EXHIBIT D, to be delivered by Borrower pursuant to the terms of this Agreement.

“Solvent” means, when used with respect to any Person, that (1) the fair value of the property of such Person, on a going concern basis, is greater than the total amount of liabilities (including, without limitation, contingent liabilities) of such Person; (2) the present fair saleable value of the assets of such Person, on a going concern basis, is not less than the amount that will be required to pay the probable liabilities of such Person on its debts as they become absolute and matured; (3) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature; (4) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged; and (5) such Person has sufficient resources, provided that such resources are prudently utilized, to satisfy all of such Person’s obligations. Contingent liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Companies.

“Swingline Commitment” has the meaning specified in Section 2.03(a).

“Swingline Lender” means JPMorgan Chase Bank, in its capacity as Swingline Lender hereunder, and its permitted successors in such capacity in accordance with the terms of this Agreement.

“Swingline Loan” means a loan made by Swingline Lender pursuant to Section 2.03.

“Total Loan Commitment” means an amount equal to the aggregate amount of all Loan Commitments.

“Total Outstanding Indebtedness” means the sum, without duplication, of (1) Consolidated Outstanding Indebtedness, (2) VRT’s Share of UJV Outstanding Indebtedness and (3) Contingent Liabilities.

“UJV Outstanding Indebtedness” means, as of any time, all indebtedness and liability for borrowed money, secured or unsecured, of the UJV’s, including mortgage and other notes payable but excluding any indebtedness which is margin indebtedness secured by cash and cash equivalent securities, all as reflected in the balance sheets of each of the UJVs, prepared in accordance with GAAP.

“UJVs” means the unconsolidated joint ventures in which Borrower owns a beneficial interest and which are accounted for under the equity method in the VRT Consolidated Financial Statements. Alexander’s, Inc. shall not be deemed to be a UJV.

“Unencumbered Assets” means, collectively, assets, reflected on the VRT Consolidated Financial Statements, wholly owned, directly or indirectly, by Borrower and not subject to any Lien to secure all or any portion of Secured Indebtedness and assets of UJVs which are not subject to any Lien to secure all or any portion of Secured Indebtedness.

“Unencumbered Combined EBITDA” means that portion of Combined EBITDA attributable to Unencumbered Assets.

“Unfunded Current Liability” of any Plan means the amount, if any, by which the actuarial present value of accumulated plan benefits as of the close of its most recent plan year, based upon the actuarial assumptions used by such Plan’s actuary in the most recent annual valuation of such Plan, exceeds the fair market value of the assets allocable thereto, determined in accordance with Section 412 of the Code.

“Unsecured Indebtedness” means that portion of Total Outstanding Indebtedness that is unsecured plus that portion of Secured Indebtedness that is either (i) recourse to an Affiliate or Subsidiary of Borrower or General Partner and not secured by all or substantially all of the property and assets of such Subsidiary or Affiliate, (ii) recourse to Borrower, or (iii) recourse to General Partner.

“Unsecured Interest Expense” means that portion of Interest Expense attributable to Unsecured Indebtedness.

“VRT Consolidated Financial Statements” means, collectively, the consolidated balance sheet and related consolidated statements of operations, accumulated deficiency in assets and cash flows, and footnotes thereto, of each of General Partner and Borrower, in each case prepared in accordance with GAAP.

“VRT Principals” means the trustees, officers and directors of Borrower (other than General Partner) or General Partner at any applicable time.

“VRT’s Share of UJV Outstanding Indebtedness” means the sum of the indebtedness of each of the UJVs contributing to UJV Outstanding Indebtedness multiplied by Borrower’s respective beneficial fractional interests in each such UJV.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and, except as otherwise provided herein, all financial data required to be delivered hereunder shall be prepared in accordance with GAAP.

SECTION 1.03. Computation of Time Periods. Except as otherwise provided herein, in this Agreement, in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and words “to” and “until” each means “to but excluding”.

SECTION 1.04. Rules of Construction. When used in this Agreement: (1) “or” is not exclusive; (2) a reference to a Law includes any amendment or modification to such Law; (3) a reference to a Person includes its permitted successors and permitted assigns; (4) except as provided otherwise, all references to the singular shall include the plural and vice versa; (5) except as provided in this Agreement, a reference to an agreement, instrument or document shall include such agreement, instrument or document as the same may be amended, modified or supplemented from time to time in accordance with its terms and as permitted by the Loan Documents; (6) all references to Articles or Sections shall be to Articles and Sections of this Agreement unless otherwise indicated; and (7) all Exhibits to this Agreement shall be incorporated into this Agreement.

ARTICLE II

THE LOANS

SECTION 2.01. Ratable Loans; Bid Rate Loans; Purpose. (a) Subject to the terms and conditions of this Agreement, the Banks agree to make loans to Borrower as provided in this Article II.

(b) Each of the Banks severally agrees to make a loan to Borrower (each such loan by a Bank, a “Ratable Loan”) in an amount up to its Loan Commitment pursuant to which such Bank shall from time to time advance and re-advance to Borrower an amount equal to its Pro Rata Share of the excess (the “Available Total Loan Commitment”) of the Total Loan Commitment minus the sum of (1) all previous advances (including Bid Rate Loans and Swingline Loans) made by the Banks which remain unpaid and (2) the outstanding amount of all Letters of Credit, plus, without duplication of any amount included in clause (1) above, such Bank’s Pro Rata Share of Swingline Loans outstanding. Within the limits set forth herein, Borrower may borrow from time to time under this paragraph (b) and prepay from time to time pursuant to Section 2.10 (subject, however, to the restrictions on prepayment set forth in said Section), and thereafter re-borrow pursuant to this paragraph (b). The Ratable Loans may be outstanding as: (1) Base Rate Loans; (2) LIBOR Loans; or (3) a combination of the foregoing, as Borrower shall elect and notify Administrative Agent in accordance with Section 2.14. The LIBOR Loan, Bid Rate Loan, Base Rate Loan and Swingline Loan of each Bank shall be maintained at such Bank’s Applicable Lending Office.

(c) In addition to Ratable Loans pursuant to paragraph (b) above, so long as Borrower’s Credit Rating is BBB- or better by S&P (if rated by S&P) and Baa3 or better by Moody’s (if rated by Moody’s), one or more Banks may, at Borrower’s request and in their sole discretion, make non-ratable loans which shall bear interest at the LIBOR Bid Rate in accordance with Section 2.02 (such loans being referred to in this Agreement as “Bid Rate Loans”). Borrower may borrow Bid Rate Loans from time to time pursuant to this paragraph (c) in an amount up to fifty percent (50%) of the Total Loan Commitment at the time of the borrowing (taking into account any repayments of the Loans made simultaneously therewith) and shall repay such Bid Rate Loans as required by Section 2.09, and it may thereafter re-borrow pursuant to this paragraph (c) or paragraph (b) above; provided, however, that the aggregate outstanding principal amount of Bid Rate Loans at any particular time shall not exceed the Bid Borrowing Limit.

(d) The obligations of the Banks under this Agreement are several, and no Bank shall be responsible for the failure of any other Bank to make any advance of a Loan to be made by such other Bank. However, the failure of any Bank to make any advance of the Loan to be made by it hereunder on the date specified therefor shall not relieve any other Bank of its obligation to make any advance of its Loan specified hereby to be made on such date.

(e) Borrower shall use the proceeds of the Loans for general capital and working capital purposes of Borrower and its Consolidated Businesses and UJVs, including costs incurred in connection with real estate acquisitions and/or developments. In no event shall proceeds of the Loans be used for any illegal purpose or for the purpose, whether immediate, incidental or ultimate, of buying or carrying “margin stock” within the meaning of Regulation U, or in connection with any hostile acquisition.

SECTION 2.02. Bid Rate Loans. (a) When Borrower has the Borrower’s Credit Rating required by Section 2.01(c) and wishes to request offers from the Banks to make Bid Rate Loans, it shall transmit to Administrative Agent by facsimile a request (a “Bid Rate Quote Request”) substantially in the form of EXHIBIT G-1 so as to be received not later than 10:30 a.m. (New York time) on the fourth Banking Day prior to the date for funding of the Bid Rate Loan(s) proposed therein, specifying:

- (1) the proposed date of funding of such Bid Rate Loan(s), which shall be a Banking Day;
- (2) the aggregate amount of the Bid Rate Loans requested, which shall be Twenty-Five Million Dollars (\$25,000,000) or a larger integral multiple of One Million Dollars (\$1,000,000); and
- (3) the duration of the Interest Period(s) applicable thereto, subject to the provisions of the definition of “Interest Period” in Section 1.01.

Borrower may request offers to make Bid Rate Loans for more than one (1) Interest Period in a single Bid Rate Quote Request. No Bid Rate Quote Request may be submitted by Borrower sooner than seven (7) days after the submission of any other Bid Rate Quote Request.

(b) Promptly upon receipt of a Bid Rate Quote Request, Administrative Agent shall send to the Banks by facsimile an invitation (an “Invitation for Bid Rate Quotes”) substantially in the form of EXHIBIT G-2, which shall constitute an invitation by Borrower to the Banks to submit Bid Rate Quotes offering to make Bid Rate Loans to which such Bid Rate Quote Request relates in accordance with this Section 2.02.

(c) (1) Each Bank may submit a Bid Rate Quote containing an offer or offers to make Bid Rate Loans in response to any Invitation for Bid Rate Quotes. Each Bid Rate Quote must comply with the requirements of this paragraph (c) and must be submitted to Administrative Agent by facsimile not later than 10:00 a.m. (New York time) on the third Banking Day prior to the proposed date of the Bid Rate Loan(s); provided that Bid Rate Quotes submitted by the Bank serving as Administrative Agent (or any Affiliate of the Bank serving as Administrative Agent) in its capacity as a Bank may be submitted, and may only be submitted, if the Bank serving as Administrative Agent or such Affiliate notifies Borrower of the terms of the offer or offers contained therein not later than fifteen (15) minutes prior to the deadline for the other Banks. Any Bid Rate Quote so made shall (subject to Borrower’s satisfaction of the conditions precedent set forth in this Agreement to its entitlement to an advance) be irrevocable except with the written consent of Administrative Agent given on the instructions of Borrower. Bid Rate Loans to be funded pursuant to a Bid Rate Quote may, as provided in Section 12.16, be funded by a Bank’s Designated Lender. A Bank making a Bid Rate Quote shall specify in its Bid Rate Quote whether the related Bid Rate Loans are intended to be funded by such Bank’s Designated Lender, as provided in Section 12.16.

(2) Each Bid Rate Quote shall be in substantially the form of EXHIBIT G-3 and shall in any case specify:

(i) the proposed date of funding of the Bid Rate Loan(s);

(ii) the principal amount of the Bid Rate Loan(s) for which each such offer is being made, which principal amount (w) may be greater than or less than the Loan Commitment of the quoting Bank, (x) must be in the aggregate Five Million Dollars (\$5,000,000) or a larger integral multiple of One Million Dollars (\$1,000,000), (y) may not exceed the principal amount of Bid Rate Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Bid Rate Loans for which offers being made by such quoting Bank may be accepted;

(iii) the margin above or below the applicable LIBOR Interest Rate (the “LIBOR Bid Margin”) offered for each such Bid Rate Loan, expressed as a percentage per annum (specified to the nearest 1/1,000th of 1%) to be added to (or subtracted from) the applicable LIBOR Interest Rate;

(iv) the applicable Interest Period; and

(v) the identity of the quoting Bank.

A Bid Rate Quote may set forth up to three (3) separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Bid Rate Quotes.

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(3) Any Bid Rate Quote shall be disregarded if it:

(i) is not substantially in conformity with EXHIBIT G-3 or does not specify all of the information required by sub-paragraph (c)(2) above;

(ii) contains qualifying, conditional or similar language (except for an aggregate limitation as provided in sub-paragraph (c)(2)(ii) above);

(iii) proposes terms other than or in addition to those set forth in the applicable Invitation for Bid Rate Quotes (except for an aggregate limitation as provided in sub-paragraph (c)(2)(ii) above); or

(iv) arrives after the time set forth in sub-paragraph (c)(1) above.

(d) Administrative Agent shall no later than 10:15 a.m. (New York City time) on the third Banking Day prior to the proposed date for the requested Bid Rate Loan notify Borrower in writing of the terms of any Bid Rate Quote submitted by a Bank that is in accordance with paragraph (c). Any subsequent Bid Rate Quote shall be disregarded by Administrative Agent unless such subsequent Bid Rate Quote is submitted solely to correct a manifest error in such former Bid Rate Quote. Administrative Agent’s notice to Borrower shall specify (A) the aggregate principal amount of Bid Rate Loans for which offers have been received for each Interest Period specified in the related Bid Rate Quote Request, (B) the respective principal amounts and LIBOR Bid Margins so offered and (C) if applicable, limitations on the aggregate principal amount of Bid Rate Loans for which offers in any single Bid Rate Quote may be accepted.

(e) Not later than 11:00 a.m. (New York time) on the third Banking Day prior to the proposed date of funding of the Bid Rate Loan, Borrower shall notify Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to paragraph (d). A notice of acceptance shall be substantially in the form of EXHIBIT G-4 and shall specify the aggregate principal amount of offers for each Interest Period that are accepted. Borrower may accept any Bid Rate Quote in whole or in part; provided that:

(i) the principal amount of each Bid Rate Loan may not exceed the applicable amount set forth in the related Bid Rate Quote Request or be less than Five Million Dollars (\$5,000,000) and shall be an integral multiple of One Hundred Thousand Dollars (\$100,000);

(ii) acceptance of offers with respect to a particular Interest Period may only be made on the basis of ascending LIBOR Bid Margins offered for such Interest Period from the lowest effective cost; and

(iii) Borrower may not accept any offer that is described in sub-paragraph (c)(3) or that otherwise fails to comply with the requirements of this Agreement.

(f) If offers are made by two (2) or more Banks with the same LIBOR Bid Margins, for a greater aggregate principal amount than the amount in respect of which such offers are permitted to be accepted for the related Interest Period, the principal amount of Bid

Rate Loans in respect of which such offers are accepted shall be allocated by Administrative Agent among such Banks as nearly as possible (in multiples of One Hundred Thousand Dollars (\$100,000), as Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Administrative Agent shall promptly (and in any event within one (1) Banking Day after such offers are accepted) notify Borrower and each such Bank in writing of any such allocation of Bid Rate Loans. Determinations by Administrative Agent of the allocation of Bid Rate Loans shall be conclusive in the absence of manifest error.

(g) In the event that Borrower accepts the offer(s) contained in one (1) or more Bid Rate Quotes in accordance with paragraph (e), the Bank(s) making such offer(s) shall make a Bid Rate Loan in the accepted amount (as allocated, if necessary, pursuant to paragraph (f)) on the date specified therefor, in accordance with the procedures specified in Section 2.05.

(h) Notwithstanding anything to the contrary contained herein, each Bank shall be required to fund its Pro Rata Share of the Available Total Loan Commitment in accordance with Section 2.01(b) despite the fact that any Bank's Loan Commitment may have been or may be exceeded as a result of such Bank's making Bid Rate Loans.

(i) A Bank who is notified that it has been selected to make a Bid Rate Loan as provided above may designate its Designated Lender (if any) to fund such Bid Rate Loan on its behalf, as described in Section 12.16. Any Designated Lender which funds a Bid Rate Loan shall on and after the time of such funding become the obligee under such Bid Rate Loan and be entitled to receive payment thereof when due. No Bank shall be relieved of its obligation to fund a Bid Rate Loan, and no Designated Lender shall assume such obligation, prior to the time the applicable Bid Rate Loan is funded.

SECTION 2.03. Swingline Loan Subfacility.

(a) Swingline Commitment. Subject to the terms and conditions of this Section 2.03, Swingline Lender, in its individual capacity, agrees to make certain revolving credit loans in Dollars to Borrower (each a "Swingline Loan" and, collectively, the "Swingline Loans") from time to time during the term hereof; provided, however, that the aggregate amount of Swingline Loans outstanding at any time shall not exceed the lesser of (i) SEVENTY FIVE MILLION DOLLARS (\$75,000,000), and (ii) the Total Loan Commitment less the sum of (A) all Loans then outstanding, excluding Swingline Loans, and (B) the outstanding amount of all Letters of Credit (the "Swingline Commitment"). Subject to the limitations set forth herein, any amounts repaid in respect of Swingline Loans may be reborrowed.

(b) Swingline Borrowings.

(1) Notice of Borrowing. With respect to any Swingline Loan, Borrower shall give Swingline Lender and Administrative Agent notice in writing which is received by Swingline Lender and Administrative Agent not later than 2:00 p.m. (New York City time) on the proposed date of such Swingline Loan (and confirmed by telephone by such time), specifying (A) that a Swingline Loan is being requested, (B) the amount of such Swingline Loan, (C) the proposed date of such Swingline Loan, which shall be a Banking Day and (D) stating that no Default or Event of Default has occurred and is continuing

both before and after giving effect to such Swingline Loan. Such notice shall be irrevocable.

(2) Minimum Amounts. Each Swingline Loan shall be in a minimum principal amount of \$3,000,000, or an integral multiple of \$1,000,000 in excess thereof.

(3) Repayment of Swingline Loans. Each Swingline Loan shall be due and payable on the earliest of (A) five (5) Banking Days from and including the date of such Swingline Loan, (B) the last calendar day of the month in which such Swingline Loan is made or (C) the Maturity Date. If, and to the extent, any Swingline Loans shall be due and payable on the date of any Ratable Loan, such Swingline Loans shall first be repaid from the proceeds of such Ratable Loan prior to the disbursement of the same to Borrower. If, and to the extent, a Ratable Loan is not requested prior to the Maturity Date, the last calendar day of the month in which such Swingline Loan is made, or the end of the five (5) Banking Day period after such Swingline Loan was made, or unless Borrower shall have notified Administrative Agent and the Swingline Lender prior to 1:00 P.M. (New York City time) on the third (3rd) Banking Day after such Swingline Loan was made that Borrower intends to reimburse Swingline Lender for the amount of such Swingline Loan with funds other than proceeds of the Ratable Loans, Borrower shall be deemed to have requested a Ratable Loan comprised entirely of Base Rate Loans in the amount of the applicable Swingline Loan then outstanding, the proceeds of which shall be used to repay such Swingline Loan to Swingline Lender. In addition, if (x) Borrower does not repay a Swingline Loan on or prior to the end of such five (5) Banking Day period, or (y) a Default or Event of Default shall have occurred during such five (5) Banking Day period, Swingline Lender may, at any time, in its sole discretion, by written notice to the Borrower and Administrative Agent, demand repayment of its Swingline Loans by way of a Ratable Loan, in which case the Borrower shall be deemed to have requested a Ratable Loan comprised entirely of Base Rate Loans in the amount of such Swingline Loans then outstanding, the proceeds of which shall be used to repay such Swingline Loans to Swingline Lender. Any Ratable Loan which is deemed requested by the Borrower in accordance with this Section 2.03(b)(3) is hereinafter referred to as a "Mandatory Borrowing". Each Bank hereby irrevocably agrees to make Ratable Loans promptly upon receipt of notice from Swingline Lender of any such deemed request for a Mandatory Borrowing in the amount and in the manner specified in the preceding sentences and on the date such notice is received by such Bank (or the next Banking Day if such notice is received after 12:00 P.M. (New York City time)) notwithstanding (I) the amount of the Mandatory Borrowing may not comply with the minimum amount of Ratable Loans otherwise required hereunder, (II) whether any conditions specified in Section 4.02 are then satisfied, (III) whether a Default or an Event of Default then exists, (IV) failure of any such deemed request for a Ratable Loan to be made by the time otherwise required in Section 2.06, (V) the date of such Mandatory Borrowing (provided that such date must be a Banking Day), or (VI) any termination of the Loan Commitments immediately prior to such Mandatory Borrowing or contemporaneously therewith; provided, however, that no Bank shall be obligated to make Ratable Loans in respect of a Mandatory Borrowing if a Default or an Event of Default then exists and the applicable Swingline Loan was made by Swingline Lender without receipt of a written

notice of borrowing in the form specified in Section 2.03(b)(1) or after Administrative Agent has delivered a notice of Default or Event of Default which has not been rescinded.

(4) **Purchase of Participations.** In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower), then each Bank hereby agrees that it shall forthwith purchase (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payment received from the Borrower on or after such date and prior to such purchase) from Swingline Lender such participations in the outstanding Swingline Loans as shall be necessary to cause each such Bank to share in such Swingline Loans ratably based upon its Pro Rata Share (determined before giving effect to any termination of the Loan Commitments), provided that (A) all interest payable on the Swingline Loans with respect to any participation shall be for the account of Swingline Lender until but excluding the day upon which the Mandatory Borrowing would otherwise have occurred, and (B) in the event of a delay between the day upon which the Mandatory Borrowing would otherwise have occurred and the time any purchase of a participation pursuant to this sentence is actually made, the purchasing Bank shall be required to pay to Swingline Lender interest on the principal amount of such participation for each day from and including the day upon which the Mandatory Borrowing would otherwise have occurred to but excluding the date of payment for such participation, at the rate equal to the Federal Funds Rate, for the two (2) Banking Days after the date the Mandatory Borrowing would otherwise have occurred, and thereafter at a rate equal to the Base Rate. Notwithstanding the foregoing, no Bank shall be obligated to purchase a participation in any Swingline Loan if a Default or an Event of Default then exists and such Swingline Loan was made by Swingline Lender without receipt of a written notice of borrowing in the form specified in Section 2.03(b)(1) or after Administrative Agent has delivered a notice of Default or Event of Default which has not been rescinded.

(c) **Interest Rate.** Each Swingline Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swingline Loan is made until the date it is repaid, at a rate per annum equal to the Base Rate plus the Applicable Margin for Base Rate Loans.

