

VORNADO REALTY TRUST  
Form 10-Q/A  
June 10, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q/A**

(Mark one)

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

For the quarterly period ended: **March 31, 2005**

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

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(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 Rule 12b-2 of the Exchange Act).

Yes  No

As of March 31, 2005, 129,701,581 of the registrant's common shares of beneficial interest are outstanding.

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**EXPLANATORY PARAGRAPH**

This Form 10-Q/A for the quarterly period ended March 31, 2005 is being filed for the purpose of restating the Company's consolidated statements of cash flows for the three months ended March 31, 2005 and 2004. In the three months ended March 31, 2005, an amount of \$21,797,000 was previously included in net cash provided by operating activities and should have been included in net cash (used in) provided by investing activities as it relates to \$21,797,000 of cash received upon the exchange of Sears common shares owned by the Company for cash and common shares of Sears Holdings Corporation. In addition, in the three months ended March 31, 2005 and 2004, \$6,201,000 and \$4,226,000 of distributions received from partially-owned entities were previously included in net cash (used in) provided by investing activities and should have been included in net cash provided by operating activities as they relate to distributions of income received from partially-owned entities accounted for on the equity method. These restatements do not affect the total net change in cash and cash equivalents for the three months ended March 31, 2005 and 2004 and have no impact on the Company's consolidated balance sheets, consolidated statements of income or the related income per share amounts. These restatements also have no impact on the non-GAAP measure of funds from operations which is described on page 48. Conforming changes have been made to management's discussion and analysis of financial condition and results of operations included in the accompanying Form 10-Q/A. See footnote 17 in the notes to the consolidated financial statements for further information relating to these restatements. In connection with the restatements, management has revised its assessment of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2005. This Form 10-Q/A has not been updated for events or information subsequent to the date of filing of the original Form 10-Q except in connection with the foregoing. Accordingly, this Form 10-Q/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the original Form 10-Q.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****VORNADO REALTY TRUST****CONSOLIDATED BALANCE SHEETS**

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

	(UNAUDITED) March 31, 2005		December 31, 2004	
<b>ASSETS</b>				
Real estate, at cost:				
Land	\$	1,685,515	\$	1,681,792
Buildings and improvements		7,588,079		7,548,425
Development costs and construction in progress		191,322		180,968
Leasehold improvements and equipment		311,893		307,660
Total		9,776,809		9,718,845
Less accumulated depreciation and amortization		(1,465,703)		(1,404,441)
Real estate, net		8,311,106		8,314,404
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$77,290 and \$23,110		974,330		599,282
Escrow deposits and restricted cash		186,936		229,193
Marketable securities		232,300		185,394
Investments and advances to partially-owned entities, including Alexander's of \$233,502 and \$204,762		742,367		605,300
Due from officers		21,145		21,735
Accounts receivable, net of allowance for doubtful accounts of \$16,276 and \$17,339		154,345		164,524
Notes and mortgage loans receivable		317,475		440,186
Receivable arising from the straight-lining of rents, net of allowance of \$7,333 and \$6,787		335,711		324,266
Other assets		668,572		577,574
Assets related to discontinued operations		119,851		118,659
<b>TOTAL ASSETS</b>	\$	12,064,138	\$	11,580,517

	(UNAUDITED) March 31,		December 31, 2004	
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	2005			
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
Notes and mortgages payable	\$	4,074,655	\$	3,974,537
Senior unsecured notes		953,343		962,096
Exchangeable senior debentures		490,000		
Accounts payable and accrued expenses		395,859		413,923
Officers' compensation payable		41,445		32,506
Deferred credit		106,799		102,387
Other liabilities		111,568		113,402
Liabilities related to discontinued operations		21,056		21,054
Total liabilities		6,194,725		5,619,905
Minority interest, including unitholders in the Operating Partnership		1,798,328		1,947,871
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 312,005 and 320,604 shares		15,603		16,034
Series C: liquidation preference \$25.00 per share; issued and outstanding 4,600,000 shares				111,148
Series D-10: liquidation preference \$25.00 per share; issued and outstanding 1,600,000 shares		40,000		40,000
Series E: liquidation preference \$25.00 per share; issued and outstanding 3,000,000 shares		72,248		72,248
Series F: liquidation preference \$25.00 per share; issued and outstanding 6,000,000 shares		144,720		144,771
Series G: liquidation preference \$25.00 per share; issued and outstanding 8,000,000 shares		193,135		193,253
Common shares of beneficial interest: \$.04 par value per share; authorized, 200,000,000 shares; issued and outstanding 129,701,581 and 127,478,903 shares		5,219		5,128
Additional capital		3,357,813		3,257,731
Earnings in excess of distributions		217,570		133,899
		4,046,308		3,974,212
Common shares issued to officer's trust		(65,753)		(65,753)
Deferred compensation shares earned but not yet delivered		67,283		70,727
Deferred compensation shares issued but not yet earned		(13,940)		(9,523)
Accumulated other comprehensive income		41,891		47,782
Due from officers for purchase of common shares of beneficial interest		(4,704)		(4,704)
Total shareholders' equity		4,071,085		4,012,741
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	\$	12,064,138	\$	11,580,517