SECTION 2.04. **Advances, Generally.** The Initial Advance shall be in the minimum amount of One Million Dollars (\$1,000,000) and in integral multiples of One Hundred Thousand Dollars (\$100,000) above such amount and shall be made upon satisfaction of the conditions set forth in Section 4.01. Subsequent advances shall be made no more frequently than weekly thereafter, upon satisfaction of the conditions set forth in Section 4.02. The amount of each advance subsequent to the Initial Advance shall, subject to Section 2.13, be in the minimum amount of One Million Dollars (\$1,000,000) (unless less than One Million Dollars (\$1,000,000) is available for disbursement pursuant to the terms hereof at the time of any subsequent advance, in which case the amount of such subsequent advance shall be equal to such remaining availability) and in integral multiples of One Hundred Thousand Dollars (\$100,000) above such amount. Additional restrictions on the amounts and timing of, and conditions to the making of, advances of Bid Rate Loans and Swingline Loans are set forth in Sections 2.02 and 2.03.

Each advance shall be subject, in addition to the limitations and conditions applicable to advances of the Loans generally, to Administrative Agent's receipt, on or immediately prior to the date the request for such advance is made, of a certificate from the officer requesting the advance (1) certifying that Borrower is in compliance with all covenants enumerated in paragraphs 3(a) and 3(b) of Section 6.09 and containing covenant compliance calculations that include the pro-forma adjustments described below, which calculations shall demonstrate Borrower's compliance, on a pro-forma basis, as of the end of the most recently ended calendar quarter for which financial results have been reported by Borrower as required hereunder, with such covenants and (2) setting forth the use of such advance, the income projected to be generated from such advance for purposes of determining Combined EBITDA and the type of income so generated.

In connection with each advance of Loan proceeds, the following pro-forma adjustments shall be made to the covenant compliance calculations required as of the end of the most recently ended calendar quarter for which financial results are required hereunder to have been reported by Borrower:

- (i) Total Outstanding Indebtedness and Unsecured Indebtedness shall be adjusted by adding thereto, respectively, all indebtedness and unsecured indebtedness that is incurred by Borrower in connection with such advance;
 - (ii) Combined EBITDA, for any period, shall be adjusted by adding the income to be included as provided in Borrower's certificate;
- and
- (iii) Interest Expense for any period, shall be adjusted by adding thereto interest expense to be incurred by Borrower in connection with such advance.

SECTION 2.05. **Procedures for Advances.** In the case of advances of Ratable Loans, Borrower shall submit to Administrative Agent a request for each advance, stating the amount requested and the expected purpose for which such advance is to be used, no later than 11:00 a.m. (New York time) on the date, in the case of advances of Base Rate Loans, which is one (1) Banking Day, and, in the case of advances of LIBOR Loans, which is three (3) Banking Days, prior to the date such advance is to be made. In the case of advances of Bid Rate Loans, Borrower shall submit a Bid Rate Quote Request at the time specified in Section 2.02, accompanied by a statement of the expected purpose for which such advance is to be used. In the case of advances of Swingline Loans, Borrower shall submit a notice of borrowing at the time specified in Section 2.03, accompanied by a statement of the expected purpose for which such advance is to be used. Administrative Agent, upon its receipt and approval of the request for advance, will so notify the Banks by facsimile. Not later than 11:30 a.m. (New York time) on the date of each advance, each Bank (in the case of Ratable Loans) or the applicable Banks (in the case of Bid Rate Loans) shall, through its Applicable Lending Office and subject to the conditions of this Agreement, make the amount to be advanced by it on such day available to Administrative Agent, at Administrative Agent's Office and in immediately available funds for the account of Borrower. The amount so received by Administrative Agent shall, subject to the conditions of this Agreement, be made available to Borrower, in immediately available funds, by Administrative Agent's to an account designated by Borrower.

SECTION 2.06. Interest Periods; Renewals. In the case of the LIBOR Loans, Borrower shall select an Interest Period of any duration in accordance with the definition of Interest Period in Section 1.01, subject to the following limitations: (1) no Interest Period may extend beyond the Maturity Date; (2) if an Interest Period would end on a day which is not a Banking Day, such Interest Period shall be extended to the next Banking Day, unless such Banking Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Banking Day; and (3) only eight (8) discrete segments of a Bank's Ratable Loan bearing interest at a LIBOR Interest Rate for a designated Interest Period pursuant to a particular Election, Conversion or Continuation, may be outstanding at any one time (each such segment of each Bank's Ratable Loan corresponding to a proportionate segment of each of the other Banks' Ratable Loans).

Upon notice to Administrative Agent as provided in Section 2.14, Borrower may Continue any LIBOR Loan on the last day of the Interest Period of the same or different duration in accordance with the limitations provided above.

SECTION 2.07. Interest. Borrower shall pay interest to Administrative Agent for the account of the applicable Bank on the outstanding and unpaid principal amount of the Loans, at a rate per annum as follows: (1) for Base Rate Loans at a rate equal to the Base Rate plus the Applicable Margin; (2) for LIBOR Loans at a rate equal to the applicable LIBOR Interest Rate plus the Applicable Margin; and (3) for Bid Rate Loans at a rate equal to the applicable LIBOR Bid Rate. Any principal amount not paid when due (when scheduled, at acceleration or otherwise) shall bear interest thereafter, payable on demand, at the Default Rate.

The interest rate on Base Rate Loans shall change when the Base Rate changes. Interest on Base Rate Loans, LIBOR Loans and Bid Rate Loans shall not exceed the maximum amount permitted under applicable law. Interest shall be calculated for the actual number of days elapsed on the basis of three hundred sixty (360) days.

Accrued interest shall be due and payable in arrears, (x) in the case of both Base Rate Loans and LIBOR Loans, on the first Banking Day of each calendar month and (y) in the case of Bid Rate Loans, at the expiration of the Interest Period applicable thereto, but no less frequently than every three (3) months determined on the basis of the first (1st) day of the Interest Period applicable to the Loan in question; provided, however, that interest accruing at the Default Rate shall be due and payable on demand.

SECTION 2.08. Fees. Borrower shall, during the term of the Loans commencing as of the Closing Date, pay to Administrative Agent for the account of each Bank a facility fee computed, on the daily Loan Commitment of such Bank, in an amount equal to the daily Facility Fee, calculated on the basis of a year of three hundred sixty (360) days for the actual number of days elapsed. The accrued facility fee shall be due and payable in arrears on the first Banking Day of October, January, April and July of each year, commencing on the first such date after the Closing Date, and upon the Maturity Date (as the case may be accelerated) or earlier termination of the Loan Commitments.

SECTION 2.09. Notes. The Ratable Loan and Swingline Loans made by each Bank under this Agreement shall be evidenced by, and repaid with interest in accordance with, a

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promissory note of Borrower in the form of EXHIBIT B duly completed and executed by Borrower, in the principal amount equal to such Bank's Loan Commitment, payable to such Bank for the account of its Applicable Lending Office (each such note, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time, including any substitute note pursuant to Section 3.07 or 12.05, a "Ratable Loan Note"). The Bid Rate Loans of the Banks shall be evidenced by a single global promissory note of Borrower in the form of EXHIBIT C, duly completed and executed by Borrower, in the principal amount of Three Hundred Million Dollars (\$300,000,000), subject to adjustment pursuant to Section 2.16(c) payable to Administrative Agent for the account of the respective Banks making Bid Rate Loans (such note, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time, the "Bid Rate Loan Note"). A particular Bank's Ratable Loan Note, together with its interest, if any, in the Bid Rate Loan Note, are referred to collectively in this Agreement as such Bank's "Note"; all such Ratable Loan Notes and interests are referred to collectively in this Agreement as the "Notes". The Ratable Loan Notes shall mature, and all outstanding principal and accrued interest and other sums thereunder shall be paid in full, on the Maturity Date, or, in the case of Swingline Loans, in accordance with Section 2.03, in either case as the same may be accelerated. The outstanding principal amount of each Bid Rate Loan evidenced by the Bid Rate Loan Note, and all accrued interest and other sums with respect thereto, shall become due and payable to the Bank making such Bid Rate Loan at the earlier of the expiration of the Interest Period applicable thereto or the Maturity Date, as the same may be accelerated.

Each Bank is hereby authorized by Borrower to endorse on the schedule attached to the Ratable Loan Note held by it, the amount of each advance, and each payment of principal received by such Bank for the account of its Applicable Lending Office(s) on account of its Ratable Loan, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Ratable Loan made by such Bank. Administrative Agent is hereby authorized by Borrower to endorse on the schedule attached to the Bid Rate Loan Note the amount of each Bid Rate Loan, the name of the Bank making the same, the date of the advance thereof, the interest rate applicable thereto and the expiration of the Interest Period applicable thereto (i.e., the maturity date thereof). The failure by Administrative Agent or any Bank to make such notations with respect to the Loans or each advance or payment shall not limit or otherwise affect the obligations of Borrower under this Agreement or the Notes.

SECTION 2.10. Prepayments. Without prepayment premium or penalty but subject to Section 3.05, Borrower may, upon at least one (1) Banking Day's notice to Administrative Agent in the case of the Base Rate Loans, and at least three (3) Banking Days' notice to Administrative Agent in the case of LIBOR Loans, prepay the Ratable Loans in whole or, with respect to Base Rate Loans only, in part, provided that (1) any partial prepayment under this Section shall be in integral multiples of One Million Dollars (\$1,000,000); and (2) each prepayment under this Section shall include, at Administrative Agent's option, all interest accrued on the amount of principal prepaid to (but excluding) the date of prepayment. Borrower shall have the right to prepay Bid Rate Loans only with the consent of the Bank or the Designated Lender that funded the Bid Rate Loan that Borrower desires to prepay. Borrower may, from time to time on any Banking Day so long as prior notice is given to Administrative Agent and Swingline Lender no later than 1:00 p.m. (New York City time) on the day on which Borrower intends to make such prepayment, prepay any Swingline Loans in whole or in part in

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amounts aggregating \$100,000 or a higher integral multiple of \$100,000 (or, if less, the aggregate outstanding principal amount of all Swingline Loans then outstanding) by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment by initiating a wire transfer of the principal and interest on the Swingline Loans no later than 1:00 P.M. (New York City time) on such day and Borrower shall deliver a federal reference number evidencing such wire transfer to Administrative Agent as soon as available thereafter on such day.

SECTION 2.11. Method of Payment. Borrower shall make each payment under this Agreement and under the Notes not later than 1:00 p.m. (New York time) on the date when due in Dollars to Administrative Agent at Administrative Agent's Office in immediately available funds. Administrative Agent will thereafter, on the day of its receipt of each such payment, cause to be distributed to each Bank (1) such Bank's appropriate share (based upon the respective outstanding principal amounts and interest due under the Notes of the Banks) of the payments of principal and interest in like funds for the account of such Bank's Applicable Lending Office; and (2) fees payable to such Bank in accordance with the terms of this Agreement. Borrower hereby authorizes Administrative Agent and the Banks, if and to the extent payment by Borrower is not made when due under this Agreement or under the Notes, to charge from time to time against any account Borrower maintains with Administrative Agent or any Bank any amount so due to Administrative Agent and/or the Banks.

Except to the extent provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other than a Banking Day, such payment shall be made on the next succeeding Banking Day, and such extension of time shall in such case be included in the computation of the payment of interest and other fees, as the case may be.

SECTION 2.12. Elections, Conversions or Continuation of Loans. Subject to the provisions of Article III and Sections 2.06 and 2.13, Borrower shall have the right to Elect to have all or a portion of any advance of the Ratable Loans be LIBOR Loans, to Convert Base Rate Loans into LIBOR Loans, to Convert LIBOR Loans into Base Rate Loans, or to Continue LIBOR Loans as LIBOR Loans, at any time or from time to time, provided that: (1) Borrower shall give Administrative Agent notice of each such Election, Conversion or Continuation as provided in Section 2.14; and (2) a LIBOR Loan may be Continued or Converted only on the last day of the applicable Interest Period for such LIBOR Loan. Except as otherwise provided in this Agreement, each Election, Continuation and Conversion shall be applicable to each Bank's Ratable Loan in accordance with its Pro Rata Share.

SECTION 2.13. Minimum Amounts. With respect to the Ratable Loans as a whole, each Election and each Conversion shall be in an amount at least equal to One Million Dollars (\$1,000,000) and in integral multiples of One Hundred Thousand Dollars (\$100,000).

SECTION 2.14. Certain Notices Regarding Elections, Conversions and Continuations of Loans. Notices by Borrower to Administrative Agent of Elections, Conversions and Continuations of LIBOR Loans shall be irrevocable and shall be effective only if received by Administrative Agent not later than 11:00 a.m. (New York time) on the number of

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Banking Days prior to the date of the relevant Election, Conversion or Continuation specified below:

<u>Notice</u>	<u>Number of Banking Days Prior</u>
Conversions into Base Rate Loans	one (1)
Elections of, Conversions into or Continuations as LIBOR Loans	Three (3)

Promptly following its receipt of any such notice, Administrative Agent shall so advise the Banks by facsimile. Each such notice of Election shall specify the portion of the amount of the advance that is to be LIBOR Loans (subject to Section 2.13) and the duration of the Interest Period applicable thereto (subject to Section 2.06); each such notice of Conversion shall specify the LIBOR Loans or Base Rate Loans to be Converted; and each such notice of Conversion or Continuation shall specify the date of Conversion or Continuation (which shall be a Banking Day), the amount thereof (subject to Section 2.13) and the duration of the Interest Period applicable thereto (subject to Section 2.06). In the event that Borrower fails to Elect to have any portion of an advance of the Ratable Loans be LIBOR Loans, the entire amount of such advance shall constitute Base Rate Loans. In the event that Borrower fails to Continue LIBOR Loans within the time period and as otherwise provided in this Section, such LIBOR Loans will be automatically Converted into Base Rate Loans on the last day of the then current applicable Interest Period for such LIBOR Loans.

SECTION 2.15. Late Payment Premium. Borrower shall pay to Administrative Agent for the account of the Banks a late payment premium in the amount of 4% of any payments of principal or interest in respect of the Loans made more than ten (10) days after the due date thereof, which shall be due with any such late payment.

SECTION 2.16. Changes of Loan Commitments. (a) At any time, Borrower shall have the right, without premium or penalty, to terminate any unused Loan Commitments existing as of the date of such termination, in whole or in part, from time to time, provided that: (1) Borrower shall give notice of each such termination to Administrative Agent (which shall promptly notify each of the Banks) no later than 10:00 a.m. (New York time) on the date which is three (3) Banking Days prior to the effectiveness of such termination; (2) the Loan Commitments of each of the Banks must be terminated (taking into account, however, Section 2.02(h)) and simultaneously with those of the other Banks; and (3) each partial termination of the Loan Commitments as a whole (and corresponding reduction of the Total Loan Commitment) shall be in an integral multiple of One Million Dollars (\$1,000,000). A reduction of the unused Loan Commitments pursuant to this Section 2.16 shall not effect a reduction in the Swingline Commitment (unless so elected by the Borrower) until the aggregate unused Loan Commitments have been reduced to an amount equal to the Swingline Commitment.

(b) The Loan Commitments and the Swingline Commitment, to the extent terminated, may not be reinstated.

(c) Unless a Default or an Event of Default has occurred and is continuing, Borrower, by written notice to Administrative Agent, may request on up to four (4) occasions during the term of this Agreement that the Total Loan Commitment be increased by an amount

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not less than Twenty Five Million Dollars (\$25,000,000) per request and not more than Two Hundred Million Dollars (\$200,000,000) in the aggregate (such that the Total Loan Commitment after such increase shall never exceed Eight Hundred Million Dollars (\$800,000,000)); provided that for any such request (a) the Borrower shall not have delivered an Extension Notice prior to, or simultaneously with, such request, (b) any Bank which is a party to this Agreement

prior to such request for increase, at its sole discretion, may elect to increase its Loan Commitment but shall not have any obligation to so increase its Loan Commitment, and (c) in the event that each Bank does not elect to increase its Loan Commitment, the Lead Arrangers shall use commercially reasonable efforts to locate additional Qualified Institutions willing to hold commitments for the requested increase, and Borrower may also identify additional Qualified Institutions willing to hold commitments for the requested increase, provided further that Administrative Agent shall have the right to approve any such additional Qualified Institutions, which approval will not be unreasonably withheld or delayed. In the event that Qualified Institutions commit to any such increase, the Total Loan Commitment and the Loan Commitments of the committed Banks shall be increased, the Pro Rata Shares of the Lenders shall be adjusted, new Notes shall be issued, Borrower shall make such borrowings and repayments as shall be necessary to effect the reallocation of the Ratable Loans so that the Ratable Loans are held by the Banks in accordance with their Pro Rata Shares after giving effect to such increase, and other changes shall be made to the Loan Documents as may be necessary to reflect the aggregate amount, if any, by which Banks have agreed to increase their respective Loan Commitments or make new Loan Commitments in response to the Borrower's request for an increase in the Total Loan Commitment pursuant to this Section 2.16(c), in each case without the consent of the Banks other than those Banks increasing their Loan Commitments. The fees payable by Borrower upon any such increase in the Total Loan Commitment shall be agreed upon by the Lead Arranger and Borrower at the time of such increase.

Notwithstanding the foregoing, nothing in this Section 2.16(c) shall constitute or be deemed to constitute an agreement by any Bank to increase its Loan Commitment hereunder.

SECTION 2.17. Letters of Credit. (a) Borrower, by notice to Administrative Agent and the Fronting Bank, may request, in lieu of advances of proceeds of the Ratable Loans, that the Fronting Bank issue unconditional, irrevocable standby letters of credit (each, a "Letter of Credit") for the account of Borrower, payable by sight drafts, for such beneficiaries and with such other terms as Borrower shall specify. Promptly upon issuance of a Letter of Credit, the Fronting Bank shall notify Administrative Agent and Administrative Agent shall notify each of the Banks by telephone or by facsimile.

(b) The amount of any such Letter of Credit shall be limited to the lesser of (1) Two Hundred Fifty Million Dollars (\$250,000,000) less the amount of all other Letters of Credit then issued and outstanding or (2) the Available Total Loan Commitment, it being understood that the amount of each Letter of Credit issued and outstanding shall effect a reduction, by an equal amount, of the Available Total Loan Commitment as provided in Section 2.01(b) (such reduction to be allocated to each Bank's Loan Commitment ratably in accordance with the Banks' respective Pro Rata Shares).

(c) The amount of each Letter of Credit shall be further subject to the conditions and limitations applicable to amounts of advances set forth in Section 2.04 and the

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procedures for the issuance of each Letter of Credit shall be the same as the procedures applicable to the making of advances as set forth in the first sentence of Section 2.05.

(d) The Fronting Bank's issuance of each Letter of Credit shall be subject to Borrower's satisfaction of all conditions precedent to its entitlement to an advance of proceeds of the Loans.

(e) Each Letter of Credit shall (i) expire no later than the earlier of (x) fourteen (14) days prior to the Maturity Date or (y) unless approved by the Administrative Agent and the Fronting Bank, one (1) year after the date of its issuance (without regard to any automatic renewal provisions thereof), and (ii) be in a minimum amount of One Hundred Thousand Dollars (\$100,000), or such lesser amount approved by the Fronting Bank.

(f) In connection with, and as a further condition to the issuance of, each Letter of Credit, Borrower shall execute and deliver to the Fronting Bank an application for the Letter of Credit in such form, and together with such other documents, opinions and assurances, as the Fronting Bank shall reasonably require.

(g) In connection with each Letter of Credit, Borrower hereby covenants to pay (i) to Administrative Agent, quarterly in arrears (on the first Banking Day of each calendar quarter following the issuance of such Letter of Credit), a fee, payable to Administrative Agent for the account of the Banks, computed daily on the amount of such Letter of Credit issued and outstanding at a rate per annum equal to the "Banks' L/C Fee Rate" (as hereinafter defined) and (ii) to the Fronting Bank the fee designated by the Fronting Bank for such Letter of Credit. Administrative Agent shall have no responsibility for the collection of the fee for any Letter of Credit that is payable to the Fronting Bank. For purposes of this Agreement, the "Banks' L/C Fee Rate" shall mean, provided no Event of Default has occurred and is continuing, a rate per annum equal to the Applicable Margin for LIBOR Loans and, in the event an Event of Default has occurred and is continuing, a rate per annum equal to 3%. It is understood and agreed that the last installment of the fees provided for in this paragraph (g) with respect to any particular Letter of Credit shall be due and payable on the first day of the calendar quarter following the return, undrawn, or cancellation, of such Letter of Credit.

(h) The Fronting Bank shall promptly notify Administrative Agent of any drawing under a Letter of Credit issued by such Fronting Bank. The parties hereto acknowledge and agree that, immediately upon notice from Administrative Agent of any drawing under a Letter of Credit, each Bank shall, notwithstanding the existence of a Default or Event of Default or the non-satisfaction of any conditions precedent to the making of an advance of the Loans, advance proceeds of its Ratable Loan, in an amount equal to its Pro Rata Share of such drawing, which advance shall be made to Administrative Agent for disbursement to the Fronting Bank issuing such Letter of Credit to reimburse the Fronting Bank, for its own account, for such drawing. Each of the Banks further acknowledges that its obligation to fund its Pro Rata Share of drawings under Letters of Credit as aforesaid shall survive the Banks' termination of this Agreement or enforcement of remedies hereunder or under the other Loan Documents. If any Ratable Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under any applicable bankruptcy law with respect to Borrower), then each of the Banks shall purchase (on the date

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such Ratable Loan would otherwise have been made) from the Fronting Bank a participation interest in any unreimbursed drawing in an amount equal to its Pro Rata Share of such unreimbursed drawing.

(i) Borrower agrees, upon and during the occurrence of an Event of Default and at the request of Administrative Agent, (x) to deposit with Administrative Agent cash collateral in the amount of all the outstanding Letters of Credit, which cash collateral is hereby pledged and shall be held by

Administrative Agent in an account as security for Borrower's obligations in connection with the Letters of Credit and (y) to execute and deliver to Administrative Agent such documents as Administrative Agent requests to confirm and perfect the assignment of such cash collateral and such account to Administrative Agent for the benefit of the Banks.

SECTION 2.18. Extension Option. Borrower may extend the Maturity Date for a period of one (1) year upon the following terms and conditions: (i) delivery by Borrower of a written notice to Administrative Agent (the "Extension Notice") on or before a date that is not more than one hundred twenty (120) days nor less than one (1) month prior to the Maturity Date, which Extension Notice Administrative Agent shall promptly deliver to the Banks, which Extension Notice shall include a certification dated as of the date of the Extension Notice signed by a duly authorized signatory of Borrower, stating, to the best of the certifying party's knowledge, (x) all representations and warranties contained in this Agreement and in each of the other Loan Documents are true and correct on and as of the date of the Extension Notice and (y) no Default or Event of Default has occurred and is continuing; (ii) no Event of Default shall have occurred and be continuing both on the date Borrower delivers the Extension Notice and on the original Maturity Date (the "Extension Date"), and (iii) Borrower shall pay to Administrative Agent on or before the Extension Date a fee equal to one-fifth of one percent (0.20%) of the Total Loan Commitment on the Extension Date, which fee shall be distributed by Administrative Agent pro rata to each of the Banks based on each Bank's Pro Rata Share. Borrower's delivery of the Extension Notice shall be irrevocable.

ARTICLE III

YIELD PROTECTION; ILLEGALITY; ETC.

SECTION 3.01. Additional Costs. Borrower shall pay directly to each Bank from time to time on demand such amounts as such Bank may reasonably determine to be necessary to compensate it for any increased costs which such Bank determines are attributable to its making or maintaining a LIBOR Loan or a Bid Rate Loan, or its obligation to make or maintain a LIBOR Loan or a Bid Rate Loan, or its obligation to Convert a Base Rate Loan to a LIBOR Loan hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of its LIBOR Loan or Bid Rate Loan(s) or such obligations (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), in each case resulting from any Regulatory Change which:

(1) changes the basis of taxation of any amounts payable to such Bank under this Agreement or the Notes in respect of any such LIBOR Loan or Bid Rate Loan (other than (i) changes in the rate of general corporate, franchise, branch profit, net income or

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other income tax imposed on such Bank or its Applicable Lending Office or (ii) a tax described in Section 10.13); or

(2) (other than to the extent the LIBOR Reserve Requirement is taken into account in determining the LIBOR Rate at the commencement of the applicable Interest Period) imposes or modifies any reserve, special deposit, deposit insurance or assessment, minimum capital, capital ratio or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any LIBOR Loan or Bid Rate Loan or any deposits referred to in the definition of "LIBOR Interest Rate" in Section 1.01), or any commitment of such Bank (including such Bank's Loan Commitment hereunder); or

(3) imposes any other condition (unrelated to the basis of taxation referred to in paragraph (1) above) affecting this Agreement or the Notes (or any of such extensions of credit or liabilities).

Without limiting the effect of the provisions of the first paragraph of this Section, in the event that, by reason of any Regulatory Change, any Bank either (1) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Bank which includes deposits by reference to which the LIBOR Interest Rate is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes loans based on the LIBOR Interest Rate or (2) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Bank so elects by notice to Borrower (with a copy to Administrative Agent), the obligation of such Bank to permit Elections of, to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended (in which case the provisions of Section 3.04 shall be applicable) until such Regulatory Change ceases to be in effect.

The obligations of Borrower under this Section shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan Commitments in respect of the period prior to such termination.

Determinations and allocations by a Bank for purposes of this Section of the effect of any Regulatory Change pursuant to the first or second paragraph of this Section, on its costs or rate of return of making or maintaining its Loan or portions thereof or on amounts receivable by it in respect of its Loan or portions thereof, and the amounts required to compensate such Bank under this Section, shall be included in a calculation of such amounts given to Borrower and shall be conclusive absent manifest error.

SECTION 3.02. Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of the LIBOR Interest Rate for any Interest Period:

(1) Administrative Agent reasonably determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of "LIBOR Interest Rate" in Section 1.01 are not being provided in the relevant

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amounts or for the relevant maturities for purposes of determining rates of interest for the LIBOR Loans or Bid Rate Loans as provided in this Agreement; or

(2) a Bank reasonably determines (which determination shall be conclusive) and promptly notifies Administrative Agent that the relevant rates of interest referred to in the definition of "LIBOR Interest Rate" in Section 1.01 upon the basis of which the rate of interest for LIBOR

Loans or Bid Rate Loans for such Interest Period is to be determined do not adequately cover the cost to such Bank of making or maintaining such LIBOR Loan or Bid Rate Loan for such Interest Period;

then Administrative Agent shall give Borrower prompt notice thereof, and so long as such condition remains in effect, the Banks (or, in the case of the circumstances described in clause (2) above, the affected Bank) shall be under no obligation to permit Elections of LIBOR Loans, to Convert Base Rate Loans into LIBOR Loans or to Continue LIBOR Loans and Borrower shall, on the last day(s) of the then current Interest Period(s) for the affected outstanding LIBOR Loans or Bid Rate Loans, either (x) prepay the affected LIBOR Loans or Bid Rate Loans pursuant to Section 3.07 or (y) Convert the affected LIBOR Loans into Base Rate Loans in accordance with Section 2.12 or convert the rate of interest under the affected Bid Rate Loans to the rate applicable to Base Rate Loans by following the same procedures as are applicable for Conversions into Base Rate Loans set forth in Section 2.12.

SECTION 3.03. Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to honor its obligation to make or maintain a LIBOR Loan or Bid Rate Loan hereunder, to allow Elections or Continuations of a LIBOR Loan or to Convert a Base Rate Loan into a LIBOR Loan, then such Bank shall promptly notify Administrative Agent and Borrower thereof and such Bank's obligation to make or maintain a LIBOR Loan or Bid Rate Loan, or to permit Elections of, to Continue, or to Convert its Base Rate Loan into, a LIBOR Loan shall be suspended (in which case the provisions of Section 3.04 shall be applicable) until such time as such Bank may again make and maintain a LIBOR Loan or Bid Rate Loan.

SECTION 3.04. Treatment of Affected Loans. If the obligations of any Bank to make or maintain a LIBOR Loan or a Bid Rate Loan, or to permit an Election of a LIBOR Loan, to Continue its LIBOR Loan, or to Convert its Base Rate Loan into a LIBOR Loan, are suspended pursuant to Section 3.01 or 3.03 (each LIBOR Loan or Bid Rate Loan so affected being herein called an "Affected Loan"), such Bank's Affected Loan shall be automatically Converted into a Base Rate Loan (or, in the case of an Affected Loan that is a Bid Rate Loan, the interest rate thereon shall be converted to the rate applicable to Base Rate Loans) on the last day of the then current Interest Period for the Affected Loan (or, in the case of a Conversion or conversion resulting from Section 3.01 or 3.03, on such earlier date as such Bank may specify to Borrower).

To the extent that such Bank's Affected Loan has been so Converted (or the interest rate thereon so converted), all payments and prepayments of principal which would otherwise be applied to such Bank's Affected Loan shall be applied instead to its Base Rate Loan (or to its Bid Rate Loan bearing interest at the converted rate) and such Bank shall have no obligation to Convert its Base Rate Loan into a LIBOR Loan.

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SECTION 3.05. Certain Compensation. Other than in connection with a Conversion of an Affected Loan, Borrower shall pay to Administrative Agent for the account of the applicable Bank, upon the request of such Bank through Administrative Agent which request includes a calculation of the amount(s) due, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense which such Bank reasonably determines is attributable to:

- (1) any payment or prepayment of a LIBOR Loan or Bid Rate Loan made by such Bank, or any Conversion of a LIBOR Loan (or conversion of the rate of interest on a Bid Rate Loan) made by such Bank, in any such case on a date other than the last day of an applicable Interest Period, whether by reason of acceleration or otherwise; or
- (2) any failure by Borrower for any reason to Convert a LIBOR Loan or a Base Rate Loan or to Continue a LIBOR Loan, as the case may be, to be Converted or Continued by such Bank on the date specified therefor in the relevant notice under Section 2.14; or
- (3) any failure by Borrower to borrow (or to qualify for a borrowing of) a LIBOR Loan or Bid Rate Loan which would otherwise be made hereunder on the date specified in the relevant Election notice under Section 2.14 or Bid Rate Quote acceptance under Section 2.02(e) given or submitted by Borrower; or
- (4) any failure by Borrower to prepay a LIBOR Loan or Bid Rate Loan on the date specified in a notice of prepayment.

Without limiting the foregoing, such compensation shall include an amount equal to the present value (using as the discount rate an interest rate equal to the rate determined under (2) below) of the excess, if any, of (1) the amount of interest (less the Applicable Margin) which otherwise would have accrued on the principal amount so paid, prepaid, Converted or Continued (or not Converted, Continued or borrowed) for the period from the date of such payment, prepayment, Conversion or Continuation (or failure to Convert, Continue or borrow) to the last day of the then current applicable Interest Period (or, in the case of a failure to Convert, Continue or borrow, to the last day of the applicable Interest Period which would have commenced on the date specified therefor in the relevant notice) at the applicable rate of interest for the LIBOR Loan or Bid Rate Loan provided for herein, over (2) the amount of interest (as reasonably determined by such Bank) based upon the interest rate which such Bank would have bid in the London interbank market for Dollar deposits, for amounts comparable to such principal amount and maturities comparable to such period. A determination of any Bank as to the amounts payable pursuant to this Section shall be conclusive absent manifest error.

The obligations of Borrower under this Section shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan Commitments in respect of the period prior to such termination.

SECTION 3.06. Capital Adequacy. If any Bank shall have determined that, after the date hereof, the adoption of, or any change in, any applicable law, rule or regulation regarding capital adequacy, or any change in the interpretation or administration thereof by any

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Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

A certificate of any Bank claiming compensation under this Section, setting forth in reasonable detail the basis therefor, shall be conclusive absent manifest error. The obligations of Borrower under this Section shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan Commitments in respect of the period prior to such termination.

SECTION 3.07. Substitution of Banks. If any Bank (an “Affected Bank”) (i) makes demand upon Borrower for (or if Borrower is otherwise required to pay) Additional Costs pursuant to Section 3.01 or (ii) is unable to make or maintain a LIBOR Loan or Bid Rate Loan as a result of a condition described in Section 3.03 or clause (2) of Section 3.02, Borrower may, within ninety (90) days of receipt of such demand or notice (or the occurrence of such other event causing Borrower to be required to pay Additional Costs or causing Section 3.03 or clause (2) of Section 3.02 to be applicable), as the case may be, give written notice (a “Replacement Notice”) to Administrative Agent and to each Bank of Borrower’s intention either (x) to prepay in full the Affected Bank’s Note and to terminate the Affected Bank’s entire Loan Commitment or (y) to replace the Affected Bank with another financial institution (the “Replacement Bank”) designated in such Replacement Notice. After its replacement, an Affected Bank shall remain entitled to the benefits of Sections 3.01, 3.06, 10.13 and 12.04 in respect of the period prior to its replacement.

In the event Borrower opts to give the notice provided for in clause (x) above, and if the Affected Bank shall not agree within thirty (30) days of its receipt thereof to waive the payment of the Additional Costs in question or the effect of the circumstances described in Section 3.03 or clause (2) of Section 3.02, then, so long as no Default or Event of Default shall exist, Borrower may (notwithstanding the provisions of clause (2) of Section 2.16(a)) terminate the Affected Bank’s entire Loan Commitment, provided that in connection therewith it pays to the Affected Bank all outstanding principal and accrued and unpaid interest under the Affected Bank’s Note, together with all other amounts, if any, due from Borrower to the Affected Bank, including all amounts properly demanded and unreimbursed under Sections 3.01 and 3.05. After any termination as provided in this paragraph, an Affected Bank shall remain entitled to the benefits of Sections 3.01, 3.06, 10.13 and 12.04 in respect of the period prior to such termination.

In the event Borrower opts to give the notice provided for in clause (y) above, and if (i) Administrative Agent shall, within thirty (30) days of its receipt of the Replacement Notice, notify Borrower and each Bank in writing that the Replacement Bank is reasonably satisfactory to Administrative Agent and (ii) the Affected Bank shall not, prior to the end of such thirty (30) day period, agree to waive the payment of the Additional Costs in question or the effect of the

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circumstances described in Section 3.03 or clause (2) of Section 3.02, then the Affected Bank shall, so long as no Default or Event of Default shall exist, assign its Note and all of its rights and obligations under this Agreement to the Replacement Bank, and the Replacement Bank shall assume all of the Affected Bank’s rights and obligations, pursuant to an agreement, substantially in the form of an Assignment and Assumption Agreement, executed by the Affected Bank and the Replacement Bank. In connection with such assignment and assumption, the Replacement Bank shall pay to the Affected Bank an amount equal to the outstanding principal amount under the Affected Bank’s Note plus all interest accrued thereon, plus all other amounts, if any (other than the Additional Costs in question), then due and payable to the Affected Bank; provided, however, that prior to or simultaneously with any such assignment and assumption, Borrower shall have paid to such Affected Bank all amounts properly demanded and unreimbursed under Sections 3.01 and 3.05. Upon the effective date of such assignment and assumption, the Replacement Bank shall become a Bank Party to this Agreement and shall have all the rights and obligations of a Bank as set forth in such Assignment and Assumption Agreement, and the Affected Bank shall be released from its obligations hereunder, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this Section, a substitute Ratable Loan Note shall be issued to the Replacement Bank by Borrower, in exchange for the return of the Affected Bank’s Ratable Loan Note. The obligations evidenced by such substitute note shall constitute “Obligations” for all purposes of this Agreement and the other Loan Documents. If the Replacement Bank is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent a certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 10.13. Each Replacement Bank shall be deemed to have made the representations contained in, and shall be bound by the provisions of, Section 10.13. After any assignment as provided in this paragraph, an Affected Bank shall remain entitled to the benefits of Sections 3.01, 3.06, 10.13 and 12.04 in respect of the period prior to such assignment.

Borrower, Administrative Agent and the Banks shall execute such modifications to the Loan Documents as shall be reasonably required in connection with and to effectuate the foregoing.

ARTICLE IV

CONDITIONS PRECEDENT

SECTION 4.01. Conditions Precedent to the Loans. The obligations of the Banks hereunder and the obligation of each Bank to make the Initial Advance are subject to the condition precedent that Administrative Agent shall have received on or before the Execution Date (other than with respect to paragraphs (11), (14) and (18) below, which shall be required by the Closing Date) each of the following documents, and each of the following requirements shall have been fulfilled:

(1) Fees and Expenses. The payment of all fees and expenses owed to or incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of legal counsel);

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(2) Note. The Ratable Loan Note for each Bank and the Bid Rate Loan Note for Administrative Agent, each duly executed by Borrower;

(3) Financial Statements. Audited VRT Consolidated Financial Statements as of and for the year ended December 31, 2002;

(4) Certificates of Limited Partnership/Trust. A copy of the Certificate of Limited Partnership for Borrower and a copy of the articles of trust of General Partner, each certified by the appropriate Secretary of State or equivalent state official;

(5) Agreements of Limited Partnership/Bylaws. A copy of the Agreement of Limited Partnership for Borrower and a copy of the by-laws of General Partner, including all amendments thereto, each certified by the Secretary or an Assistant Secretary of General Partner as being in full force and effect on the Execution Date;

(6) Good Standing Certificates. A certified copy of a certificate from the Secretary of State or equivalent state official of the states where Borrower and General Partner are organized, dated as of the most recent practicable date, showing the good standing or partnership qualification of (i) Borrower and (ii) General Partner;

(7) Foreign Qualification Certificates. A certified copy of a certificate from the Secretary of State or equivalent state official of the state where Borrower and General Partner maintain their principal place of business, dated as of the most recent practicable date, showing the qualification to transact business in such state as a foreign limited partnership or foreign trust, as the case may be, for (i) Borrower and (ii) General Partner;

(8) Resolutions. A copy of a resolution or resolutions adopted by the Board of Trustees of General Partner, certified by the Secretary or an Assistant Secretary of General Partner as being in full force and effect on the Execution Date, authorizing the Loans provided for herein and the execution, delivery and performance of the Loan Documents to be executed and delivered by General Partner hereunder on behalf Borrower;

(9) Incumbency Certificate. A certificate, signed by the Secretary or an Assistant Secretary of General Partner and dated the Execution Date, as to the incumbency, and containing the specimen signature or signatures, of the Persons authorized to execute and deliver the Loan Documents to be executed and delivered by it and Borrower hereunder;

(10) Solvency Certificate. A Solvency Certificate, duly executed, from Borrower;

(11) Opinion of Counsel for Borrower. Favorable opinions, dated the Closing Date, from counsels for Borrower and General Partner, as to such matters as Administrative Agent may reasonably request;

(12) Authorization Letter. The Authorization Letter, duly executed by Borrower;

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(13) Guaranty. The Guaranty duly executed by General Partner;

(14) Request for Advance. A request for an advance in accordance with Section 2.05;

(15) Certificate. The following statements shall be true and Administrative Agent shall have received a certificate dated the Execution Date signed by a duly authorized signatory of Borrower stating, to the best of the certifying party's knowledge, the following:

(a) All representations and warranties contained in this Agreement and in each of the other Loan Documents are true and correct on and as of the Execution Date as though made on and as of such date, and

(b) No Default or Event of Default has occurred and is continuing, or could result from the transactions contemplated by this Agreement and the other Loan Documents;

(16) Compliance Certificate. A certificate of the sort required by paragraph (3) of Section 6.09; and

(17) Insurance. Evidence of the insurance described in Section 5.17.

(18) Prior Credit Agreement. Repayment, with the proceeds of the Initial Advance, of all loans under the Prior Credit Agreement and termination of the Prior Credit Agreement.

SECTION 4.02. Conditions Precedent to Advances After the Initial Advance. The obligation of each Bank to make any advance of the Loans subsequent to the Initial Advance shall be subject to satisfaction of the following conditions precedent:

(1) No Default or Event of Default shall have occurred and be continuing, or could result from the transactions contemplated by this Agreement and the other Loan Documents, as of the date of such advance;

(2) Each of the representations and warranties contained in this Agreement and in each of the other Loan Documents shall be true and correct as of the date of the advance; and

(3) Administrative Agent shall have received a request for an advance in accordance with Section 2.05.

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SECTION 4.03. Deemed Representations. Each request by Borrower for, and acceptance by Borrower of, an advance of proceeds of the Loans shall constitute a representation and warranty by Borrower and General Partner that, as of both the date of such request and the date of such advance (1) no Default or Event of Default has occurred and is continuing, or could result from the transactions contemplated by this Agreement and the other Loan Documents and (2) each of the representations and warranties contained in this Agreement and in each of the other Loan Documents is true and correct. In addition, the request by Borrower for, and acceptance by Borrower of, the Initial Advance shall constitute a representation and warranty by Borrower and General Partner that, as of the Closing Date, each certificate delivered pursuant to Section 4.01 is true and correct.

Borrower (and General Partner, if expressly included in Sections contained in this Article) represents and warrants to Administrative Agent and each Bank as follows:

SECTION 5.01. Existence. Borrower is a limited partnership duly organized and existing under the laws of the State of Delaware, with its principal place of business in the State of New Jersey, and is duly qualified as a foreign limited partnership, properly licensed, in good standing and has all requisite authority to conduct its business in each jurisdiction in which it owns properties or conducts business except where the failure to be so qualified or to obtain such authority would not constitute a Material Adverse Change. Each of its Consolidated Businesses is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite authority to conduct its business in each jurisdiction in which it owns property or conducts business, except where the failure to be so qualified or to obtain such authority would not constitute a Material Adverse Change. General Partner is a real estate investment trust duly organized and existing under the laws of the State of Maryland, with its principal place of business in the State of New Jersey, is duly qualified as a foreign corporation or trust and properly licensed and in good standing in each jurisdiction where the failure to qualify or be licensed would constitute a Material Adverse Change. The stock of General Partner is listed on the New York Stock Exchange.

SECTION 5.02. Corporate/Partnership Powers. The execution, delivery and performance of this Agreement and the other Loan Documents required to be delivered by Borrower hereunder are within its partnership authority and the trust power of General Partner, have been duly authorized by all requisite action, and are not in conflict with the terms of any organizational instruments of such entity, or any instrument or agreement to which Borrower or General Partner is a party or by which Borrower, General Partner or any of their respective assets may be bound or affected.

SECTION 5.03. Power of Officers. The officers of General Partner executing the Loan Documents required to be delivered by it on behalf of Borrower hereunder have been duly elected or appointed and were fully authorized to execute the same at the time each such Loan Document was executed.

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SECTION 5.04. Power and Authority; No Conflicts; Compliance With Laws. The execution and delivery of, and the performance of the obligations required to be performed by Borrower and General Partner under, the Loan Documents do not and will not (a) violate any provision of, or, except for those which have been made or obtained, require any filing (other than SEC disclosure filings), registration, consent or approval under, any Law (including, without limitation, Regulation U), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to either of them, (b) result in a breach of or constitute a default under or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which either of them may be a party or by which either of them or their properties may be bound or affected except for consents which have been obtained, (c) result in, or require, the creation or imposition of any Lien, upon or with respect to any of its properties now owned or hereafter acquired, or (d) cause either of them to be in default under any such Law, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument; to the best of their knowledge, Borrower and General Partner are in compliance with all Laws applicable to them and their properties where the failure to be in compliance would cause a Material Adverse Change to occur.