See notes to consolidated financial statements.

## VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,			
	2005		2004	
<b>Revenues:</b>				
Property rentals	\$	336,078	\$	325,053
Temperature Controlled Logistics		181,225		
Tenant expense reimbursements		50,346		48,357
Fee and other income		29,829		17,958
Total revenues		597,478		391,368
<b>Expenses:</b>				
Operating		296,917		153,291
Depreciation and amortization		78,106		55,801
General and administrative		40,700		30,570
Total expenses		415,723		239,662
Operating income		181,755		151,706
Income (loss) applicable to Alexander's		25,386		(2,528)
Income from partially-owned entities		9,222		13,113
Interest and other investment income		101,198		9,244
Interest and debt expense (including amortization of deferred financing costs of \$3,021 and \$1,845)		(77,460)		(58,367)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate		3,488		776
Minority interest of partially-owned entities		603		3
Income from continuing operations		244,192		113,947
Income from discontinued operations		1,363		247
Income before allocation to limited partners		245,555		114,194
Limited partners' interest in the Operating Partnership		(27,195)		(14,457)
Perpetual preferred unit distributions of the Operating Partnership		(18,541)		(17,298)
Net income		199,819		82,439
Preferred share dividends		(12,386)		(7,982)
<b>NET INCOME applicable to common shares</b>	\$	187,433	\$	74,457
<b>INCOME PER COMMON SHARE BASIC:</b>				
Income from continuing operations	\$	1.45	\$	.61
Income from discontinued operations		.01		
Net income per common share	\$	1.46	\$	.61
<b>INCOME PER COMMON SHARE DILUTED:</b>				
Income from continuing operations	\$	1.38	\$	.59
Income from discontinued operations		.01		
Net income per common share	\$	1.39	\$	.59

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DIVIDENDS PER COMMON SHARE	\$	.76	\$	.71	

See notes to consolidated financial statements.



## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(As restated - See Note 17)

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 199,819	\$ 82,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of debt issuance costs)	81,410	58,465
Minority interest of partially-owned entities	(603)	(3)
Allocation of income to limited partners of the Operating Partnership	27,195	14,457
Perpetual preferred unit distributions of the Operating Partnership	16,341	17,298
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	(86,094)	
Net gain on mark-to-market of Sears Holding derivative position	(7,899)	
Net loss on mark-to-market of GMH Communities L.P. warrants	10,178	
Straight-lining of rental income	(11,405)	(10,376)
Equity in income of partially-owned entities, including Alexander s	(34,608)	(10,585)
Distributions of income from partially-owned entities	6,201	4,226
Net gains on dispositions of wholly-owned and partially-owned assets other than real estate	(3,488)	(776)
Amortization of below market leases, net	(2,229)	(3,650)
Write-off preferred unit issuance costs	2,200	3,895
Changes in operating assets and liabilities	(62,995)	2,157
Net cash provided by operating activities	134,023	157,547
<b>Cash Flows from Investing Activities:</b>		
Investments in notes and mortgage loans receivable	(152,000)	
Distributions of capital from partially-owned entities	3,406	143,168
Acquisitions of real estate and other	(8,135)	(54,422)
Proceeds from sale of real estate	1,980	
Proceeds received upon repayment of notes and mortgage loans receivable	274,711	38,500
Investments in partially-owned entities	(112,066)	(5,102)
Development costs and construction in progress	(32,404)	(24,068)
Additions to real estate	(1,744)	(29,744)
Purchases of marketable securities	(52,322)	
Cash restricted, primarily mortgage escrows	42,257	(3,944)
Proceeds from sale of securities available for sale	29,468	
Net cash (used in) provided by investing activities	(6,849)	64,388
<b>Cash Flows from Financing Activities:</b>		
Proceeds from borrowings	715,000	150,427
Repayments of borrowings	(139,345)	(160,183)