SECTION 5.05. Legally Enforceable Agreements. Each Loan Document is a legal, valid and binding obligation of Borrower and/or General Partner, as the case may be, enforceable in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

SECTION 5.06. Litigation. Except as disclosed in General Partner's SEC Reports existing as of the date hereof, there are no investigations, actions, suits or proceedings pending or, to its knowledge, threatened against Borrower, General Partner or any of their Affiliates before any court or arbitrator or any Governmental Authority reasonably likely to (i) have a material effect on Borrower's ability to repay the Loans, (ii) result in a Material Adverse Change, or (iii) affect the validity or enforceability of any Loan Document.

SECTION 5.07. Good Title to Properties. Borrower and each of its Affiliates have good, marketable and legal title to all of the properties and assets each of them purports to own (including, without limitation, those reflected in the December 31, 2002 financial statements referred to in Section 5.15 and only with exceptions which do not materially detract from the value of such property or assets or the use thereof in Borrower's and such Affiliate's business, and except to the extent that any such properties and assets have been encumbered or disposed of since the date of such financial statements without violating any of the covenants contained in Article VII or elsewhere in this Agreement). Borrower and its Material Affiliates enjoy peaceful and undisturbed possession of all leased property under leases which are valid and subsisting and are in full force and effect, except to the extent that the failure to be so would not likely result in a Material Adverse Change.

SECTION 5.08. Taxes. Borrower and General Partner have filed all tax returns (federal, state and local) required to be filed and have paid all taxes, assessments and governmental charges and levies due and payable without the imposition of a penalty, including interest and penalties, except to the extent they are the subject of a Good Faith Contest.

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SECTION 5.09. ERISA. To the knowledge of Borrower, each Plan and Multiemployer Plan is in compliance in all material respects with its terms and all applicable provisions of ERISA. Neither a Reportable Event nor a Prohibited Transaction has occurred with respect to any Plan that, assuming the taxable period of the transaction expired as of the date hereof, could subject Borrower, General Partner or any ERISA Affiliate to a tax or penalty imposed under Section 4975 of the Code or Section 502(i) of ERISA in an amount that is in excess of \$50,000; no Reportable Event has occurred with respect to any Plan within the last six (6) years; no notice of intent to terminate a Plan has been filed nor has any Plan been terminated within the past five (5) years; neither Borrower nor General Partner is aware of any circumstances which constitutes grounds under Section 4042 of ERISA entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; Borrower, General Partner and the ERISA Affiliates have not incurred any withdrawal liability with respect to a Multiemployer Plan which has not been completely discharged or which is likely to result in a Material Adverse Change; Borrower, General Partner and the ERISA Affiliates have met the minimum funding requirements of Section 412 of the Code and Section 302 of ERISA of each with respect to the Plans of each and there was no Unfunded Current Liability with respect to any Plan established or maintained by each as of the last day of the most recent plan year of each Plan; and Borrower, General Partner and the ERISA Affiliates have not incurred any liability to the PBGC under ERISA (other than for the payment of premiums under Section 4007 of ERISA). None of the

assets of Borrower or General Partner under this Agreement constitute “plan assets” of any “employee benefit plan” within the meaning of ERISA or of any “plan” within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the U.S. Department of Labor in rules, regulations, releases or bulletins or as interpreted under applicable case law.

SECTION 5.10. No Default on Outstanding Judgments or Orders. Borrower and General Partner have satisfied all judgments which are not being appealed and are not in default with respect to any rule or regulation which is likely to result in a Material Adverse Change or any judgment, order, writ, injunction or decree applicable to Borrower or General Partner, of any court, arbitrator or federal, state, municipal or other Governmental Authority, commission, board, bureau, agency or instrumentality, domestic or foreign.

SECTION 5.11. No Defaults on Other Agreements. Except as disclosed to the Bank Parties in writing or as disclosed in General Partner’s SEC Reports existing as of the date hereof, Borrower or General Partner, to the best of their knowledge, are not a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any partnership, trust or other restriction which is likely to result in a Material Adverse Change. To the best of their knowledge, neither Borrower nor General Partner is in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument which is likely to result in a Material Adverse Change.

SECTION 5.12. Government Regulation. Neither Borrower nor General Partner is subject to regulation under the Investment Company Act of 1940 or any statute or regulation limiting any such Person’s ability to incur indebtedness for money borrowed as contemplated hereby.

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SECTION 5.13. Environmental Protection. To Borrower’s knowledge, except as disclosed in General Partner’s SEC Reports existing as of the date hereof, none of Borrower’s or its Affiliates’ properties contains any Hazardous Materials that, under any Environmental Law currently in effect, (1) would impose liability on Borrower or General Partner that is likely to result in a Material Adverse Change, or (2) is likely to result in the imposition of a Lien on any assets of Borrower, General Partner or any Material Affiliates that is likely to result in a Material Adverse Change. To Borrower’s knowledge, neither it, General Partner nor any Material Affiliates are in violation of, or subject to any existing, pending or threatened investigation or proceeding by any Governmental Authority under any Environmental Law that is likely to result in a Material Adverse Change.

SECTION 5.14. Solvency. Borrower and General Partner are, and upon consummation of the transactions contemplated by this Agreement, the other Loan Documents and any other documents, instruments or agreements relating thereto, will be, Solvent.

SECTION 5.15. Financial Statements. The VRT Consolidated Financial Statements most recently delivered to the Banks prior to the date of this Agreement are in all material respects complete and correct and fairly present the financial condition and results of operations of the subjects thereof as of the dates of and for the periods covered by such statements, all in accordance with GAAP. There has been no Material Adverse Change since the date of such most recently delivered VRT Consolidated Financial Statements.

SECTION 5.16. Valid Existence of Affiliates. Each Material Affiliate is an entity duly organized and existing in good standing under the laws of the jurisdiction of its formation. As to each Material Affiliate, its correct name, the jurisdiction of its formation, Borrower’s direct or indirect percentage of beneficial interest therein, and the type of business in which it is primarily engaged, are set forth on EXHIBIT F. Borrower and each of its Material Affiliates have the power to own their respective properties and to carry on their respective businesses now being conducted. Each Material Affiliate is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the respective businesses conducted by it or its respective properties, owned or held under lease, make such qualification necessary and where the failure to be so qualified would have the effect of a Material Adverse Change.

SECTION 5.17. Insurance. Borrower and each of its Affiliates has in force paid insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated and reasonably acceptable to Administrative Agent.

SECTION 5.18. Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower to Administrative Agent or any Bank in connection with the negotiation of this Agreement or the consummation of the transactions contemplated hereby, or required herein to be furnished by or on behalf of Borrower (other than projections which are made by Borrower in good faith), contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading. There is no fact which Borrower has not disclosed to

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Administrative Agent and the Banks in writing or which is not included in General Partner’s SEC Reports which materially affects adversely or, so far as Borrower can now foresee, will materially affect adversely the business or financial condition of Borrower or the ability of Borrower to perform this Agreement and the other Loan Documents.

SECTION 5.19. Use of Proceeds. All proceeds of the Loans will be used by Borrower only in accordance with the provisions of this Agreement. Neither the making of any Loan nor the use of the proceeds thereof nor any other extension of credit hereunder will violate or be inconsistent with the provisions of Regulations T, U, or X of the Federal Reserve Board. No Swingline Loan shall be used more than once for the purpose of refinancing another Swingline Loan, in whole or part.

SECTION 5.20. Governmental Approvals. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of any Loan Document or the consummation of any of the transactions contemplated thereby other than those that have already been duly made or obtained and remain in full force and effect or those which, if not made or obtained, would not have a Material Adverse Effect.

SECTION 5.21. Principal Offices. As of the Closing Date, the principal office, chief executive office and principal place of business of Borrower and General Partner is 888 Seventh Avenue, New York, New York 10019.

SECTION 5.22. REIT Status. General Partner is qualified and General Partner intends to continue to qualify as a REIT.

SECTION 5.23. Labor Matters. Except as disclosed on EXHIBIT I, (i) as of the date hereof, there are no collective bargaining agreements or Multiemployer Plans covering the employees of Borrower, General Partner, or any ERISA Affiliate and (ii) neither Borrower, General Partner, nor any ERISA Affiliate has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years which would result in a Material Adverse Change.

SECTION 5.24. Organizational Documents. The documents delivered pursuant to Section 4.01(4) and (5) constitute, as of the Closing Date, all of the organizational documents of the Borrower and General Partner. Borrower represents that it has delivered to Administrative Agent true, correct and complete copies of each such documents. General Partner is the general partner of the Borrower. General Partner holds (directly or indirectly) not less than seventy-nine percent (79%) of the ownership interests in Borrower as of the Execution Date.

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ARTICLE VI

AFFIRMATIVE COVENANTS

So long as any of the Notes shall remain unpaid or the Loan Commitments remain in effect, or any other amount is owing by Borrower to any Bank hereunder or under any other Loan Document, Borrower and General Partner shall each:

SECTION 6.01. Maintenance of Existence. Preserve and maintain its legal existence and, if applicable, good standing in the jurisdiction of organization and, if applicable, qualify and remain qualified as a foreign entity in each jurisdiction in which such qualification is required, except to the extent that failure to so qualify is not likely to result in a Material Adverse Change.

SECTION 6.02. Maintenance of Records. Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP, except as disclosed in Borrower's or General Partner's financial statements, reflecting all of its financial transactions.

SECTION 6.03. Maintenance of Insurance. At all times, maintain and keep in force, and cause each of its Material Affiliates to maintain and keep in force, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

SECTION 6.04. Compliance with Laws; Payment of Taxes. Comply in all material respects with all Laws applicable to it or to any of its properties or any part thereof, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon any of its property, except to the extent they are the subject of a Good Faith Contest.

SECTION 6.05. Right of Inspection. At any reasonable time and from time to time upon reasonable notice, permit Administrative Agent or any Bank or any agent or representative thereof (provided that, at Borrower's request, Administrative Agent or such Bank, representative must be accompanied by a representative of Borrower), to examine and make copies and abstracts from the records and books of account of, and visit the properties of, Borrower and to discuss the affairs, finances and accounts of Borrower with the independent accountants of Borrower.

SECTION 6.06. Compliance With Environmental Laws. Comply in all material respects with all applicable Environmental Laws and immediately pay or cause to be paid all costs and expenses incurred in connection with such compliance, except to the extent there is a Good Faith Contest.

SECTION 6.07. Payment of Costs. Pay all costs and expenses required for the satisfaction of the conditions of this Agreement.

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SECTION 6.08. Maintenance of Properties. Do all things reasonably necessary to maintain, preserve, protect and keep its and its Affiliates' properties in good repair, working order and condition except where the failure will not result in a Material Adverse Change.

SECTION 6.09. Reporting and Miscellaneous Document Requirements. Furnish to Administrative Agent (which shall promptly distribute to each of the Banks):

(1) Annual Financial Statements. As soon as available and in any event within ninety-five (95) days after the end of each Fiscal Year, the VRT Consolidated Financial Statements as of the end of and for such Fiscal Year, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year and audited by Borrower's Accountants;

(2) Quarterly Financial Statements. As soon as available and in any event within fifty (50) days after the end of each calendar quarter (other than the last quarter of the Fiscal Year), the unaudited VRT Consolidated Financial Statements as of the end of and for such calendar quarter, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year;

(3) Certificate of No Default and Financial Compliance. Within fifty (50) days after the end of each of the first three quarters of each Fiscal Year and within ninety-five (95) days after the end of each Fiscal Year, a certificate of the chief financial officer or treasurer of General Partner (a) stating that, to the best of his or her knowledge, no Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, specifying the nature thereof and the action which is proposed to be taken with respect thereto; (b) stating that the covenants contained in Section 7.02 and in Article VIII have been complied with (or specifying those that have not been complied with) and including computations demonstrating such compliance (or non-compliance); (c) setting forth the details by property (or by pool of properties where the pool of properties secures a particular loan) of all items comprising Total Outstanding Indebtedness (including amount, maturity, interest rate and

amortization requirements), Capitalization Value, Secured Indebtedness, Combined EBITDA, Unencumbered Combined EBITDA, Interest Expense, Unsecured Interest Expense and Unsecured Indebtedness; and (d) only at the end of each Fiscal Year stating Borrower's taxable income;

(4) Certificate of Borrower's Accountants. Within ninety-five (95) days after the end of each Fiscal Year, (a) a statement of Borrower's Accountants who audited such financial statements comparing the computations set forth in the financial compliance certificate required by paragraphs (3)(b) and (d) of this Section 6.09 to the audited financial statements required by paragraph (1) of this Section 6.09 and (b) when the audited financial statements required by paragraph (1) of this Section 6.09 have a qualified auditor's opinion, a statement of Borrower's Accountants who audited such financial statements of whether any Default or Event of Default has occurred and is continuing;

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(5) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits, and proceedings before any court or arbitrator, affecting Borrower or General Partner which, if determined adversely to Borrower or General Partner is likely to result in a Material Adverse Change and which would be required to be reported in Borrower's or General Partner's SEC Reports;

(6) Notice of ERISA Events. Promptly after the occurrence thereof, notice of any action or event described in clauses (c), (d) or (f) of Section 9.01(7);

(7) Notices of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a material Default or any Event of Default a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken with respect thereto;

(8) Sales or Acquisitions of Assets. Promptly after the occurrence thereof, written notice of any Disposition or acquisition of assets (other than acquisitions or Dispositions of investments such as certificates of deposit, Treasury securities and money market deposits in the ordinary course of Borrower's cash management) in excess of One Hundred Million Dollars (\$100,000,000) and, in the case of any acquisition of such an asset, within ten (10) Banking Days after Administrative Agent's request, copies of the agreements governing the acquisition and historical financial information and Borrower's projections with respect to the property acquired;

(9) Material Adverse Change. As soon as is practicable and in any event within five (5) days after knowledge of the occurrence of any event or circumstance which is likely to result in or has resulted in a Material Adverse Change and which would be required to be reported in General Partner's SEC Reports, written notice thereof;

(10) Bankruptcy of Tenants. Promptly after becoming aware of the same, written notice of the bankruptcy, insolvency or cessation of operations of any tenant in any property of Borrower or in which Borrower has an interest to which four percent (4%) or more of aggregate minimum rent payable to Borrower directly or through its Consolidated Businesses or UJVs is attributable;

(11) Offices. Thirty (30) days' prior written notice of any change in the chief executive office or principal place of business of Borrower;

(12) Environmental and Other Notices. As soon as possible and in any event within thirty (30) days after receipt, copies of all Environmental Notices received by Borrower which are not received in the ordinary course of business and which relate to a previously undisclosed situation which is likely to result in a Material Adverse Change;

(13) Insurance Coverage. Promptly, such information concerning Borrower's insurance coverage as Administrative Agent may reasonably request;

(14) Proxy Statements, Etc. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which Borrower, General Partner or any Material Affiliate sends to its respective shareholders, and copies of all regular,

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periodic and special reports, and all registration statements, which Borrower, General Partner or any Material Affiliate files with the Securities and Exchange Commission or any Governmental Authority which may be substituted therefor, or with any national securities exchange;

(15) Rent Rolls. As soon as available and in any event within ninety-five (95) days after the end of each Fiscal Year, a rent roll, tenant sales report and operating statement for each property directly or indirectly owned in whole or in part by Borrower, except for any property owned indirectly by Borrower on the date hereof in which Borrower owns less than fifteen percent (15%) of the beneficial interests in such property;

(16) Capital Expenditures. As soon as available and in any event within ninety-five (95) days after the end of each Fiscal Year, a schedule of such Fiscal Year's capital expenditures and a budget for the next Fiscal Year's planned capital expenditures for each property directly or indirectly owned in whole or in part by Borrower, except for any property owned indirectly by Borrower on the date hereof in which Borrower owns less than fifteen percent (15%) of the beneficial interests in such property;

(17) Change in Borrower's Credit Rating. Within two (2) Banking Days after Borrower's receipt of notice of any change in Borrower's Credit Rating, written notice of such change; and

(18) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower or any properties of Borrower as Administrative Agent or any Bank may from time to time reasonably request.

SECTION 6.10. Management. At all times, cause Borrower or its Affiliates to provide property management services for at least seventy-five percent (75%) of the total square footage of the properties then owned, directly or indirectly, in whole or in part by Borrower, but excluding properties owned by Borrower's Affiliates in which Borrower does not have the right to designate the provider of such services.

SECTION 6.11. General Partner Status.

(a) Status. General Partner shall at all times (i) remain a publicly traded company listed for trading on the New York Stock Exchange, and (ii) maintain its status as a self-directed and self-administered REIT.

(b) Indebtedness. General Partner shall not, directly or indirectly, create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Debt (excluding any such liability in its capacity as general partner of Borrower or arising as a matter of law), except:

(1) the Obligations; and

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(2) Debt of Borrower for which there is recourse to General Partner which, after giving effect thereto, may be incurred or may remain outstanding without giving rise to an Event of Default or Default.

(c) Restriction on Fundamental Changes.

(1) General Partner shall not have an investment in any Person other than (i) Borrower or indirectly through Borrower, (ii) the interests identified on EXHIBIT J as being owned by General Partner, (iii) such investments which it holds as a nominee of Borrower, and (iv) wholly owned Affiliates and Taxable REIT Subsidiaries (as defined in the Code) but only to the extent the investment in any wholly owned Affiliate or Subsidiary does not result in a Material Adverse Change.

(2) General Partner shall not acquire an interest in any property or assets other than (i) securities issued by Borrower, (ii) the interests identified on EXHIBIT J attached hereto, (iii) such investments which it holds as a nominee of Borrower, and (iv) wholly owned Affiliates and Taxable REIT Subsidiaries but only to the extent the acquisition of an interest in any wholly-owned Affiliate or Taxable REIT Subsidiary does not result in a Material Adverse Change.

ARTICLE VII

NEGATIVE COVENANTS

So long as any of the Notes shall remain unpaid, or the Loan Commitments remain in effect, or any other amount is owing by Borrower to Administrative Agent or any Bank hereunder or under any other Loan Document, Borrower and General Partner shall each not do any or all of the following:

SECTION 7.01. Mergers Etc. Merge or consolidate with (except where Borrower or General Partner is the surviving entity and no Default or Event of Default has occurred and is continuing), or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) (or enter into any agreement to do any of the foregoing). Neither Borrower nor General Partner shall liquidate, wind up or dissolve (or suffer any liquidation or dissolution) or discontinue its business.

SECTION 7.02. Investments. Make any loan or advance to any Person or purchase or otherwise acquire any capital stock, assets, obligations or other securities of, make any capital contribution to, or otherwise invest in, or acquire any interest in, any Person (any such transaction, an "Investment") if such Investment constitutes the acquisition of a minority interest in a Person (a "Minority Interest") and the amount of such Investment, together with the value of all other Minority Interests acquired after the Closing Date contributing to Equity Value, would exceed fifteen percent (15%) of Capitalization Value. A fifty percent (50%) beneficial interest in a Person, in connection with which the holder thereof exercises joint control over such

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Person with the holder(s) of the other fifty percent (50%) beneficial interest, shall constitute a "Minority Interest" for purposes of this Section.

SECTION 7.03. Amendments to Organizational Documents

(a) Amend Borrower's agreement of limited partnership or other organizational documents in any manner that would result in a Material Adverse Change without the Required Banks' consent, which consent shall not be unreasonably withheld. Without limitation of the foregoing, no Person shall be admitted as a general partner of the Borrower other than General Partner.

(b) Amend General Partner's articles of incorporation, by-laws, or other organizational documents in any manner that would result in a Material Adverse Change without the Required Banks' consent, which consent shall not be unreasonably withheld.

(c) Make any "in-kind" transfer of any of Borrower's property or assets to any of Borrower's constituent partners if such transfer would result in an Event of Default.

ARTICLE VIII

FINANCIAL COVENANTS

So long as any of the Notes shall remain unpaid, or the Loan Commitments remain in effect, or any other amount is owing by Borrower to Administrative Agent or any Bank under this Agreement or under any other Loan Document, Borrower shall not permit or suffer:

SECTION 8.01. Equity Value. At any time, Equity Value to be less than Three Billion Dollars (\$3,000,000,000).

SECTION 8.02. Relationship of Total Outstanding Indebtedness to Capitalization Value. At any time, Total Outstanding Indebtedness to exceed sixty percent (60%) of Capitalization Value.

SECTION 8.03. Relationship of Combined EBITDA to Interest Expense. The ratio of (1) Combined EBITDA to (2) Interest Expense, each measured as of the most recently ended calendar quarter, to be less than 2.00 to 1.00.

SECTION 8.04. Relationship of Combined EBITDA to Fixed Charges. The ratio of Combined EBITDA to Fixed Charges, each measured as of the most recently ended calendar quarter, to be less than 1.40 to 1.00.

SECTION 8.05. Relationship of Unencumbered Combined EBITDA to Unsecured Interest Expense. The ratio of Unencumbered Combined EBITDA to Unsecured Interest Expense, each measured as of the most recently ended calendar quarter, to be less than 1.50 to 1.00.

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SECTION 8.06. Relationship of Unsecured Indebtedness to Capitalization Value of Unencumbered Assets. At any time, Unsecured Indebtedness to exceed sixty percent (60%) of Capitalization Value of Unencumbered Assets.

SECTION 8.07. Relationship of Secured Indebtedness to Capitalization Value. The ratio of Secured Indebtedness to Capitalization Value, each measured as of the most recently ended calendar quarter, to exceed 55%.

ARTICLE IX

EVENTS OF DEFAULT

SECTION 9.01. Events of Default. Any of the following events shall be an "Event of Default":

(1) If Borrower shall: fail to pay the principal of any Notes as and when due; or fail to pay interest accruing on any Notes as and when due and such failure to pay shall continue unremedied for five (5) days after the due date of such amount; or fail to pay any fee or any other amount due under this Agreement or any other Loan Document as and when due and such failure to pay shall continue unremedied for two (2) days after notice by Administrative Agent of such failure to pay; or

(2) If any representation or warranty made or deemed made by Borrower or General Partner in this Agreement or in any other Loan Document or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with a Loan Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(3) If Borrower shall fail (a) to perform or observe any term, covenant or agreement contained in Section 6.11(b), Section 6.11(c), Article VII or Article VIII; or (b) to perform or observe any term, covenant or agreement contained in this Agreement (other than obligations specifically referred to elsewhere in this Section 9.01) and such failure shall remain unremedied for thirty (30) consecutive calendar days after notice thereof; provided, however, that if any such default under clause (b) above cannot by its nature be cured within such thirty (30) day grace period and so long as Borrower shall have commenced cure within such thirty (30) day grace period and shall, at all times thereafter, diligently prosecute the same to completion, Borrower shall have an additional period to cure such default; in no event, however, is the foregoing intended to effect an extension of the Maturity Date; or

(4) If Borrower or General Partner shall fail (a) to pay any recourse Debt (other than the payment obligations described in paragraph (1) of this Section 9.01 or obligations that are recourse to Borrower or General Partner solely for fraud, misappropriation, environmental liability and other normal and customary bad-act carveouts to nonrecourse obligations) in an amount equal to or greater than Twenty-Five Million Dollars (\$25,000,000) when due (whether by scheduled maturity, required

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prepayment, acceleration, demand, or otherwise) after the expiration of any applicable grace period, or (b) to perform or observe any material term, covenant, or condition under any agreement or instrument relating to any such Debt, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, after the giving of notice or the lapse of time, or both (other than in cases where, in the judgment of the Required Banks, meaningful discussions likely to result in (i) a waiver or cure of the failure to perform or observe, or (ii) otherwise averting such acceleration are in progress between Borrower and the obligee of such Debt), the maturity of such Debt, or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled or otherwise required prepayment), prior to the stated maturity thereof; or

(5) If any of Borrower, General Partner or any Affiliate of Borrower to which One Hundred Million Dollars (\$100,000,000) or more of Capitalization Value is attributable, shall: (a) generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (b) make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (c) commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed or unstayed for a period of sixty (60) days or more; or (e) be the subject of any proceeding under which all or a substantial part of its assets may be subject to seizure, forfeiture or divestiture; or (f) by any act or omission indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (g) suffer any such custodianship, receivership or trusteeship for all or any substantial part of its property, to continue undischarged for a period of sixty (60) days or more; or

(6) If one or more judgments, decrees or orders for the payment of money in excess of Ten Million Dollars (\$10,000,000) in the aggregate shall be rendered against Borrower or General Partner, and any such judgments, decrees or orders shall continue unsatisfied and in effect

for a period of thirty (30) consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

(7) If any of the following events shall occur or exist with respect to any Plan: (a) any Prohibited Transaction; (b) any Reportable Event; (c) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (d) receipt of notice of an application by the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; (e) complete or partial withdrawal under Section 4201 or 4204 of ERISA from a Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan; or (f) a condition exists which gives rise to imposition of a lien under Section 412(n) or (f) of the Code on Borrower, General Partner or any ERISA Affiliate, and in each case above, if either

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(1) such event or conditions, if any, result in Borrower, General Partner or any ERISA Affiliate being subject to any tax, penalty or other liability to a Plan, Multiemployer Plan, the PBGC or otherwise (or any combination thereof), or a lien described in clause (f) which in the aggregate does not exceed or may not exceed Ten Million Dollars (\$10,000,000), and the same continues unremedied or unpaid for a period of thirty (30) consecutive days or (2) such event or conditions, if any, is likely to result in Borrower, General Partner or any ERISA Affiliate being subject to any tax, penalty or other liability to a Plan, Multiemployer Plan, the PBGC or otherwise (or any combination thereof), or a lien described in clause (f) which in the aggregate exceeds or may exceed Ten Million Dollars (\$10,000,000).

(8) If at any time General Partner is not a qualified REIT or is not listed on the New York Stock Exchange; or

(9) If at any time Borrower or General Partner constitutes plan assets for ERISA purposes (within the meaning of C.F.R. § 2510.3-101).

(10) A default beyond applicable notice and grace periods (if any) under any of the other Loan Documents.

SECTION 9.02. Remedies. If any Event of Default shall occur and be continuing, Administrative Agent shall, upon request of the Required Banks, by notice to Borrower, (1) terminate the Loan Commitments, whereupon the Loan Commitments shall terminate and the Banks shall have no further obligation to extend credit hereunder; and/or (2) declare the unpaid balance of the Notes, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon such balance, all such interest, and all such amounts due under this Agreement shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower; and/or (3) exercise any remedies provided in any of the Loan Documents or by law; provided, however, that upon the occurrence of any Event of Default specified in Section 9.01(5) with respect to Borrower or General Partner, the Loan Commitments shall automatically terminate (and the Banks shall have no further obligation to extend credit hereunder) and the unpaid balance of the Notes, all interest thereon, and all other amounts payable under this Agreement shall automatically be and become forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower.

ARTICLE X

ADMINISTRATIVE AGENT; RELATIONS AMONG BANKS

SECTION 10.01. Appointment, Powers and Immunities of Administrative Agent. Each Bank hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Loan Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Loan Document, together with such other powers as are reasonably incidental thereto. Administrative

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Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Loan Document or required by law, and shall not by reason of this Agreement be a fiduciary or trustee for any Bank except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds (nor shall Administrative Agent have any fiduciary duty to Borrower nor shall any Bank have any fiduciary duty to Borrower or to any other Bank). Administrative Agent shall not be responsible to the Banks for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Loan Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any Lien securing the Obligations or for any failure by Borrower to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct. Borrower shall pay any fee agreed to by Borrower and Administrative Agent with respect to Administrative Agent's services hereunder. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent agrees with the Banks that Administrative Agent shall perform its obligations under this Agreement in good faith according to the same standard of care as that customarily exercised by it in administering its own revolving credit loans.

SECTION 10.02. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Bank as the holder of the Loan made by it for all purposes hereof and shall not be required to deal with any Person who has acquired a participation in any Loan or participation from a Bank. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Banks, and such instructions of the Required Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and any other holder of all or any portion of any Loan or participation.

SECTION 10.03. Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or Event of Default unless Administrative Agent has received notice from a Bank or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to the Banks. Administrative Agent, following consultation with the Banks, shall (subject to Section 10.07 and Section 12.02) take such action with respect to such

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Default or Event of Default which is continuing as shall be directed by the Required Banks; provided that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Banks; and provided further that Administrative Agent shall not send a notice of Default, Event of Default or acceleration to Borrower without the approval of the Required Banks. In no event shall Administrative Agent be required to take any such action which it determines to be contrary to law.

SECTION 10.04. Rights of Agent as a Bank. With respect to its Loan Commitment and the Loan provided by it, each Person serving as an Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as such Agent, and the term any "Bank" or "Banks" shall include each Person serving as an Agent in its capacity as a Bank. Each Person serving as an Agent and its Affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, Borrower (and any Affiliates of Borrower) as if it were not acting as such Agent.

SECTION 10.05. Indemnification of Agents. Each Bank agrees to indemnify each Agent (to the extent not reimbursed under Section 12.04 or under the applicable provisions of any other Loan Document, but without limiting the obligations of Borrower under Section 12.04 or such provisions), for its Pro Rata Share of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of this Agreement, any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 12.04) or under the applicable provisions of any other Loan Document or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided that no Bank shall be liable for (1) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified, (2) any loss of principal or interest with respect to the Loan of any Person serving as an Agent or (3) any loss suffered by such Agent in connection with a swap or other interest rate hedging arrangement entered into with Borrower.

SECTION 10.06. Non-Reliance on Agents and Other Banks. Each Bank agrees that it has, independently and without reliance on any Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrower and the decision to enter into this Agreement and that it will, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Loan Document. Each Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or to inspect the properties or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the

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Banks by any Agent hereunder, each Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of Borrower (or any Affiliate of Borrower) which may come into the possession of such Agent or any of its Affiliates. Each Agent shall not be required to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein for record, or give notice of this Agreement, any other Loan Document or any document or instrument referred to herein or therein, to anyone.

SECTION 10.07. Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of the Banks under Section 10.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

SECTION 10.08. Resignation or Removal of Administrative Agent. Administrative Agent shall have the right to resign at any time. Administrative Agent may be removed at any time with cause by the Required Banks, provided that Borrower and the other Banks shall be promptly notified thereof. Upon any such removal or resignation, the Required Banks shall have the right to appoint a successor Administrative Agent which successor Administrative Agent, so long as it is reasonably acceptable to the Required Banks, shall be that Bank then having the greatest Loan Commitment. If no successor Administrative Agent shall have been so appointed by the Required Banks and shall have accepted such appointment within thirty (30) days after the Required Banks' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be one of the Banks. The Required Banks or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Banks. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The rights and duties of Administrative Agent to be vested in any successor Administrative Agent shall include, without limitation, the rights and duties as Swingline Lender. After any retiring Administrative Agent's removal hereunder as Administrative Agent, the provisions of this Article X shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

SECTION 10.09. Amendments Concerning Agency Function. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Loan Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

SECTION 10.10. Liability of Administrative Agent. Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Bank

to perform its obligations hereunder or to any Bank on account of the failure of Borrower to perform its obligations hereunder or under any other Loan Document.

SECTION 10.11. Transfer of Agency Function. Without the consent of Borrower or any Bank, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and the Banks thereof.

SECTION 10.12. Non-Receipt of Funds by Administrative Agent. Unless Administrative Agent shall have received notice from a Bank or Borrower (either one as appropriate being the "Payor") prior to the date on which such Bank is to make payment hereunder to Administrative Agent of the proceeds of a Loan or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the customary rate set by Administrative Agent for the correction of errors among Banks for three (3) Banking Days and thereafter at the Base Rate.

SECTION 10.13. Withholding Taxes. Each Bank represents at all times during the term of this Agreement that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent and Borrower such forms, certifications, statements and other documents as Administrative Agent or Borrower may request from time to time to evidence such Bank's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent or Borrower to comply with any applicable Laws or regulations relating thereto. Without limiting the effect of the foregoing, if any Bank is not created or organized under the laws of the United States of America or any state thereof, such Bank will furnish to Administrative Agent and Borrower Form W-8ECI or Form W-8BEN of the United States Internal Revenue Service; or such other forms, certifications, statements or documents, duly executed and completed by such Bank as evidence of such Bank's complete exemption from the withholding of United States tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Bank in respect of any Loan or participation or such Bank's Loan Commitment or obligation to purchase participations until such Bank shall have furnished to Administrative Agent and Borrower the requested form, certification, statement or document.

SECTION 10.14. Pro Rata Treatment. Except to the extent otherwise provided, (1) each advance of proceeds of the Ratable Loans shall be made by the Banks, (2) each reduction of the amount of the Total Loan Commitment under Section 2.16 shall be applied to the Loan Commitments of the Banks and (3) each payment of the facility fee accruing under

Section 2.08(a) shall be made for the account of the Banks, ratably according to the amounts of their respective Loan Commitments.

SECTION 10.15. Sharing of Payments Among Banks. If a Bank shall obtain payment of any principal of or interest on any Loan made by it through the exercise of any right of setoff, banker's lien or counterclaim, or by any other means (including direct payment), and such payment results in such Bank receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to the Banks, then such Bank shall promptly purchase for cash from the other Banks participations in the Loans made by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable to the end that all the Banks shall share ratably the benefit of such payment. To such end the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Borrower agrees that any Bank so purchasing a participation in the Loans made by other Banks may exercise all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness of Borrower.

SECTION 10.16. Possession of Documents. Each Bank shall keep possession of its own Ratable Loan Note. Administrative Agent shall hold all the other Loan Documents and related documents in its possession and maintain separate records and accounts with respect thereto, and shall permit the Banks and their representatives access at all reasonable times to inspect such Loan Documents, related documents, records and accounts.

SECTION 10.17. Syndication Agents and Documentation Agents. The Banks serving as Syndication Agents, Documentation Agents or Managing Agents shall have no duties or obligations in such capacities.

ARTICLE XI

NATURE OF OBLIGATIONS

SECTION 11.01. Absolute and Unconditional Obligations. Borrower and General Partner acknowledge and agree that their obligations and liabilities under this Agreement and under the other Loan Documents shall be absolute and unconditional irrespective of (1) any lack of validity or enforceability of any of the Obligations, any Loan Documents, or any agreement or instrument relating thereto; (2) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from any Loan Documents or any other documents or instruments executed in connection with or related to the Obligations; (3) any exchange or release of any collateral, if any, or of any other Person from all or any of the Obligations; or (4) any other circumstances which might otherwise constitute a defense available to, or a discharge of, Borrower, General Partner or any other Person in respect of the Obligations.

The obligations and liabilities of Borrower, General Partner under this Agreement and the other Loan Documents shall not be conditioned or contingent upon the pursuit by any Bank or any other Person at any time of any right or remedy against Borrower, General Partner or any other Person which may be or become liable in respect of all or any part of the Obligations or against any collateral or security or guarantee therefor or right of setoff with respect thereto.

SECTION 11.02. Non-Recourse to VRT Principals. This Agreement and the obligations hereunder and under the other Loan Documents are fully recourse to Borrower and General Partner. Notwithstanding anything to the contrary contained in this Agreement, in any of the other Loan Documents, or in any other instruments, certificates, documents or agreements executed in connection with the Loans (all of the foregoing, for purposes of this Section, hereinafter referred to, individually and collectively, as the “Relevant Documents”), no recourse under or upon any Obligation, representation, warranty, promise or other matter whatsoever shall be had against any of the VRT Principals, and each Bank expressly waives and releases, on behalf of itself and its successors and assigns, all right to assert any liability whatsoever under or with respect to the Relevant Documents against, or to satisfy any claim or obligation arising thereunder against, any of the VRT Principals or out of any assets of the VRT Principals, provided, however, that nothing in this Section shall be deemed to: (1) release Borrower or General Partner from any personal liability pursuant to, or from any of its respective obligations under, the Relevant Documents, or from personal liability for its fraudulent actions or fraudulent omissions; (2) release any VRT Principals from personal liability for its or his own fraudulent actions, fraudulent omissions, misappropriation of funds, rents or insurance proceeds, gross negligence or willful misconduct; (3) constitute a waiver of any obligation evidenced or secured by, or contained in, the Relevant Documents or affect in any way the validity or enforceability of the Relevant Documents; or (4) limit the right of Administrative Agent and/or the Banks to proceed against or realize upon any collateral hereafter given for the Loans or any and all of the assets of Borrower or General Partner (notwithstanding the fact that the VRT Principals have an ownership interest in Borrower or General Partner and, thereby, an interest in the assets of Borrower or General Partner) or to name Borrower or General Partner (or, to the extent that the same are required by applicable law or are determined by a court to be necessary parties in connection with an action or suit against Borrower, General Partner or any collateral hereafter given for the Loans, any of the VRT Principals) as a party defendant in, and to enforce against any collateral hereafter given for the Loans and/or assets of Borrower or General Partner any judgment obtained by Administrative Agent and/or the Banks with respect to, any action or suit under the Relevant Documents so long as no judgment shall be taken (except to the extent taking a judgment is required by applicable law or determined by a court to be necessary to preserve Administrative Agent’s and/or Banks’ rights against any collateral hereafter given for the Loans or Borrower or General Partner, but not otherwise) or shall be enforced against or the VRT Principals or their assets.

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ARTICLE XII

MISCELLANEOUS

SECTION 12.01. Binding Effect of Request for Advance. Borrower agrees that, by its acceptance of any advance of proceeds of the Loans under this Agreement or the issuance of any Letter of Credit, it shall be bound in all respects by the request for advance or Letter of Credit submitted on its behalf in connection therewith with the same force and effect as if Borrower had itself executed and submitted the request for advance or Letter of Credit and whether or not the request for advance is executed and/or submitted by an authorized person.

SECTION 12.02. Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Loan Document nor consent to any material departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Banks and, solely for purposes of its acknowledgment thereof, Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks do any of the following: (1) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any other Loan Document; (2) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts due hereunder or under any other Loan Document; (3) change the definition of Required Banks; (4) amend this Section 12.02 or any other provision requiring the consent of all the Banks; (5) waive any default in payment under paragraph (1) of Section 9.01 or any default under paragraph (5) of Section 9.01; (6) increase or decrease any Loan Commitment of any Bank (except changes in Loan Commitments pursuant to Section 2.16); (7) release the Guaranty; (8) permit the expiration date of any Letter of Credit to be after the Maturity Date; or (9) permit the assignment or transfer by the Borrower or the General Partner of any of its rights or obligations hereunder or under any other Loan Document; and provided further, that (A) an amendment, waiver or consent relating to the time specified for payment of principal, interest and fees with respect to Bid Rate Loans shall only be binding if in writing and signed by the affected Bank or Designated Lender and (B) an amendment, waiver or consent relating to the Swingline Loans shall only be binding if in writing and signed by the Swingline Lender. Any advance of proceeds of the Loans made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Administrative Agent and the Banks, shall not constitute a waiver of the requirement that all conditions, including the non-performed conditions, shall be required with respect to all future advances. No failure on the part of Administrative Agent or any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. All communications from Administrative Agent to the Banks requesting the Banks’ determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Bank, (ii) shall be accompanied by a description of the matter or thing as to which such determination, approval, consent or disapproval is requested and (iii) shall include Administrative Agent’s recommended course of action or determination in respect thereof. Each Bank shall reply promptly, but in any event within fifteen (15) Banking Days (or five (5) Banking Days with respect to any decision to accelerate or stop acceleration of the Loan) after receipt of the request

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therefor by Administrative Agent (the “Bank Reply Period”). Unless a Bank shall give written notice to Administrative Agent that it objects to the recommendation or determination of Administrative Agent within the Bank Reply Period, such Bank shall be deemed to have approved or consented to such recommendation or determination.

SECTION 12.03. Usury. Anything herein to the contrary notwithstanding, the obligations of Borrower under this Agreement and the Notes shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to a Bank limiting rates of interest which may be charged or collected by such Bank.

SECTION 12.04. Expenses; Indemnification. Borrower agrees to reimburse Administrative Agent on demand for all costs, expenses, and charges (including, without limitation, all reasonable fees and charges of engineers, appraisers and external legal counsel) incurred by Administrative Agent in connection with the Loans and to reimburse each of the Banks for reasonable legal costs, expenses and charges incurred by each of the Banks in connection with the performance or enforcement of this Agreement, the Notes, or any other Loan Documents; provided, however, that Borrower is not responsible for costs, expenses and charges incurred by the Bank Parties in connection with the administration or syndication of the Loans (other than any administration fee payable to Administrative Agent). Borrower agrees to indemnify Administrative Agent and each Bank and their respective directors, officers, employees, agents and affiliates from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of (x) any claims by brokers due to acts or omissions by Borrower, (y) any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of the Loans, including without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified) or (z) third party claims or actions against any Bank or Administrative Agent relating to or arising from this Agreement and the transactions contemplated pursuant to this Agreement.

The obligations of Borrower under this Section shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan Commitments.

SECTION 12.05. Assignment; Participation. (a) This Agreement shall be binding upon, and shall inure to the benefit of, Borrower, Administrative Agent, the Banks and their respective successors and permitted assigns. Neither the Borrower nor the General Partner may assign or transfer any of its rights or obligations hereunder or under any other Loan Document without the prior written consent of all the Banks (and any attempted such assignment or transfer without such consent shall be null and void).

(b) Subject to Section 12.05(e), prior to the occurrence of an Event of Default, any Bank may at any time, grant to an existing Bank or one or more banks, finance companies, insurance companies or other entities (a "Participant") in minimum amounts of not less than

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\$5,000,000 (or any lesser amount in the case of participations to an existing Bank) participating interests in its Loan Commitment or any or all of its Loans. After the occurrence and during the continuance of an Event of Default, any Bank may at any time grant to any Person in any amount (also a "Participant"), participating interests in its Loan Commitment or any or all of its Loans. Any participation made during the continuation of an Event of Default shall not be affected by the subsequent cure of such Event of Default. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to Borrower and Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and Borrower and Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Loan Document including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (1), (2), (3), (4), (5), (6) or (7) of Section 12.02 without the consent of the Participant (subject to the final proviso of the first sentence of Section 12.02). The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article III with respect to its participating interest.

(c) Subject to Section 12.05(e), any Bank may at any time assign to a Qualified Institution (in each case, an "Assignee") (i) prior to the occurrence of an Event of Default, in minimum amounts of not less than Five Million Dollars (\$5,000,000) and integral multiples of One Million Dollars (\$1,000,000) thereafter (or any lesser amount in the case of assignments to an existing Bank) and (ii) after the occurrence and during the continuance of an Event of Default, in any amount, all or a proportionate part of all, of its rights and obligations under this Agreement, the Notes and the other Loan Documents, and, in either case, such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and such transferor Bank; provided, that such assignment shall be subject to the consent of the Administrative Agent and if no Event of Default shall have occurred and be continuing, the consent of Borrower, which consents shall not be unreasonably withheld or delayed; and provided further that if an Assignee is a Bank Affiliate of such transferor Bank or was a Bank immediately prior to such assignment, no such consent shall be required; and provided further that such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Bid Rate Loans. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Loan Commitment as set forth in such Assignment and Assumption Agreement, and no further consent or action by any party shall be required and the transferor Bank shall be released from its obligations hereunder to a corresponding extent. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, Administrative Agent and Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment (other than an assignment by a Bank to an affiliate), the transferor Bank shall pay to Administrative Agent an administrative fee for processing such assignment in the amount of \$3,500. If the Assignee is not incorporated under the laws of the

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United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 10.13. Any assignment made during the continuation of an Event of Default shall not be affected by any subsequent cure of such Event of Default.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) Except as provided in Section 12.05(d), so long as no Event of Default shall have occurred and be continuing, no Bank shall be permitted to enter into an assignment of, or sell a participation interest in, its Loans and Loan Commitment, which would result in such Bank holding Loans and a Loan Commitment, without Participants, of less than Ten Million Dollars (\$10,000,000) unless as a result of a decrease of the aggregate Loan Commitments pursuant to Section 2.16; provided, however, that no Bank shall be prohibited from assigning its entire Loans and Commitment so long as such assignment is otherwise permitted hereby.