(UNAUDITED)

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Dividends paid on common shares		(103,747)		(103,692)
Distributions to minority partners		(32,473)		(38,937)
Redemption of perpetual preferred shares and units		(195,000)		(112,467)
Exercise of share options		8,645		20,007
Dividends paid on preferred shares		(5,206)		(6,614)
Net cash provided by (used in) financing activities		247,874		(251,459)
Net increase (decrease) in cash and cash equivalents		375,048		(29,524)
Cash and cash equivalents at beginning of year		599,282		320,542
Cash and cash equivalents at end of year	\$	974,330	\$	291,018

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(UNAUDITED)

(As restated - See Note 17)

	For The Three Months Ended March 31,			
	2005		2004	
(Amounts in thousands)				
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Cash payments for interest (including capitalized interest of \$3,048 and \$1,659)	\$	69,682	\$	48,933
<b>Non-Cash Transactions:</b>				
Conversion of Class A Operating Partnership units to common shares	\$	83,966	\$	266,189
Financing assumed in acquisitions		15,600		18,500
Unrealized gain on securities available for sale		14,914		3,306

See notes to consolidated financial statements.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**1. Organization**

Vornado Realty Trust is a fully-integrated real estate investment trust ( REIT ) and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership ). All references to the Company and Vornado refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 88.1% of the common limited partnership interest in, the Operating Partnership at March 31, 2005.

**2. Basis of Presentation**

The accompanying consolidated financial statements 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2005, are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado and its majority-owned subsidiary, the Operating Partnership, as well as certain partially-owned entities in which the Company owns (i) more than 50% unless a partner has shared board and management representation and authority and substantive participation rights on all significant business decisions or (ii) 50% or less when the Company is considered the primary beneficiary and the entity qualifies as a variable interest entity under Financial Accounting Standards Board ( FASB ) Interpretation No. 46 (Revised) Consolidation of Variable Interest Entities ( FIN 46R ). 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 for equity method accounting may be reduced. Investments accounted for under the equity method 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. For all other investments, the Company uses the cost method.

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.

Certain prior year balances have been reclassified in order to conform to current year presentation.



**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

**3. Recently Issued Accounting Literature**

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 153, Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29 ( SFAS No. 153 ). The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe that the adoption of SFAS No. 153 on June 15, 2005 will have a material effect on the Company s consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123: (Revised 2004) - Share-Based Payment ( SFAS No. 123R ). SFAS 123R replaces SFAS No. 123, which the Company adopted on January 1, 2003. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements and measured based on the fair value of the equity or liability instruments issued. SFAS No. 123R is effective as of the first interim or annual reporting period that begins after June 15, 2005. The Company does not believe that the adoption of SFAS No. 123R on June 15, 2005, will have a material effect on the Company s consolidated financial statements.

**4. Acquisitions, Dispositions and Financings**

**Acquisitions:**

***Rockville Town Center***

On March 3, 2005, the Company acquired a 94,078 square foot property located in Rockville, Maryland for \$24,785,000, of which \$9,185,000 was paid in cash and \$15,600,000 was debt assumed. The operations of Rockville Town Center are consolidated into the accounts of the Company from the date of acquisition.

**(UNAUDITED)**

***Beverly Connection***

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, located in Los Angeles, California for \$10,700,000 in cash. In addition, the Company provided the venture with \$35,000,000 of preferred equity yielding 13.5% for up to a three-year term and a \$59,500,000 first mortgage loan due February 2006 bearing interest at 8.1%. The Company will also provide up to an additional \$35,000,000 of preferred equity, if requested by the venture. The shopping center is anchored by a Ralph's Supermarket, Old Navy and Sports Chalet. The venture plans to redevelop the property and add retail, residential condominiums and assisted living facilities. The redevelopment is subject to government approvals. This investment is accounted for under the equity method of accounting.