(f) Borrower recognizes that in connection with a Bank's selling of Participations or making of assignments, any or all documentation, financial statements and other data, or copies thereof, relevant to Borrower or the Loans may be exhibited to and retained by any such Participant or assignee or prospective Participant or assignee. In connection with a Bank's delivery of any financial statements and appraisals to any such Participant or assignee or prospective Participant or assignee, such Bank shall also indicate that the same are delivered on a confidential basis. Borrower agrees to provide all assistance reasonably requested by a Bank to enable such Bank to sell Participations or make assignments of its Loan and Loan Commitment as permitted by this Section 12.05. Each Bank agrees to provide Borrower with notice of all Participations sold by such Bank.

SECTION 12.06. Documentation Satisfactory. All documentation required from or to be submitted on behalf of Borrower in connection with this Agreement and the documents relating hereto shall be subject to the prior approval of, and be satisfactory in form and substance to, Administrative Agent, its counsel and, where specifically provided herein, the Banks. In addition, the persons or parties responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and its counsel and the Banks.

SECTION 12.07. Notices. Unless the party to be notified otherwise notifies the other parties in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be given to Administrative Agent by telephone, confirmed by writing, and to the Banks and to Borrower and General Partner by ordinary mail or overnight courier or telecopy, receipt confirmed, addressed to such party at its address on the signature page of this Agreement. Notices shall be effective: (1) if by telephone, at the time of such telephone conversation, (2) if given by mail, three (3) days after mailing; (3) if given by overnight courier, upon receipt; and (4) if given by telecopy, upon receipt.

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SECTION 12.08. Setoff. To the extent permitted or not expressly prohibited by applicable law, Borrower and General Partner agree that, in addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of Borrower or General Partner at any of such Bank's offices, in Dollars or in any other currency, against any amount payable by Borrower or General Partner to such Bank under this Agreement or such Bank's Note, or any other Loan Document, which is not paid when due (regardless of whether such balances are then due to Borrower or General Partner), in which case it shall promptly notify Borrower, General Partner and Administrative Agent thereof; provided that such Bank's failure to give such notice shall not affect the validity thereof. Payments by Borrower or General Partner hereunder or under the other Loan Documents shall be made without setoff or counterclaim.

SECTION 12.09. Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

SECTION 12.10. Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

SECTION 12.11. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

SECTION 12.12. Integration. The Loan Documents set forth the entire agreement among the parties hereto relating to the transactions contemplated thereby (except with respect to agreements relating solely to compensation, consideration and the coordinated syndication of the Loan) and supersede any prior oral or written statements or agreements with respect to such transactions.

SECTION 12.13. Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York.

SECTION 12.14. Waivers. To the extent permitted or not expressly prohibited by applicable law, in connection with the obligations and liabilities as aforesaid, Borrower and General Partner hereby waive: (1) promptness and diligence; (2) notice of any actions taken by any Bank Party under this Agreement, any other Loan Document or any other agreement or instrument relating hereto or thereto except to the extent otherwise provided herein; (3) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, the omission of or delay in which, but for the provisions of this Section 12.14, might constitute grounds for relieving Borrower or General Partner of their obligations hereunder; (4) any requirement that any Bank Party protect, secure, perfect or insure any Lien on any collateral or exhaust any right or take any action against Borrower, General

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Partner or any other Person or any collateral; (5) any right or claim of right to cause a marshalling of the assets of Borrower or General Partner; and (6) all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise by reason of payment by Borrower or General Partner, either jointly or severally, pursuant to this Agreement or any other Loan Document.

SECTION 12.15. Jurisdiction; Immunities. Borrower, General Partner, Administrative Agent and each Bank hereby irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in New York City over any action or proceeding arising out of or relating to this Agreement, the Notes or any other Loan Document. Borrower, General Partner, Administrative Agent, and each Bank irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York State or United States Federal court. Borrower, General Partner, Administrative Agent, and each Bank irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to Borrower, General Partner, Administrative Agent or each Bank, as the case may be, at the addresses specified herein. Borrower, General Partner, Administrative Agent and each Bank agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Borrower, General Partner, Administrative Agent and each Bank further waive any objection to venue in the State of New York and any objection to an action or proceeding in the State of New York on the basis of forum non conveniens. Borrower, General Partner, Administrative Agent and each Bank agree that any action or proceeding brought against Borrower, General Partner,

Administrative Agent or any Bank, as the case may be, shall be brought only in a New York State court sitting in New York City or a United States Federal court sitting in New York City, to the extent permitted or not expressly prohibited by applicable law.

Nothing in this Section shall affect the right of Borrower, General Partner, Administrative Agent or any Bank to serve legal process in any other manner permitted by law.

To the extent that Borrower, General Partner, Administrative Agent or any Bank have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Borrower, General Partner, Administrative Agent and each Bank hereby irrevocably waive such immunity in respect of its obligations under this Agreement, the Notes and any other Loan Document.

BORROWER, GENERAL PARTNER, ADMINISTRATIVE AGENT AND EACH BANK WAIVE ANY RIGHT EACH SUCH PARTY MAY HAVE TO JURY TRIAL IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT WITH RESPECT TO THIS AGREEMENT, THE NOTES OR THE LOAN. IN ADDITION, BORROWER AND GENERAL PARTNER HEREBY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS WITH RESPECT TO THE NOTES, ANY RIGHT BORROWER OR GENERAL PARTNER, MAY HAVE (1) TO THE EXTENT PERMITTED OR NOT EXPRESSLY PROHIBITED BY APPLICABLE LAW, TO INTERPOSE ANY COUNTERCLAIM

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THEREIN (OTHER THAN A COUNTERCLAIM THAT IF NOT BROUGHT IN THE SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS COULD NOT BE BROUGHT IN A SEPARATE SUIT, ACTION OR PROCEEDING OR WOULD BE SUBJECT TO DISMISSAL OR SIMILAR DISPOSITION FOR FAILURE TO HAVE BEEN ASSERTED IN SUCH SUIT, ACTION OR PROCEEDING BROUGHT BY ADMINISTRATIVE AGENT OR THE BANKS) OR (2) TO THE EXTENT PERMITTED OR NOT EXPRESSLY PROHIBITED BY APPLICABLE LAW, TO HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING HEREIN CONTAINED SHALL PREVENT OR PROHIBIT BORROWER OR GENERAL PARTNER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR THE BANKS WITH RESPECT TO ANY ASSERTED CLAIM.

To the extent not prohibited by applicable law, neither the Borrower nor the General Partner shall assert, and each of Borrower and the General Partner hereby waives, any claim against any Bank or any Agent, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, any Loan or other extension of credit hereunder or the use of the proceeds thereof.

SECTION 12.16. Designated Lender. Any Bank (other than a Bank which is such solely because it is a Designated Lender) (each, a "Designating Lender") may at any time designate one (1) Designated Lender to fund Bid Rate Loans on behalf of such Designating Lender subject to the terms of this Section and the provisions in Section 12.05 shall not apply to such designation. No Bank may designate more than one (1) Designated Lender. The parties to each such designation shall execute and deliver to Administrative Agent for its acceptance a Designation Agreement. Upon such receipt of an appropriately completed Designation Agreement executed by a Designating Lender and a designee representing that it is a Designated Lender, Administrative Agent will accept such Designation Agreement and give prompt notice thereto to Borrower, whereupon, (i) from and after the "Effective Date" specified in the Designation Agreement, the Designated Lender shall become a party to this Agreement with a right to make Bid Rate Loans on behalf of its Designating Lender pursuant to Section 2.02 after Borrower has accepted the Bid Rate Quote of the Designating Lender and (ii) the Designated Lender shall not be required to make payments with respect to any obligations in this Agreement except to the extent of excess cash flow of such Designated Lender which is not otherwise required to repay obligations of such Designated Lender which are then due and payable; provided, however, that regardless of such designation and assumption by the Designated Lender, the Designating Lender shall be and remain obligated to Borrower, Administrative Agent and the Banks for each and every of the obligations of the Designating Lender and its related Designated Lender with respect to this Agreement, including, without limitation, any indemnification obligations under Section 10.05. Each Designating Lender shall serve as the administrative agent of its Designated Lender and shall on behalf of, and to the exclusion of, the Designated Lender: (i) receive any and all payments made for the benefit of the Designated Lender and (ii) give and receive all communications and notices and take all actions hereunder, including, without limitation, votes, approvals, waivers and consents under or relating to this Agreement and the other Loan Documents. Any such notice, communication, vote, approval,

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waiver or consent shall be signed by the Designating Lender as administrative agent for the Designated Lender and shall not be signed by the Designated Lender on its own behalf, but shall be binding on the Designated Lender to the same extent as if actually signed by the Designated Lender. Borrower, Administrative Agent and the Banks may rely thereon without any requirement that the Designated Lender sign or acknowledge the same. No Designated Lender may assign or transfer all or any portion of its interest hereunder or under any other Loan Document, other than assignments to the Designating Lender which originally designated such Designated Lender.

SECTION 12.17. No Bankruptcy Proceedings. Each of Borrower, the Banks and Administrative Agent hereby agrees that it will not institute against any Designated Lender or join any other Person in instituting against any Designated Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any federal or state bankruptcy or similar law, for one (1) year and one (1) day after the payment in full of the latest maturing commercial paper note issued by such Designated Lender.

SECTION 12.18. Tax Shelter Regulations. Neither Borrower, General Partner nor any subsidiary of any of the foregoing intends to treat the Loan or the transactions contemplated by this Agreement and the other Loan Documents as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). If Borrower or any other such Person determines to take any action inconsistent with such intention, Borrower shall promptly notify Administrative Agent thereof. If Borrower so notifies Administrative Agent, Borrower acknowledges that Administrative Agent and the Banks may treat the Loan as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Administrative Agent and the Banks will maintain the lists and other records, including the identity of the applicable party to the Loan as required by such Treasury Regulation.

(b) Notwithstanding anything provided in this Agreement to the contrary, the parties (and each employee, representative, or other agent of the parties) may disclose to any and all persons, without limitation of any kind, the tax treatment and any facts that may be relevant to the tax

structure of the transaction, provided, however, that no party (and no employee, representative, or other agent thereof) shall disclose any other information that is not relevant to understanding the tax treatment and tax structure of the transaction (including the identity of any party and any information that could lead another to determine the identity of any party), or any other information to the extent that such disclosure could result in a violation of any federal or state securities law.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: _____
Joseph Macnow
Chief Financial Officer

VORNADO REALTY TRUST,
a Maryland real estate investment trust,

By: _____
Joseph Macnow
Chief Financial Officer

Address for Notices:

210 Route 4 East,
Paramus, New Jersey 07652-0910
Attention:

Joseph
Macnow,
Chief
Financial
Officer
(201) 587-
1000
(201) 587-
0600

Telephone:

Telecopy:

with copies to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention:

Alan
Sinsheimer,
Esq.
Arthur S.
Adler, Esq.
(212) 558-
4000
(212) 558-
3588

Telephone:

Telecopy:

JPMORGAN CHASE BANK,
as Administrative Agent and a Bank

By _____
Name:
Title:

Commitment: \$40,000,000.00

Address for Notices:

JPMorgan Chase Bank
270 Park Avenue, 4th Floor
New York, New York 10017
Attn:

Marc
Costantino
(212) 270-
9554
(212) 270-
3513

Telephone:

Telecopy:

and

JPMorgan Chase Bank
1111 Sannin
8th Floor
Houston, Texas 77002
Attn:

Loan and
Agency
Services
(713) 750-
2736
(713) 750-
2732

Telephone:

Telecopy:

BANK OF AMERICA, N.A.,
as Syndication Agent and a Bank

By: _____

Name:

Title:

Commitment: \$40,000,000.00

Bank of America, N.A.
901 Main Street, 64th Floor
Attn: Ronald Odlozil
Dallas, TX 75202
Telephone: (214) 209-1512
Telecopy:

CITICORP NORTH AMERICA, INC.,
as Syndication Agent and a Bank

By: _____

Name:

Title:

Commitment: \$40,000,000.00

Citigroup Global Markets
390 Greenwich Street
New York, NY 10013
Attn: David Bouton
Telephone: (212) 723-5884
Telecopy: (212) 723-8380

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Documentation Agent and a Bank

By: _____

Name:

Title:

Commitment: \$40,000,000.00

Deutsche Bank Trust Company Americas
Real Estate Investment Banking
60 Wall Street
New York, NY 10005
Attn: Steven P. Lapham
Telephone: (212) 250-3447
Telecopy:

FLEET NATIONAL BANK,
as Documentation Agent and a Bank

By: _____

Name:

Title:

Commitment: \$40,000,000.00

Fleet Bank
Real Estate Finance Group
1133 Avenue of the Americas - 40th Fl.
New York, NY 10036
Attn: Stephen M. Soled
Telephone: (212) 703-1933
Telecopy: (212) 703-1807

THE BANK OF NEW YORK,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

The Bank of New York
NYCCR Lending & Mortgage Banking
One Wall Street, 21st Floor
New York, NY 10286
Attn: Rick Laudisi
Telephone: (212) 635-7621
Telecopy: (212) 809-9526

COMMERZBANK AG, NEW YORK BRANCH,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

Commerzbank
2 World Financial Center
New York, NY 10281-1050
Attn: R. William Knickerbocker
Telephone: (212) 266-7200
Telecopy: (212) 266-7235

EUROHYPO AG, NEW YORK BRANCH,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

Eurohypo AG
1114 Avenue of the Americas
New York, NY 10036
Attn: Michael Seton
Telephone (212) 479-5704
Telecopy: (212) 479-5800

PNC BANK, NATIONAL ASSOCIATION,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

PNC Bank
Real Estate Banking
Two Tower Center, 18th Floor
East Brunswick, NJ 08816
Attn: Thomas G. Hyland
Telephone: (732) 220-3561
Telecopy: (732) 732- 3744

UBS AG, CAYMAN ISLANDS BRANCH,
as Managing Agent and a Bank

By: _____

Name:

Title:

By: _____

Name:

Title:

Commitment: \$30,000,000.00

UBS AG, Cayman Islands Branch
c/o UBS AG, Stamford Branch
677 Washington Blvd., 6th floor
Stamford, CT 06901
Attn: Luke Goldsworthy
Telephone: (203) 719-0481
Telecopy: (203) 719-3888

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

Wachovia Securities, Inc.
191 Peachtree Street-GA8057
Atlanta, GA 30303
Attn: Cathy A. Casey
Telephone: (404) 332-5649
Telecopy: (404) 332-4066

WELLS FARGO BANK,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

Wells Fargo Bank
Real Estate Group
40 West 57th Street, 22nd Floor
New York, NY 10019
Attn: David McNeill
Telephone: (212) 315-7327
Telecopy: (212) 581-0979

HVB BANK IRELAND,
as Managing Agent and a Bank

By: _____

Name:

Title:

Commitment: \$30,000,000.00

HypoVereinsbank
622 Third Avenue
New York, NY 10017
Attn: Robert Dowling
Telephone: (212) 672-5733
Telecopy: (212) 672-6193

BAYERISCHE LANDESBANK,
CAYMAN ISLANDS BRANCH, as Participant and a Bank

By: _____

Name:

Title:

Commitment: \$25,000,000.00

Bayerische Landesbank
560 Lexington Avenue
New York, NY 10022
Attn: John A. Wain
Telephone: (212) 310-9829
Telecopy: (212) 230-9114

BEAR STEARNS CORPORATE LENDING INC.,
as Participant and a Bank

By: _____
Name:
Title:

Commitment: \$22,500,000.00

Bear Stearns
383 Madison Avenue, 8th Floor
New York, NY 10179
Attn: Keith C. Barnish
Telephone: (212) 272-6082
Telecopy: (212) 272-5446

LASALLE BANK NATIONAL ASSOCIATION,
as Participant and a Bank

By: _____
Name:
Title:

Commitment: \$22,500,000.00

LaSalle Bank, N.A.
135 South LaSalle Street
Chicago, IL, 60603
Attn: Klay Schmeisser
Telephone: (312) 904-0647
Telecopy: (312) 904-6691

LEHMAN BROTHERS BANK, FSB
as Participant and a Bank

By: _____
Name:
Title:

Commitment: \$22,500,000.00

Lehman Brothers
399 Park Avenue, 8th Floor
New York, NY 10022
Attn: Thomas Buffa
Telephone: (212) 526-5153
Telecopy: (646) 758-4672

MORGAN STANLEY BANK,
as Participant and a Bank

By: _____
Name:
Title:

Commitment: \$22,500,000.00

Morgan Stanley Bank
1585 Broadway
New York, NY 10036
Attn: Jaap Tonckens
Telephone: (212) 761-1052
Telecopy: (212) 761-0322

LANDESBANK HESSEN-THUERINGEN,
as Participant and a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

Commitment: \$15,000,000.00

Heleba Bank
420 Fifth Avenue
New York, NY 10018
Attn: Andrew Hastings
Telephone: (212) 703-5256
Telecopy: (212) 703-5222

CHANG HWA COMMERCIAL BANK, LTD.,
NEW YORK BRANCH, as a Participant and a Bank

By: _____
Name:
Title:

Commitment: \$15,000,000.00

Chang Hwa Commercial Bank, Ltd.
New York Branch
685 3rd Avenue, 29th Fl.
New York, NY 10017
Attn: Ming-Hsien Lin
Telephone: 212-651-9770
Telecopy: 212-651-9785

CHEVY CHASE BANK,
as a Participant and a Bank

By: _____
Name:
Title:

Commitment: \$15,000,000.00

Chevy Chase Bank
Real Estate Banking
7501 Wisconsin Avenue, 12th Floor
Bethesda, MD 20814
Attn: J. Jordan O'Neill, III
Telephone: 240-497-7733
Telecopy: 240-497-7714

SCHEDULE 1

Bank	Loan Commitment
JPMorgan Chase Bank	\$ 40,000,000.00
Bank of America, N.A.	\$ 40,000,000.00
Citicorp North America, Inc.	\$ 40,000,000.00

Deutsche Bank Trust Company Americas	\$	40,000,000.00
Fleet National Bank	\$	40,000,000.00
The Bank of New York	\$	30,000,000.00
Commerzbank AG, New York Branch	\$	30,000,000.00
Eurohypo AG, New York Branch	\$	30,000,000.00
PNC Bank, National Association	\$	30,000,000.00
UBS AG, Cayman Islands Branch	\$	30,000,000.00
Wachovia Bank, National Association	\$	30,000,000.00
Wells Fargo Bank	\$	30,000,000.00
HVB Bank Ireland	\$	30,000,000.00
Bayerische Landesbank, Cayman Islands Branch	\$	25,000,000.00
Bear Stearns Corporate Lending Inc.	\$	22,500,000.00
LaSalle Bank National Association	\$	22,500,000.00
Lehman Brothers Bank, FSB	\$	22,500,000.00
Morgan Stanley Bank	\$	22,500,000.00
Landesbank Hessen-Thueringen	\$	15,000,000.00
Chang Hwa Commercial Bank, Ltd., New York Branch	\$	15,000,000.00
Chevy Chase Bank	\$	15,000,000.00
Total	\$	600,000,000.00

EXHIBIT A

AUTHORIZATION LETTER

July 2, 2003

JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017

Re: Revolving Credit Agreement dated as of the date hereof (the "Loan Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement) among us, as Borrower, the Banks named therein, and you, as Administrative Agent for said Banks

Gentlemen:

In connection with the captioned Loan Agreement, we hereby designate any of the following persons to give to you instructions, including notices required pursuant to the Loan Agreement, orally, by telephone or teleprocess, or in writing:

Steven Roth
Michael Fascitelli
Wendy Silverstein
Joseph Macnow.

Instructions may be honored on the oral, telephonic, teleprocess or written instructions of anyone purporting to be any one of the above designated persons even if the instructions are for the benefit of the person delivering them. We will furnish you with confirmation of each such instruction either by telex (whether tested or untested) or in writing signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents.

Without limiting the foregoing, we hereby unconditionally authorize any one of the above-designated persons to execute and submit requests for advances of proceeds of the Loans (including the Initial Advance) and notices of Elections, Conversions and Continuations to you under the Loan Agreement with the identical force and effect in all respects as if executed and submitted by us.

You and the Banks shall be fully protected in, and shall incur no liability to us for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you or any Bank be liable for special, consequential or punitive damages. In addition, we agree to hold you, the Banks and your and the Banks' agents

A-1

harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that we provide to you in connection with the Loan Agreement except for liability, loss or expense occasioned by the gross negligence or willful misconduct of you or your agents.

Upon notice to us, you may, at your option, refuse to execute any instruction, or part thereof, without incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that we have agreed to in writing.

We will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no

longer be authorized.

Very truly yours,

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: _____
Name: Joseph Macnow,
Title: Chief Financial Officer

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EXHIBIT B

RATABLE LOAN NOTE

\$

New York, New York
July 2, 2003

For value received, Vornado Realty L.P., a Delaware limited partnership ("Borrower"), hereby promises to pay to the order of _____ or its successors or assigns (collectively, the "Bank"), at the principal office of JPMorgan Chase Bank located at 270 Park Avenue, New York, New York 10017 ("Administrative Agent") for the account of the Applicable Lending Office of the Bank, the principal sum _____ of Dollars (\$) or, if less, the amount loaned by the Bank under its Ratable Loan and Swingline Loans to Borrower pursuant to the Loan Agreement (as defined below) and actually outstanding, in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the times and at the rates per annum as provided in the Loan Agreement. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the rate set forth in the Loan Agreement.

The date and amount of each advance of the Ratable Loan or a Swingline Loan made by the Bank to Borrower under the Loan Agreement, and each payment of said Ratable Loan or Swingline Loan, shall be recorded by the Bank on its books and, prior to any transfer of this Note (or, at the discretion of the Bank, at any other time), may be endorsed by the Bank on the schedule attached hereto and any continuation thereof.

This Note is one of the Ratable Loan Notes referred to in the Revolving Credit Agreement dated as of July 2, 2003 (as the same may be amended from time to time, the "Loan Agreement") among Borrower, Vornado Realty Trust, the Banks named therein (including the Bank) and Administrative Agent, as administrative agent for the Banks. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

The Loan Agreement contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events.

No recourse shall be had under this Note against the VRT Principals except as and to the extent set forth in Section 11.02 of the Loan Agreement.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

B-1

This Note shall be governed by the laws of the State of New York, provided that, as to the maximum lawful rate of interest which may be charged or collected, if the laws applicable to the Bank permit it to charge or collect a higher rate than the laws of the State of New York, then such law applicable to the Bank shall apply to the Bank under this Note.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note on the day and year first above written.

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: _____
Name: Joseph Macnow
Title: Chief Financial Officer

This is to certify that this Note was executed in my presence on the date hereof by the party whose signature appears above in the capacity indicated.

Notary Public

My commission expires:

B-2

Date	Amount of Advance	Amount of Payment	Balance Outstanding	Notation By
------	-------------------	-------------------	---------------------	-------------

B-3

EXHIBIT C

BID RATE LOAN NOTE

\$300,000,000

New York, New York
July 2, 2003

For value received, Vornado Realty L.P., a Delaware limited partnership ("Borrower"), hereby promises to pay to the order of JPMorgan Chase Bank ("Administrative Agent") or its successors or assigns as Administrative Agent for the account of the respective Banks making Bid Rate Loans or their respective successors or assigns (for the further account of their respective Applicable Lending Offices), at the principal office of Administrative Agent located at 270 Park Avenue, New York, New York 10017, the principal sum of Three Hundred Million Dollars (\$300,000,000) or, if less, the amount loaned by said Banks under their respective Bid Rate Loans to Borrower pursuant to the Loan Agreement (as defined below) and actually outstanding, in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Borrower also promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Banks for the further account of their respective Applicable Lending Offices, at the times and at the rates per annum as provided in the Loan Agreement. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the rate set forth in the Loan Agreement.

The date and amount of each Bid Rate Loan to Borrower under the Loan Agreement referred to below, the name of the Bank making the same, the interest rate applicable thereto and the maturity date thereof (i.e., the end of the Interest Period applicable thereto) shall be recorded by Administrative Agent on its records and may be endorsed by Administrative Agent on the schedule attached hereto and any continuation thereof.

This Note is the Bid Rate Loan Note referred to in the Revolving Credit Agreement dated as of July 2, 2003 (as the same may be amended from time to time, the "Loan Agreement") among Borrower, Vornado Realty Trust, the Banks named therein and Administrative Agent, as administrative agent for the Banks. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

The Loan Agreement contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events.

No recourse shall be had under this Note against the VRT Principals except as and to the extent set forth in Section 11.02 of the Loan Agreement.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

C-1

This Note shall be governed by the laws of the State of New York, provided that, as to the maximum lawful rate of interest which may be charged or collected, if the laws applicable to a particular Bank permit it to charge or collect a higher rate than the laws of the State of New York, then such law applicable to such Bank shall apply to such Bank under this Note.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note on the day and year first above written.

VORNADO REALTY L.P.,
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: _____

This is to certify that this Note was executed in my presence on the date hereof by the party whose signature appears above in the capacity indicated.

Notary Public

My commission expires:

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Bid Rate Loan #	Bank	Date of Advance	Principal Amount	Interest Rate	Maturity (i.e., Expiration of Interest Period)
-----------------	------	-----------------	------------------	---------------	--

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EXHIBIT D

SOLVENCY CERTIFICATE

The officer executing this Certificate is the _____ of Vornado Realty Trust, a Maryland real estate investment trust (“General Partner”), the sole general partner of Vornado Realty L.P., a Delaware limited partnership (“Borrower”), and is familiar with its properties, assets and businesses, and is duly authorized to execute this Certificate on behalf of Borrower pursuant to the Revolving Credit Agreement dated the date hereof (the “Loan Agreement”) among Borrower, General Partner, the banks party thereto (each a “Bank” and collectively, the “Banks”) and JPMorgan Chase Bank, as agent for the Banks (in such capacity, together with its successors in such capacity, the “Agent”). In executing this Certificate, such individual is acting solely in [his] [her] capacity as the _____ of General Partner, and not in [his] [her] individual capacity. Unless otherwise defined herein, terms defined in the Loan Agreement are used herein as therein defined.

The undersigned further certifies that [he] [she] has carefully reviewed the Loan Agreement and the other Loan Documents and the contents of this Certificate and, in connection herewith, has made such investigation and inquiries as [he] [she] deems necessary and prudent therefor. The undersigned further certifies that the financial information and assumptions which underlie and form the basis for the representations made in this Certificate were reasonable when made and were made in good faith and continue to be reasonable as of the date hereof.

The undersigned understands that the Agent is relying on the truth and accuracy of this Certificate in connection with the transactions contemplated by the Loan Agreement.

The undersigned certifies that Borrower is Solvent.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on _____.

D-1

EXHIBIT E

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT dated as of _____, 200____ among [insert name of assigning Bank] (“Assignor”), [insert name of Assignee] (“Assignee”), Vornado Realty L.P., a Delaware limited partnership (“Borrower”) and JPMorgan Chase Bank, as administrative agent for the Banks referred to below (in such capacity, together with its successors in such capacity, the “Administrative Agent”).

Preliminary Statement

1. This Assignment and Assumption Agreement (this “Agreement”) relates to the Revolving Credit Agreement dated July 2, 2003 (as the same may be amended from time to time, the “Loan Agreement”) among Borrower, Vornado Realty Trust, the banks party thereto (each a “Bank” and, collectively, the “Banks”) and the Administrative Agent. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Loan Agreement.
2. Subject to the terms and conditions set forth in the Loan Agreement, Assignor has made a Loan Commitment to Borrower.
3. Assignor desires to assign to Assignee all of the rights of Assignor under the Loan Agreement in respect of a portion of its Ratable Loan and Loan Commitment thereunder in an amount equal to _____ Dollars (\$) (collectively, the “Assigned Loan and Commitment”); and Assignee desires to accept assignment of such rights and assume the corresponding obligations from Assignor on such terms. No portion of any outstanding Bid Rate Loans is being assigned hereby.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Assignment. Assignor hereby assigns and sells to Assignee all of the rights of Assignor under the Loan Agreement in and to the Assigned Loan and Commitment, and Assignee hereby accepts such assignment from Assignor and assumes all of the obligations of Assignor under the Loan Agreement with respect to the Assigned Loan and Commitment. Upon the execution and delivery hereof by Assignor, Assignee, Borrower and the Administrative Agent and the payment of the amount specified in Section 2 hereof required to be paid on the date hereof, (1) Assignee shall, as of the commencement of business on the date hereof, succeed to the rights and obligations of a Bank under the Loan Agreement with a Loan and a Loan Commitment in amounts equal to the Assigned Loan and Commitment (and the definition of Loan Commitment in the Loan Agreement is revised accordingly), and (2) the Loan and Loan Commitment of Assignor shall, as of the commencement of business on the date hereof, be reduced correspondingly and Assignor released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee. Assignor represents and warrants to Assignee (1) that Assignor is the legal and beneficial owner of the Assigned Loan and Commitment free and clear of all liens and other encumbrances and (2) that Assignor is legally

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authorized to enter into this Agreement. Except as provided in the immediately preceding sentence, the assignment provided for herein shall be without representation or warranty by, or recourse to, Assignor. Assignee represents and warrants to Assignor that Assignee is legally authorized to enter into this Agreement.

SECTION 2. Payments. As consideration for the assignment and sale contemplated in Section 1 hereof, Assignee shall pay to Assignor on the date hereof in immediately available funds an amount equal to _____ Dollars (\$) [insert the amount of that portion of Assignor's Loan being assigned]. It is understood that any fees paid to Assignor under the Loan Agreement are for the account of Assignor. Each of Assignor and Assignee hereby agrees that if it receives any amount under the Loan Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 3. [Consent of Borrower and Administrative Agent;] Execution and Delivery of Note. [This Agreement is conditioned upon the consent of Administrative Agent and, provided there exists no Event of Default, Borrower pursuant to Section 12.05 of the Loan Agreement. The execution of this Agreement by Borrower and the Administrative Agent is evidence of this consent and acknowledgment, respectively. **Only necessary if Assignee is not an existing Bank or a Bank Affiliate**] Pursuant to Section 12.05 of the Loan Agreement, Borrower has agreed to execute and deliver Ratable Loan Notes payable to the respective orders of Assignee and Assignor to evidence the assignment and assumption provided for herein.

SECTION 4. Non-Reliance on Assignor. Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of Borrower or any other party to any Loan Document, or the validity and enforceability of the obligations of Borrower or any other party to a Loan Document in respect of the Loan Agreement or any other Loan Document. Assignee acknowledges that it has, independently and without reliance on Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of Borrower and the other parties to the Loan Documents.

SECTION 5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7. Certain Representations and Agreements by Assignee. Reference is made to Section 10.13 of the Loan Agreement. Assignee hereby represents that it is entitled to receive any payments to be made to it under the Loan Agreement or hereunder without the withholding of any tax and agrees to furnish the evidence of such exemption as specified therein and otherwise to comply with the provisions of said Section 10.13.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[NAME OF ASSIGNOR]

By _____
Name:
Title:

[NAME OF ASSIGNEE]

By _____
Name:
Title:

Applicable Lending Office:

Address for Notices:

[Assignee]
[Address]
Attention: _____

Telephone: () _____
Telecopy: () _____

VORNADO REALTY L.P.,
Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By: _____
Name: Joseph Macnow
Title: Chief Financial Officer

JPMORGAN CHASE BANK

By _____
Name:
Title:

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EXHIBIT F

MATERIAL AFFILIATES

<u>Name</u>	<u>State of Formation</u>	<u>Borrower's % Interest</u>	<u>Principal Business</u>

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EXHIBIT G-1

BID RATE QUOTE REQUEST

[Date]

To: JPMorgan Chase Bank, as Administrative Agent (the "Administrative Agent")
From: Vornado Realty L.P.
Re: Revolving Credit Agreement (as amended, the "Loan Agreement") dated as of July 2, 2003 among Vornado Realty L.P., Vornado Realty Trust, the Banks party thereto and the Administrative Agent

We hereby give notice pursuant to Section 2.02 of the Loan Agreement that we request Bid Rate Quotes for the following proposed Bid Rate Loans:

Date of Borrowing:

Principal Amount*

Interest Period**

\$ _____

Such Bid Rate Quotes should offer a LIBOR Bid Margin.

Terms used herein have the meanings assigned to them in the Loan Agreement.

VORNADO REALTY L.P.
a Delaware limited partnership

By: Vornado Realty Trust,
A Maryland real estate investment trust,
general partner

By

Name: Joseph Macnow
Title: Chief Financial Officer

- * Subject to the minimum amount and other requirements set forth in Section 2.02(a) of the Loan Agreement.
- ** Subject to the provisions of the definition of "Interest Period" in the Loan Agreement.

G-1-1

EXHIBIT G-2

INVITATION FOR BID RATE QUOTES

To: [Bank]

Re: Invitation for Bid Rate Quotes to Vornado Realty L.P. ("Borrower")

Pursuant to Section 2.02 of the Revolving Credit Agreement dated as of July 2, 2003 among Borrower, Vardano Realty Trust, the Banks party thereto and the undersigned, as Administrative Agent (as amended, the "Loan Agreement"), we are pleased on behalf of Borrower to invite you to submit Bid Rate Quotes to Borrower for the following proposed Bid Rate Loans:

Date of Borrowing:

<u>Principal Amount</u>	<u>Interest Period</u>
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\$	
----	--

Such Bid Rate Quotes should offer a LIBOR Bid Margin.

Please respond to this invitation by no later than 10:00 a.m. (New York time) on [date].

Terms used herein have the meanings assigned to them in the Loan Agreement.

JPMORGAN CHASE BANK,
as Administrative Agent

By _____

Name: _____

Title: _____

G-2-1

EXHIBIT G-3

BID RATE QUOTE

To: JPMorgan Chase Bank, as Administrative Agent

Re: Bid Rate Quote to Vornado Realty L.P. ("Borrower") pursuant to Revolving Credit Agreement dated July 2, 2003 among Borrower, Vornado Realty Trust, the Banks party thereto and Administrative Agent (as amended, the "Loan Agreement")

In response to your invitation on behalf of Borrower dated _____, 200 , we hereby make the following Bid Rate Quote on the following terms:

1. Quoting Bank:
2. Person to contact at quoting Bank:
3. Date of borrowing: *
4. We hereby offer to make Bid Rate Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

<u>Principal Amount**</u>	<u>Interest Period***</u>	<u>LIBOR Bid Margin****</u>
---------------------------	---------------------------	-----------------------------

\$	
----	--

\$	
----	--

[Provided, that the aggregate principal amount of Bid Rate Loans for which the above offers may be accepted shall not exceed \$ _____.]

* As specified in the related Invitation for Bid Rate Quotes.

** Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Amounts of bids are subject to the requirements of Section 2.02(c) of the Loan Agreement.

*** No more than three (3) bids are permitted for each Interest Period.

**** Margin over or under the LIBOR Interest Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/1,000 of 1%) and specify whether "PLUS" or "MINUS".

5. LIBOR Reserve Requirement, if any: ..

6. Terms used herein have the meanings assigned to them in the Loan Agreement.

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Loan Agreement, irrevocably obligates us to make the Bid Rate Loan(s) for which any offer(s) are accepted, in whole or in part.

G-3-1

Very truly yours,

[NAME OF BANK]

Date: _____

By: _____
Authorized Officer

G-3-2

EXHIBIT G-4

ACCEPTANCE OF BID RATE QUOTE

To: JPMorgan Chase Bank, as Administrative Agent (the "Administrative Agent")

From: Vornado Realty L.P.

Re: Revolving Credit Agreement (as amended, the "Loan Agreement") dated as of July 2, 2003 among Vornado Realty L.P., Vornado Realty Trust, the Banks party thereto and the Administrative Agent

We hereby accept the offers to make Bid Rate Loan(s) set forth in the Bid Rate Quote(s) identified below::

Bank	Date of Bid Rate Quote	Principal Amount	Interest Period	LIBOR Bid Margin

Terms used herein have the meanings assigned to them in the Loan Agreement.

Very Truly yours,

VORNADO REALTY L.P.
a Delaware limited partnership

By: Vornado Realty Trust,
a Maryland real estate investment trust,
general partner

By _____
Name: Joseph Macnow
Title: Chief Financial Officer

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EXHIBIT H

DESIGNATION AGREEMENT

Reference is made to that certain Revolving Credit Agreement dated as of July 2, 2003 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") among Vornado Realty L.P., Vornado Realty Trust, the Banks party thereto, and JPMorgan Chase Bank, as administrative agent for said banks. Terms defined in the Loan Agreement and not otherwise defined herein are used herein with the same meaning.

[BANK] ("Designor") and _____, a _____ ("Designee"), agree as follows:

1. Designor hereby designates Designee, and Designee hereby accepts such designation, to have a right to make Bid Rate Loans pursuant to Section 2.02 of the Loan Agreement. Any assignment by Designor to Designee of its rights to make a Bid Rate Loan pursuant to such Section

shall be effective at the time of the funding of such Bid Rate Loan and not before such time.

2. Except as set forth in Section 6 below, Designor makes no representation or warranty and assumes no responsibility pursuant to this Designation Agreement with respect to (a) any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument and document furnished pursuant thereto or (b) the financial condition of Borrower or the performance or observance by Borrower of any of their obligations under any Loan Document or any other instrument or document furnished pursuant thereto.

3. Designee (a) confirms that it has received a copy of each Loan Document, together with copies of such financial statements and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Designation Agreement; (b) agrees that it will independently and without reliance upon Administrative Agent, Designor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under any Loan Document; (c) represents that it is a Designated Lender; (d) appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under any Loan Document as are delegated to Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (e) agrees that it will perform in accordance with their terms all of the obligations which by the terms of any Loan Document are required to be performed by it as a Bank.

4. Designee hereby appoints Designor as Designee’s agent and attorney-in-fact, and grants to Designor an irrevocable power of attorney, to receive payments made for the benefit of Designee under the Loan Agreement, to deliver and receive all communications and notices under the Loan Agreement and other Loan Documents and to exercise on Designee’s behalf all rights to vote and to grant and make approvals, waivers, consents or amendments to or under the Loan Agreement or other Loan Documents. Any document executed by Designor on

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Designee’s behalf in connection with the Loan Agreement or other Loan Documents shall be binding on Designee. Borrower, Administrative Agent and each of the Banks may rely on and are beneficiaries of this Designation Agreement.

5. Following the execution of this Designation Agreement by Designor and Designee, it will be delivered to Administrative Agent for acceptance by Administrative Agent. The effective date for this Designation Agreement (the “Effective Date”) shall be the date of acceptance hereof by Administrative Agent.

6. Designor unconditionally agrees to pay or reimburse Designee and save Designee harmless against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed or asserted by any of the parties to the Loan Documents against Designee, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Designee hereunder or thereunder, provided that Designor shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from Designee’s gross negligence or willful misconduct.

7. As of the Effective Date, Designee shall be a party to the Loan Agreement with a right to make Bid Rate Loans as a Bank pursuant to Section 2.02 of the Loan Agreement and the rights and obligations of a Bank related thereto; provided, however, that Designee shall not be required to make payments with respect to such obligations except to the extent of excess cash flow of Designee which is not otherwise required to repay obligations of Designee which are then due and payable. Notwithstanding the foregoing, Designor, as administrative agent for Designee, shall be and remain obligated to Borrower, Administrative Agent and the Banks for each and every of the obligations of Designee and Designor with respect to the Loan Agreement, including, without limitation, any indemnification obligations under Section 10.05 of the Loan Agreement.

8. This Designation Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

9. This Designation Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

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IN WITNESS WHEREOF, Designor and Designee have executed and delivered this Designation Agreement as of the date first set forth above.

[DESIGNOR]

By _____
Name:
Title:

[DESIGNEE]

By _____
Name:
Title:

Applicable Lending Office
and Address for Notices:

Attention: _____
Telephone: () _____
Telecopy: () _____

ACCEPTED AS OF THE DAY OF _____, 20 .

JPMORGAN CHASE BANK,
as Administrative Agent

By _____
Name:
Title:

GUARANTY OF PAYMENT

GUARANTY OF PAYMENT (this "Guaranty"), made as of July 2, 2003, by VORNADO REALTY TRUST, a real estate investment trust organized and existing under the laws of the State of Maryland, having an address at 210 Route 4 East, Paramus, New Jersey 07652-0910 ("Guarantor"), for the benefit of JPMORGAN CHASE BANK (the "Administrative Agent"), as agent for the Banks (the "Banks") that are from time to time parties to that certain Revolving Credit Agreement (the "Credit Agreement"), dated as of July 2, 2003 among Vornado Realty, L.P. (the "Borrower"), Guarantor, the banks signatory thereto, the Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents and Deutsche Bank Trust Company Americas and Fleet National Bank, as Documentation Agents.

W I T N E S S E T H:

WHEREAS, the Banks have agreed to make loans and otherwise extend credit to Borrower in the aggregate principal amount not to exceed Six Hundred Million Dollars (\$600,000,000) or, in the event that Borrower exercises its rights pursuant to Section 2.16(c) of the Credit Agreement, Eight Hundred Million Dollars (\$800,000,000) (hereinafter collectively referred to as the "Loans");

WHEREAS, the Loans are and will be evidenced by (i) certain promissory notes of Borrower made to each of the Banks, (ii) a promissory note of Borrower made to the Administrative Agent, (iii) certain letters of credit, and (iv) certain promissory notes of Borrower made to each of the Designated Lenders, in each case in accordance with the terms of the Credit Agreement (collectively, the "Notes");

WHEREAS, the Credit Agreement and the Notes and any other documents executed in connection therewith are hereinafter collectively referred to as the "Loan Documents";

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement;

WHEREAS, Guarantor is the sole general partner of Borrower; and

WHEREAS, as a condition to the execution and delivery of the Loan Documents, the Banks have required that Guarantor execute and deliver this Guaranty.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the making of the Loans by the Banks to Borrower, and in order to induce the Administrative Agent, the Syndication Agents, the Documentation Agents, the Lead Arrangers and Bookrunners, and the Banks to enter into the Credit Agreement and the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which

are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guarantor, on behalf of itself and its successors and assigns, hereby irrevocably, absolutely and unconditionally guarantees the full and punctual payment when due, whether at stated maturity or otherwise, of all Obligations of Borrower now or hereafter existing under the Notes and the Credit Agreement and the other Loan Documents, including in the event that the Borrower exercises its rights under the Credit Agreement to increase the Total Loan Commitment, for principal and/or interest as well as any and all other amounts due thereunder, including, without limitation, all indemnity obligations of Borrower thereunder, and any and all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the Administrative Agent and/or the Banks in enforcing their rights under this Guaranty (all of the foregoing obligations being the "Guaranteed Obligations").