***Toys R Us***

On March 17, 2005, the Company entered into an agreement under which it expects to provide approximately \$450,000,000 of equity in cash for a one-third interest in a joint venture to be owned equally with Bain Capital and Kohlberg Kravis Roberts & Co. to acquire Toys R Us, Inc. (NYSE: TOY). The venture has signed a definitive merger agreement to acquire all of the outstanding equity of Toys R Us, Inc. for \$26.75 per share in cash or approximately \$6.6 billion, which was approved by the Board of Directors of Toys R Us, Inc. The obligation of the Company to fund its equity commitment is conditioned upon the merger closing, which is expected in the third quarter of 2005. The merger is subject to the approval of the stockholders of Toys R Us, Inc., and other customary conditions. This investment will be accounted for under the equity method of accounting.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

#### 4. Acquisitions, Dispositions and Financings - continued

##### *Westbury Retail Condominium*

On March 24, 2005, the Company entered into an agreement to acquire the retail condominium of the former Westbury Hotel for \$113,000,000 in cash. This Manhattan property occupies the entire Madison Avenue block-front between 69<sup>th</sup> and 70<sup>th</sup> Streets, contains approximately 17,000 square feet and is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018. The purchase is expected to close in the second quarter of 2005, subject to customary closing conditions.

##### *Investment in Sears, Roebuck and Co.( Sears )*

As a result of the merger between Sears and Kmart on March 30, 2005, in exchange for 1,176,600 Sears common shares owned, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) ( Sears Holding ) valued at \$48,143,000 based on the \$130.00 closing share price that day and \$21,797,000 of cash. The Company recognized a net gain of \$27,651,000 in the first quarter of 2005, which is the difference between the aggregate cost basis in the Sears shares of \$42,289,000 and the market value of the total consideration received on March 30, 2005 of \$69,940,000. The Sears Holding shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as available-for-sale. At March 31, 2005, based on Sears Holding's closing stock price of \$133.17 per share, \$1,174,000 of appreciation in the value of these shares was included in accumulated other comprehensive income.

In addition, as a result of the merger, pursuant to the terms of the contract the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at \$323,936,000 based on the \$130.00 per share closing price on March 30, 2005, the date of the merger, and \$146,663,000 of cash. As a result, the Company recognized a net gain of approximately \$58,443,000 based on the fair value of the Company's derivative position. On March 31, 2005, the Company recorded additional income of \$7,899,000 from the mark-to-market of the derivative position based on Sears Holding's closing share price of \$133.17.

The Company's aggregate net gain recognized on the owned shares and the derivative position from inception to March 31, 2005 was \$175,723,000, which is after deducting \$13,236,000 for a third-party performance based participation. On April 4, 2005, the Company satisfied the performance based participation through the transfer of 99,393 of its Sears Holding shares. As a result of these transactions, the Company owns 270,937 common shares of Sears Holding and has an economic interest in an additional 2,491,819 common shares through its derivative position.

(UNAUDITED)



*478-486 Broadway*

On November 2, 2004, the Company acquired a 50% joint venture interest in a 92,500 square foot property located at Broome Street and Broadway in New York City. The Company contributed \$4,462,000 of equity in cash and provided a \$24,000,000 bridge loan with interest at 10% per annum. On April 5, 2005, the Company replaced the bridge loan to the venture with a \$20,000,000 new loan and \$2,000,000 of cash contributed by each of the venture partners. The new loan bears annual interest at 90-day LIBOR plus 3.15% (6.27% as of March 31, 2005) and matures in October 2007.

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)4. **Acquisitions, Dispositions and Financings - continued****Dispositions:**

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for \$126,000,000. The Company's share of the proceeds was approximately \$107,000,000, resulting in a net gain on sale after closing costs of approximately \$30,000,000. Substantially all of the proceeds from the sale will be reinvested in tax-free like-kind exchange investments pursuant to Section 1031.

Net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate:

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	
Net gains on sale of marketable securities	\$	2,019	\$	
Net gains on sale of land parcels		1,469		
Net gain on sale of residential condominiums				776
	\$	3,488	\$	776

**Financings:**

On January 19, 2005, the Company redeemed all of its Series C Cumulative Redeemable Preferred Shares at a redemption price equal to \$25.00 per share or \$115,000,000 plus accrued distributions. In addition, the Company also redeemed \$80,000,000 of Series D-3 Perpetual Preferred Units of the Operating Partnership. The redemption amounts exceeded the carrying amounts by \$6,052,000, representing the original issuance costs. Upon redemption, these issuance costs were recorded as a reduction to earnings in arriving at net income applicable to common shares, in accordance with the July 2003 EITF clarification of Topic D-42.

On March 29, 2005, the Company completed a public offering of \$500,000,000 aggregate principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their aggregate principal amount. The aggregate net proceeds from this offering, after the underwriters' discount were approximately \$490,000,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at an initial exchange rate of 10.9589 common shares per \$1,000 of principal

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amount of debentures. The initial exchange price of \$91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of \$70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control. The net proceeds from the offering will be used for working capital, which may include funding the commitment in respect of the acquisition of Toys 'R Us, Inc.

On March 31, 2005, the Company completed a \$225,000,000 refinancing of its 1.4 million square foot New York City office building located at 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company realized net proceeds of approximately \$100,000,000 after repaying the existing floating rate loan on the property and closing costs.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 5. Investments in Partially-Owned Entities

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

*Investments:*

(Amounts in thousands)	March 31, 2005		December 31, 2004	
Alexander's	\$	233,502	\$	204,762
Newkirk MLP		162,475		158,656
Beverly Connection (see page 8)		105,460		
GMH Communities L.P.		83,669		84,782
Partially-Owned Office Buildings		48,497		48,682
Monmouth Mall Joint Venture		29,082		29,351
478-486 Broadway		29,464		29,170
Starwood Ceruzzi Joint Venture		19,435		19,106
Other		30,783		30,791
	\$	742,367	\$	605,300

*Equity in Income (loss):*

(Amounts in thousands)	For The Three Months Ended March 31,	
	2005	2004
<b>Income (loss) applicable to Alexander's:</b>		
33% share of:		
Equity in income before stock appreciation rights compensation expense	\$ 4,774	\$ 2,161
Net gain on sale of condominiums	20,633	
Stock appreciation rights compensation expense	(7,433)	(9,913)
Equity in net income (loss)	17,974	(7,752) (1)
Interest income	2,374	2,672
Development and guarantee fees	3,261	1,074

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Management and leasing fees		1,777		1,478
	\$	25,386	\$	(2,528)
Temperature Controlled Logistics (2):				
60% share of equity in net income	\$		\$	1,074
Management fees				1,378
Other				89
				2,541
Newkirk MLP:				
22.5% share of equity in income		5,810(3)		7,813(3)
Interest and other income		658		1,266
		6,468		9,079
Partially-Owned Office Buildings		720		523
Other		2,034		970
	\$	9,222	\$	13,113

- 
- (1) Includes the Company's \$1,010 share of Alexander's loss on early extinguishment of debt.
- (2) On November 18, 2004, the Company's investment in Americold was consolidated into the accounts of the Company.
- (3) The three months ended March 31, 2005 includes the Company's \$496 share of an impairment loss. The three months ended March 31, 2004 includes the Company's \$1,917 share of net gains on sale of real estate.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 5. Investments in Partially-Owned Entities - continued

Below is a summary of the debt of partially owned entities as of March 31, 2005 and December 31, 2004, none of which is guaranteed by the Company.

(Amounts in thousands)	100% of Partially-Owned Entities Debt			
	March 31, 2005		December 31, 2004	
Alexander s (33% interest):				
Lexington Avenue mortgage note payable collateralized by the office space, due in February 2014, with interest at 5.33%	\$	400,000	\$	400,000
Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)		212,877		213,699
Due to Vornado in January 2006, with interest at 9.0% (one-year treasuries plus 6.0% with a 3.0% floor for treasuries) (prepayable without penalty)		124,000		124,000
Rego Park mortgage note payable, due in June 2009, with interest at 7.25%		81,462		81,661
Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)		68,000		68,000
Lexington Avenue construction loan payable, due in January 2006, plus two one-year extensions, with interest at 5.35% (LIBOR plus 2.50%)		84,948		65,168
Newkirk MLP (22.5% interest):				
Portion of first mortgages collateralized by the partnership s real estate, due from 2005 to 2024, with a weighted average interest rate of 7.65% at March 31, 2005 (various prepayment terms)		826,901		859,674
GMH Communities L.P. (12.25% interest):				
Mortgage notes payable, collateralized by 27 properties, due from 2005 to 2014, with a weighted average interest rate of 5.41% at March 31, 2005		493,799		359,276
Monmouth Mall (50% interest):				
Mortgage note payable, due in November 2005, with interest at LIBOR plus 2.05% and two one-year extension options 4.53% at March 31, 2005		135,000		135,000
Partially-Owned Office Buildings:				
Kaempfer Properties (2.5% to 10% interests in five partnerships) Mortgage notes payable, collateralized by the partnerships real estate, due from 2007 to 2031, with a weighted average interest rate of 6.31% at March 31, 2005 (various prepayment terms)		358,329		346,869

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Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%	66,556	67,215
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
825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	22,711	23,104
Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,263	15,334
Orleans Hubbard (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,581	9,626

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 \$686,936,000 and \$669,942,000 as of March 31, 2005 and December 31, 2004, respectively.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

**5. Investments in Partially-Owned Entities - continued**

*Alexander s, Inc.*

The Company owns 33% of the outstanding common stock of Alexander s, Inc. ( Alexander s ) at March 31, 2005. The Company manages, leases and develops Alexander s properties pursuant to agreements, which expire in March of each year and are automatically renewable, except for the 731 Lexington Avenue development agreement which provides for a term lasting until substantial completion of the development of the property.

As of March 31, 2005, the Company had a receivable from Alexander s of \$57,534,000 under the agreements discussed above. In addition, Alexander s paid \$188,000 to Building Management Services, a wholly-owned subsidiary of the Company, for cleaning and engineering services at Alexander s Lexington Avenue property.

On January 24, 2005, the condominium offering plan for Alexander s Lexington Avenue property was declared effective by the State of New York and at March 31, 2005, 72 of the condominium units were under sales contract and 18 unit sales closed. In connection therewith, the Company recognized a net gain of \$20,633,000, comprised of (i) the Company s \$13,192,000 share of Alexander s after tax net gain during the three months ended March 31, 2005, using the percentage-of-completion method and (ii) \$7,441,000 of income the Company had previously deferred.

Equity in income (loss) from Alexander s also includes Alexander s stock appreciation rights compensation expense of which the Company s share was \$7,433,000 and \$9,913,000 for the three months ended March 31, 2005 and 2004, based on Alexander s closing stock price of \$241.50 and \$160.00 on March 31, 2005 and 2004, respectively.

*GMH Communities L.P.*

As of March 31, 2005, the Company owns 7.3 million limited partnership units, or 12.25% of the limited partnership interest of GMH Communities L.P. ( GMH ), a partnership focused on the student and military housing sectors. The Company accounts for its interest in the partnership units on the equity-method based on its 12.25% ownership interest and right to appoint one of its executive officers to GMH Community Trust s ( GCT ) Board of Trustees. GCT is a real estate investment trust that conducts its business through GMH, of which it is the sole general partner.

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The Company records its pro rata share of GMH's net income or loss on a one-quarter lag basis as the Company files its financial statements on Form 10-K or 10-Q prior to the time GCT files its financial statements. Equity in income from GMH for the three months ended March 31, 2005, was \$61,000, representing the Company's share of GMH's net income from November 3, 2004 to December 31, 2004.

In addition to the above, the Company holds warrants to purchase an additional 5.7 million limited partnership units of GMH or common shares of GCT at a price of \$8.82 per unit or share through May 6, 2006. Because these warrants are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on the Company's consolidated statement of income. In the three months ended March 31, 2005, the Company recognized a loss of \$10,178,000 from the mark-to-market of these warrants, which were valued using a trinomial option pricing model based on GCT's closing stock price on the NYSE of \$11.71 per share on March 31, 2005.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(UNAUDITED)**

**6. Notes, Mortgage Loans Receivable and Other Investments**

On January 7, 2005, all of the outstanding General Motors Building loans aggregating \$275,000,000 were repaid. In connection therewith, the Company received a \$4,500,000 prepayment premium and \$1,996,000 of accrued interest and fees through January 14, 2005, which is included in interest and other income on the Company's consolidated statement of income.

On February 3, 2005, the Company made a \$135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). Riley Holdco Corp. is a wholly-owned subsidiary of LNR Property Holdings, Ltd., which is 75% owned by funds and accounts managed by Cerbus Capital Management, L.P. and its real estate affiliate Blackacre Institutional Capital Management, LLC. The terms of the financings are as follows: (i) \$60,000,000 of a \$325,000,000 mezzanine tranche of a \$2,400,000,000 credit facility which is secured by certain equity interests. This tranche is junior to \$1,900,000,000 of the credit facility, bears interest at LIBOR plus 5.25%, and matures in February 2008 with two one-year extensions; and (ii) \$75,000,000 of \$400,000,000 of unsecured notes which are subordinate to the \$2,400,000,000 credit facility and senior to over \$700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On February 4, 2005, the Company made a \$17,000,000 mezzanine loan secured by Roney Palace Phase II, in Miami Beach, Florida, a 593-room hotel to be converted to residential condominiums. The loan, which is subordinate to \$141,000,000 of other debt, bears interest at LIBOR plus 9.53% (12.4% as of March 31, 2005), until 25% of the loan is repaid and LIBOR plus 7.48% thereafter until maturity in October 2006. The loan has a one-year extension option.

On April 7, 2005, the Company made a \$108,000,000 mezzanine loan secured by The Sheffield, a mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to \$378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (10.6% if set on March 31, 2005).

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

## 7. Identified Intangible Assets, Intangible Liabilities and Goodwill

The following summarizes the Company's identified intangible assets, intangible liabilities (deferred credit) and goodwill as of March 31, 2005 and December 31, 2004.

(Amounts in thousands)	March 31, 2005		December 31, 2004	
<b>Identified intangible assets (included in other assets):</b>				
Gross amount	\$	239,299	\$	238,064
Accumulated amortization		(65,849)		(61,942)
Net	\$	173,450	\$	176,122
<b>Goodwill (included in other assets):</b>				
Gross amount	\$	11,182	\$	10,425
<b>Identified intangible liabilities (included in deferred credit):</b>				
Gross amount	\$	121,471	\$	121,202
Accumulated amortization		(53,887)		(50,938)
Net	\$	67,584	\$	70,264

Amortization of acquired below market leases, net of acquired above market leases was \$2,229,000 and \$3,603,000 for the three months ended March 31, 2005 and 2004, respectively. The estimated annual amortization of acquired below market leases, net of acquired above market leases for each of the five succeeding years is as follows:

## (Amounts in thousands)

2005	\$	8,848
2006		6,150
2007		5,082
2008		4,494
2009		3,893

The estimated annual amortization of all other identified intangible assets (a component of depreciation and amortization expense) including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years is as follows:

## (Amounts in thousands)

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2005	\$	15,990
2006		13,741
2007		12,910
2008		12,859
2009		12,258

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

## 8. Debt

Following is a summary of the Company's debt:

(Amounts in thousands)	Maturity	Interest Rate as at March 31, 2005	March 31, 2005	Balance as of December 31, 2004
<b>Notes and Mortgages Payable:</b>				
<b>Fixed Interest:</b>				
Office:				
NYC Office:				
Two Penn Plaza	02/11	4.97%	\$ 300,000	\$ 300,000
888 Seventh Avenue	02/06	6.63%	105,000	105,000
Eleven Penn Plaza	12/14	5.20%	219,007	219,777
866 UN Plaza	05/07	8.39%	47,820	48,130
909 Third Avenue (1)	04/15	5.64%	225,000	
CESCR Office:				
Crystal Park 1-5	07/06-08/13	6.66%-8.39%	252,957	253,802
Crystal Gateway 1-4 Crystal Square 5	07/12-01/25	6.75%-7.09%	212,267	212,643
Crystal Square 2, 3 and 4	10/10-11/14	6.82%-7.08%	141,029	141,502
Skyline Place	08/06-12/09	6.60%-6.93%	131,748	132,427
1101 17 <sup>th</sup> , 1140 Connecticut, 1730 M and 1150 17 <sup>th</sup>	08/10	6.74%	94,072	94,409
Courthouse Plaza 1 and 2	01/08	7.05%	77,183	77,427
Reston Executive I, II and III	01/06	6.75%	71,414	71,645
Crystal Gateway N and 1919 S. Eads	11/07	6.77%	55,267	55,524
One Skyline Tower	06/08	7.12%	63,534	63,814
Crystal Malls 1-4	12/11	6.91%	53,771	55,228
1750 Pennsylvania Avenue	06/12	7.26%	48,738	48,876
One Democracy Plaza	05/05	6.75%	26,015	26,121
Retail:				
Cross collateralized mortgages payable on 42 shopping centers				
	03/10	7.93%	474,550	476,063
Green Acres Mall	02/08	6.75%	145,236	145,920
Las Catalinas Mall	11/13	6.97%	65,427	65,696
Montehiedra Town Center	05/07	8.23%	57,779	57,941
Forest Plaza	05/09	4.00%	20,709	20,924
Lodi Shopping Center	06/14	5.12%	12,157	12,228
386 West Broadway	05/13	5.09%	5,057	5,083
Rockville	12/10	5.52%	15,411	
Merchandise Mart:				
Washington Design Center	11/11	6.95%	47,347	47,496
Market Square Complex	07/11	7.95%	45,004	45,287

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Furniture Plaza	02/13	5.23%	44,129	44,497
Other	10/10-06/28	7.52%-7.71%	18,064	18,156
Temperature Controlled Logistics:				
Cross collateralized mortgages payable on 57 properties	05/08	6.89%	480,098	483,533
Other:				
Industrial Warehouses	10/11	6.95%	48,232	48,385
Total Fixed Interest Notes and Mortgages Payable		6.93%	3,604,022	3,377,534

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 8. Debt - continued

(Amounts in thousands)	Maturity	Spread over LIBOR	Interest Rate as at March 31, 2005	March 31, 2005	Balance as of December 31, 2004
<b>Notes and Mortgages Payable:</b>					
<b>Variable Interest:</b>					
Office:					
NYC Office:					
770 Broadway	06/06	L+105	3.86%	\$ 170,000	\$ 170,000
909 Third Avenue (1)	(1)	(1)	(1)		125,000
CESCR Office:					
Commerce Executive III, IV and V	07/05	L+150	4.19%	41,676	41,796
Commerce Executive III, IV and V B	07/05	L+85	3.54%	10,000	10,000
Temperature Controlled Logistics:					
Cross collateralized mortgages payable on 28 properties	04/09	L+295	5.76%	248,957	250,207
Total Variable Interest Notes and Mortgages Payable			4.89%	470,633	597,003
Total Notes and Mortgages Payable			6.69%	\$ 4,074,655	\$ 3,974,537
<b>Senior Unsecured Notes:</b>					
Senior unsecured notes due 2007 at fair value (accreted carrying amount of \$499,679 and \$499,643)	06/07	L+77	3.60%	\$ 504,003	\$ 512,791
Senior unsecured notes due 2009	08/09		4.50%	249,552	249,526
Senior unsecured notes due 2010	12/10		4.75%	199,788	199,779
Total senior unsecured notes			4.07%	\$ 953,343	\$ 962,096
<b>Exchangeable senior debentures due 2025 (2)</b>	03/25		3.88%	\$ 490,000	\$
<b>Unsecured revolving credit facility</b>	07/06	L+65	N/A	\$	\$
<b>Mortgage Notes Payable related to discontinued operations:</b>					
Arlington Plaza	11/07		6.77%	\$ 14,610	\$ 14,691
400 North LaSalle	08/05	L+250	4.75%	5,271	5,187
				\$ 19,881	\$ 19,878

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(1) On March 31, 2005, the Company completed a \$225,000 refinancing of 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company retained net proceeds of approximately \$100,000 after repaying the existing floating rate loan on the property and closing costs.

(2) On March 29, 2005, the Company completed a public offering of \$500,000 aggregate principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their aggregate principal amount. The aggregate net proceeds from this offering, after the underwriters' discount were approximately \$490,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at an initial exchange rate of 10.9589 common shares per \$1,000 of principal amount of debentures. The initial exchange price of \$91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of \$70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control.



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 9. Fee and Other Income

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

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	
Tenant cleaning fees	\$	7,617	\$	7,384
Management and leasing fees		3,816		6,052
Lease termination fees		14,301		2,606
Other income		4,095		1,916
	\$	29,829	\$	17,958

Fee and other income above includes management fee income from Interstate Properties, a related party, of \$183,000 and \$213,000 in the three months ended March 31, 2005 and 2004, respectively. The above table excludes fee income from partially-owned entities which is included in income from partially-owned entities (see Note 5).

## 10. Discontinued Operations

Assets related to discontinued operations at March 31, 2005 and December 31, 2004, consist primarily of the net book value of real estate and represents an office property located in Arlington, Virginia, a retail property located in Vineland, New Jersey and the 400 North LaSalle Residential Complex which was sold on April 19, 2005.

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2005 and 2004 include the operating results of the assets related to discontinued operations above, as well as the Company's Palisades Residential Complex sold on June 29, 2004, and Dundalk, Maryland retail property sold on August 12, 2004.

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	

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Total revenues	\$	3,191	\$	5,801
Total expenses		1,828		5,554
Income from discontinued operations	\$	1,363	\$	247

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

## 11. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and dilutive share equivalents. Potential dilutive share equivalents include the Company's Series A convertible preferred shares, employee stock options and restricted share awards, exchangeable senior debentures due 2005 as well as Vornado Realty L.P.'s convertible preferred units.

	For The