2. It is agreed that the obligations of Guarantor hereunder are primary and this Guaranty shall be enforceable against Guarantor and its successors and assigns without the necessity for any suit or proceeding of any kind or nature whatsoever brought by the Administrative Agent or any of the Banks against Borrower or its respective successors or assigns or any other party or against any security for the payment and performance of the Guaranteed Obligations and without the necessity of any notice of non-payment or non-observance or of any notice of acceptance of this Guaranty or of any notice or demand to, or consent of, which Guarantor might otherwise be entitled (including, without limitation, diligence, presentment, notice of maturity, extension of time, change in nature or form of the Guaranteed Obligations, acceptance of security, release of security, Borrower or any other obligor in respect of the Guaranteed Obligations imposition or agreement arrived at as to the amount of or the terms of the Guaranteed Obligations, notice of any adverse change in Borrower's financial condition and any other fact which might materially increase the risk to Guarantor), all of which Guarantor hereby expressly waives; and Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished, modified or impaired by reason of the assertion of or the failure to assert by the Administrative Agent or any of the Banks against Borrower or its respective successors or assigns, any of the rights or remedies reserved to the Administrative Agent or any of the Banks pursuant to the provisions of the Loan Documents. Guarantor agrees that any notice or directive given at any time to the Administrative Agent or any of the Banks which is inconsistent with the waiver in the immediately preceding sentence shall be void and may be ignored by the Administrative Agent and the Banks, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Guaranty for the reason that such pleading or introduction would be at variance with the written terms of this Guaranty, unless the Administrative Agent has specifically agreed otherwise in a writing, signed by a duly authorized officer. Guarantor specifically acknowledges and agrees that the foregoing waivers are of the essence of this transaction and that, but for this Guaranty and such waivers, the Administrative Agent and the Banks would not extend credit to the Borrower.

3. Guarantor waives, and covenants and agrees that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any and all appraisal, valuation, stay, extension, marshaling-of-assets or redemption laws, or right of homestead or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by Guarantor of its obligations under, or the enforcement by the Administrative Agent or any of the Banks of, this Guaranty. Guarantor further covenants and agrees not to set up or claim any defense, counterclaim, offset, setoff or other objection of any kind to any action, suit or proceeding at law, in equity or otherwise, or to any demand or claim that may be instituted or made by the Administrative Agent or any of the Banks other than the defense of the actual timely payment and performance by

Borrower of the Guaranteed Obligations; provided, however, that the foregoing shall not be deemed a waiver of Guarantor's right to assert any compulsory counterclaim, if such counterclaim is compelled under local law or rule of procedure, nor shall the foregoing be deemed a waiver of Guarantor's right to assert any claim which would constitute a defense, setoff, counterclaim or crossclaim of any nature whatsoever against Administrative Agent or any Bank in any separate action or proceeding. Guarantor represents, warrants and agrees that, as of the date hereof, its obligations under this Guaranty are not subject to any counterclaims, offsets or defenses against the Administrative Agent or any Bank of any kind.

4. The provisions of this Guaranty are for the benefit of the Administrative Agent and the Banks and their successors and permitted assigns, and nothing herein contained shall impair as between Borrower and the Administrative Agent and the Banks the obligations of Borrower under the Loan Documents.

5. This Guaranty shall be a continuing, unconditional, irrevocable and absolute guaranty and the liability of Guarantor hereunder shall in no way be terminated, affected, modified, impaired or diminished by reason of the happening, from time to time, of any of the following, all without notice or the further consent of Guarantor:

- (a) any assignment, amendment, modification or waiver of or change in any of the terms, covenants, conditions or provisions of any of the Guaranteed Obligations or the Loan Documents or the invalidity or unenforceability of any of the foregoing; or
- (b) any extension of time that may be granted by the Administrative Agent and/or the Banks to Borrower, any guarantor, or their respective successors or assigns, heirs, executors, administrators or personal representatives; or
- (c) any action which the Administrative Agent or any of the Banks may take or fail to take under or in respect of any of the Loan Documents or by reason of any waiver of, or failure to enforce any of the rights, remedies, powers or privileges available to the Administrative Agent under this Guaranty or available to the Administrative Agent or any of the Banks at law, in equity or otherwise, or any action on the part of the Administrative Agent or any of the Banks granting indulgence or extension in any form

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whatsoever; or

(d) any sale, exchange, release, or other disposition of any property pledged, mortgaged or conveyed, or any property in which the Administrative Agent and/or the Banks have been granted a lien or security interest to secure any indebtedness of Borrower to the Administrative Agent and/or the Banks or any failure to perfect, or any impairment of any such lien or security interest; or

(e) any release of any person or entity who may be liable in any manner for the payment and collection of any amounts owed by Borrower to the Administrative Agent and/or the Banks; or

(f) the application of any sums by whomsoever paid or however realized to any amounts owing by Borrower to the Administrative Agent and/or the Banks under the Loan Documents in such manner as the Administrative Agent shall determine in its sole discretion; or

(g) Borrower's or Guarantor's voluntary or involuntary liquidation, dissolution, sale of all or substantially all of their respective assets and liabilities, appointment of a trustee, receiver, liquidator, sequestrator or conservator for all or any part of Borrower's or Guarantor's assets, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment, or the commencement of other similar proceedings affecting Borrower or Guarantor or any of the assets of any of them, including, without limitation, (i) the release or discharge of Borrower or any guarantor from the payment and performance of their respective obligations under any of the Loan Documents by operation of law, or (ii) the impairment, limitation or modification of the liability of Borrower or any guarantor in bankruptcy, or of any remedy for the enforcement of the Guaranteed Obligations under any of the Loan Documents, or any guarantor's liability under this Guaranty, resulting from the operation of any present or future provisions of the Bankruptcy Code or other present or future federal, state or applicable statute or law or from the decision in any court; or

(h) any improper disposition by Borrower of the proceeds of the Loans, it being acknowledged by Guarantor that the Administrative Agent or any Bank shall be entitled to honor any request made by Borrower for a disbursement of such proceeds and that neither the Administrative Agent nor any Bank shall have any obligation to see to the proper disposition by Borrower of such proceeds.

6. Guarantor agrees that if at any time all or any part of any payment at any time received by the Administrative Agent from Borrower under the Loan Documents or Guarantor under with respect to this Guaranty is or must be rescinded or returned by the Administrative Agent or any Bank for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Borrower or Guarantor), then Guarantor's obligations

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hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence notwithstanding such previous receipt by such party, and Guarantor's obligations hereunder shall continue to be effective or reinstated, as the case may be, as to such payment, as though such previous payment had never been made.

7. Until this Guaranty is terminated pursuant to the terms hereof, Guarantor (i) shall have no right of subrogation against Borrower by reason of any payments or acts of performance by Guarantor in compliance with the obligations of Guarantor hereunder, (ii) waives any right to enforce any remedy which Guarantor now or hereafter shall have against Borrower by reason of any one or more payments or acts of performance in compliance with the obligations of Guarantor hereunder and (iii) from and after an Event of Default, subordinates any liability or indebtedness of Borrower now or hereafter held by Guarantor or any affiliate of Guarantor to the obligations of Borrower under the Loan Documents. The foregoing, however, shall not be deemed in any way to limit any rights that Guarantor may have pursuant to the Agreement of Limited Partnership of Borrower or which it may have at law or in equity with respect to any other partners of Borrower.

8. Guarantor represents and warrants to the Administrative Agent and the Banks with the knowledge that the Administrative Agent and the Banks are relying upon the same, as follows:

(a) as of the date hereof, Guarantor is the sole general partner of Borrower;

(b) based upon such relationships, Guarantor has determined that it is in its best interests to enter into this Guaranty;

(c) this Guaranty is necessary and convenient to the conduct, promotion and attainment of Guarantor's business, and is in furtherance of Guarantor's business purposes;

(d) the benefits to be derived by Guarantor from Borrower's access to funds made possible by the Loan Documents are at least equal to the obligations undertaken pursuant to this Guaranty;

(e) Guarantor is solvent and has full power and legal right to enter into this Guaranty and to perform its obligations under the terms hereof and (i) Guarantor is organized and validly existing under the laws of the State of Maryland, (ii) Guarantor has complied with all provisions of applicable law in connection with all aspects of this Guaranty, and (iii) the person executing this Guaranty has all the requisite power and authority to execute and deliver this Guaranty;

(f) to the best of Guarantor's knowledge, there is no action, suit, proceeding, or investigation pending or threatened against or affecting Guarantor at law, in equity, in

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admiralty or before any arbitrator or any governmental department, commission, board, bureau, agency or instrumentality (domestic or foreign) which is likely to materially and adversely impair the ability of Guarantor to perform its obligations under this Guaranty;

(g) the execution and delivery of and the performance by Guarantor of its obligations under this Guaranty have been duly authorized by all necessary action on the part of Guarantor and do not (i) violate any provision of any law, rule, regulation (including, without limitation, Regulation U or X of the Board of Governors of the Federal Reserve System of the United States), order, writ, judgment, decree, determination or award presently in effect having applicability to Guarantor or the organizational documents of Guarantor the consequences of which violation are likely to materially and adversely impair the ability of Guarantor to perform its obligations under this Guaranty or (ii) violate or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under, or result in the creation of any liens on Guarantor's assets pursuant to, any indenture, agreement or other instrument to which Guarantor is a party, or by which Guarantor or any of its property is bound, the consequences of which violation, conflict, breach or default are likely to materially and adversely impair the ability of Guarantor to perform its obligations under this Guaranty;

(h) this Guaranty has been duly executed by Guarantor and constitutes the legal, valid and binding obligation of Guarantor, enforceable against it in accordance with its terms except as enforceability may be limited by applicable insolvency, bankruptcy or other laws affecting creditors' rights generally or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law;

(i) no authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any Federal, state, local or foreign court, governmental agency or regulatory authority is required in connection with the making and performance by Guarantor of this Guaranty, except those which have already been obtained; and

(j) Guarantor is not an "investment company" as that term is defined in, nor is it otherwise subject to regulation under, the Investment Company Act of 1940, as amended.

9. Guarantor and Administrative Agent each acknowledge and agree that this Guaranty is a guarantee of payment and performance and not of collection and enforcement in respect of any obligations which may accrue to the Administrative Agent and/or the Banks from Borrower under the provisions of any Loan Document.

10. Subject to the terms and conditions of the Credit Agreement, and in conjunction with an assignment of its Loans, any Bank may assign any or all of its rights under this Guaranty. In the event of any such assignment, the Administrative Agent shall give

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Guarantor prompt notice of same. If any Bank elects to sell any or all of the Loans or participations in the Loans and the Loan Documents, including this Guaranty, such Bank may forward to each purchaser and prospective purchaser all documents and information relating to this Guaranty or to Guarantor, whether furnished by Borrower or Guarantor or otherwise, subject to the terms and conditions of the Credit Agreement.

11. Guarantor agrees, upon the written request of the Administrative Agent, to execute and deliver to the Administrative Agent, from time to time, any modification or amendment hereto or any additional instruments or documents reasonably considered necessary by the Administrative Agent or its counsel to cause this Guaranty to be, become or remain valid and effective in accordance with its terms, provided, that any such modification, amendment, additional instrument or document shall not increase Guarantor's obligations or diminish its rights hereunder and shall be reasonably satisfactory as to form to Guarantor and to Guarantor's counsel.

12. The representations and warranties of Guarantor set forth in this Guaranty shall survive until this Guaranty shall terminate in accordance with the terms hereof.

13. This Guaranty contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements relating to such subject matter and may not be modified, amended, supplemented or discharged except by a written agreement signed by Guarantor and the Administrative Agent.

14 If all or any portion of any provision contained in this Guaranty shall be determined to be invalid, illegal or unenforceable in any respect for any reason, such provision or portion thereof shall be deemed stricken and severed from this Guaranty and the remaining provisions and portions thereof shall continue in full force and effect.

15. This Guaranty may be executed in counterparts which together shall constitute the same instrument.

16 All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission followed by telephonic confirmation or similar writing) and shall be addressed to such party at the address set forth below or to such other address as may be identified by any party in a written notice to the others:

If to Guarantor
Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652-0910
Attn: Joseph, Macnow, Chief Financial Officer
Telephone: (201) 587-1000
Telecopy: (210) 587-0600

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With Copies of
Notices to Guarantor to:
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attn: Alan Sinsheimer, Esq.
Arthur S. Adler, Esq.
Telephone: (212) 558-4000
Telecopy: (212) 558-3588

If to the
Administrative Agent:
JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attn: Marc Costantino
Telephone: (212) 270-9554
Telecopy: (212) 270-0213

with copies to:
JPMorgan Chase Bank
1111 Sannin
8th Floor
Houston, Texas 77002
Attn: Loan and Agency Services
Telephone: (713) 750-2736
Telecopy: (713) 750-2732

With Copies of
Notices to
Administrative Agent:
Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square
New York, New York 10036
Attn: Martha Feltenstein, Esq.

Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when such facsimile is transmitted to the facsimile number specified in this Section and the appropriate facsimile confirmation is received, (ii) if given by certified or registered mail, return receipt requested, with first class postage prepaid, addressed as aforesaid, upon receipt or refusal to accept delivery, (iii) if given by a nationally recognized overnight carrier, the Banking Day after such communication is deposited with such carrier with postage prepaid for next day delivery, or (iv) if given by any other means, when delivered at the address specified in this Section.

17. Any acknowledgement or new promise, whether by payment of principal or interest or otherwise by Borrower or Guarantor, with respect to the Guaranteed Obligations shall,

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if the statute of limitations in favor of Guarantor against the Administrative Agent and the Banks shall have commenced to run, toll the running of such statute of limitations, and if the period of such statute of limitations shall have expired, prevent the operation of such statute of limitations.

18. This Guaranty shall be binding upon Guarantor and its successors and assigns and shall inure to the benefit of the Administrative Agent and the Banks and their successors and permitted assigns, provided that the Guarantor may not assign or transfer or delegate any of its rights or obligations hereunder without the prior written consent of all of the Banks (and any attempt at such assignment, transfer or delegation without such consent shall be null and void).

19. The failure of the Administrative Agent to enforce any right or remedy hereunder, or promptly to enforce any such right or remedy, shall not constitute a waiver thereof, nor give rise to any estoppel against the Administrative Agent or any Bank, nor excuse Guarantor from its obligations hereunder. Any waiver of any such right or remedy to be enforceable against the Administrative Agent and the Banks must be expressly set forth in a writing signed by the Administrative Agent (acting with the requisite consent of the Banks as provided in the Credit Agent).

20. (a) THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

(b) Any legal action or proceeding with respect to this Guaranty and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Guaranty, the Guarantor hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. The Guarantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at its address for notices set forth herein. The Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of the Administrative Agent to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction.

(c) GUARANTOR HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY AND ALL CLAIMS OR CAUSES OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. IT IS HEREBY ACKNOWLEDGED BY

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GUARANTOR THAT THE WAIVER OF A JURY TRIAL IS A MATERIAL INDUCEMENT FOR THE ADMINISTRATIVE AGENT AND THE BANKS TO ACCEPT THIS GUARANTY AND THAT THE LOANS MADE BY THE BANKS ARE MADE IN RELIANCE UPON SUCH WAIVER. GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE, FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS GUARANTY MAY BE FILED BY THE ADMINISTRATIVE AGENT IN COURT AS A WRITTEN CONSENT TO A NON-JURY TRIAL.

(d) Guarantor does hereby further covenant and agree to and with the Administrative Agent that Guarantor may be joined in any action against Borrower in connection with the Loan Documents and that recovery may be had against Guarantor in such action or in any independent action against Guarantor (with respect to the Guaranteed Obligations), without the Administrative Agent or any Bank first pursuing or exhausting any remedy or claim against Borrower or its successors or assigns. Guarantor also agrees that, in an action brought with respect to the Guaranteed Obligations in any jurisdiction, it shall be conclusively bound by the judgment in any such action by the Administrative Agent and/or the Banks (wherever brought) against Borrower or its successors or assigns, as if Guarantor were a party to such action, even though Guarantor was not joined as a party in such action.

(e) Guarantor agrees to pay all reasonable expenses (including, without limitation, attorneys' fees and disbursements) which may be incurred by the Administrative Agent or the Banks in connection with the enforcement of their rights under this Guaranty, whether or not suit is initiated.

21. Notwithstanding anything to the contrary contained herein, this Guaranty shall terminate and be of no further force or effect upon the full and indefeasible performance and payment of the Guaranteed Obligations hereunder. Upon termination of this Guaranty in accordance with the terms of this Guaranty, the Administrative Agent promptly shall deliver to Guarantor such documents as Guarantor or Guarantor's counsel reasonably may request in order to evidence such termination.

22. All of the Administrative Agent's and the Banks' rights and remedies under each of the Loan Documents or under this Guaranty are intended to be distinct, separate and cumulative and no such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any other right or remedy available to the Administrative Agent or any Bank.

23. The Guarantor shall not use any assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA or a "plan" within the meaning of Section 4975(e)(1) of the Internal Revenue Code (the "Code") to repay or secure the Loans, the Notes, the Credit Agreement, the Guaranteed Obligations or this Guaranty. The Guarantor shall not assign, sell, pledge, encumber, transfer, hypothecate or otherwise dispose of any of its rights or

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interests (direct or indirect) in Borrower, or attempt to do any of the foregoing or suffer any of the foregoing, or permit any party with a direct or indirect interest or right in Borrower to do any of the foregoing, if such action would cause the Notes, the Loans, the Credit Agreement, the Guaranteed Obligations, this Guaranty, or any of the Loan Documents or the exercise of any of the Administrative Agent's or any Bank's rights in connection therewith, to constitute a prohibited transaction under ERISA or the Code (unless the Guarantor furnishes to the Administrative Agent a legal opinion satisfactory to the Administrative Agent that the transaction is exempt from the prohibited transaction provisions of ERISA and the Code (and for this purpose, the Administrative Agent and the Banks, by accepting the benefits of this Guaranty, hereby agree to supply Guarantor all relevant non-confidential, factual information reasonably necessary to such legal opinion and reasonably requested by Guarantor) or would otherwise result in the Administrative Agent or any of the Banks being deemed in violation of Section 404 or Section 406 of ERISA or Section 4975 of the Code or would otherwise result in the Administrative Agent or any of the Banks being a fiduciary or party in interest under ERISA or a "disqualified person" as defined in Section 4975(e)(2) of the Code with respect to an "employee benefit plan" within the meaning of Section 3(3) of ERISA or a "plan" within the meaning of Section 4975(e)(1) of the Code. The Guarantor shall indemnify and hold free and harmless each of the Administrative Agent and the Banks from and against all loss, costs (including attorneys' fees and expenses), expenses, taxes and damages (including consequential damages) that each of the Administrative Agent and the Banks may suffer by reason of the investigation, defense and settlement of claims and in obtaining any prohibited transaction exemption under ERISA necessary in Administrative Agent's or any Bank's reasonable judgment by reason of a breach of the foregoing provisions by Guarantor. The foregoing indemnities shall survive the repayment of the Loans and the Notes. To the extent not prohibited by applicable law, Guarantor shall not assert, and Guarantor hereby waives, any claim against any Bank

or the Administrative Agent, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Guaranty, any other Loan Document or any agreement or instrument contemplated hereby or thereby, any Loan or other extension of credit under the Credit Agreement or the use of the proceeds thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty as of the date and year first above written.

GUARANTOR:
VORNADO REALTY TRUST

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President
Finance and Administration

ACCEPTED:

JPMORGAN CHASE BANK,
as Administrative Agent

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty as of the date and year first above written.

GUARANTOR:
VORNADO REALTY TRUST

By: _____
Name:
Title:

ACCEPTED:

JPMORGAN CHASE BANK,
as Administrative Agent

By: /s/ Marc E. Costantino
Name: MARC E. COSTANTINO
Title: VICE PRESIDENT

ACKNOWLEDGMENT FOR GUARANTOR

STATE OF NEW JERSEY)
) SS.
COUNTY OF BERGEN)

On July 1, 2003, before me personally came Joseph Macnow, to me known to be the person who executed the foregoing instrument, and who, being duly sworn by me, did depose and say that [s]he is Ex. V.P. Finance & Admin of Vornado Realty Trust, and that [s]he executed the foregoing instrument in the organization's name, and that [s]he had authority to sign the same, and [s]he acknowledged to me that [s]he executed the same as the act and deed of said organization for the uses and purposes therein mentioned.

[Seal]

/s/ Sandra Marin
Notary Public

August 7, 2003

Vornado Realty Trust
New York, New York

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Vornado Realty Trust for the periods ended June 30, 2003 and 2002, as indicated in our report dated August 7, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated by reference in:

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

and in Vornado Realty Trust and Vornado Realty L.P (Joint Registration Statements):

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

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

DELOITTE & TOUCHE LLP
Parsippany, New Jersey

CERTIFICATION

I, Steven Roth, certify that:

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

August 8, 2003

/s/ Steven Roth
Steven Roth
Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

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

August 8, 2003

/s/ Joseph Macnow
Joseph Macnow,
Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Vornado Realty Trust (the "Company") hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2003

/s/ Steven Roth

Name: Steven Roth

Title: Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Vornado Realty Trust (the "Company") hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2003

/s/ Joseph Macnow

Name: Joseph Macnow

Title: Chief Financial Officer
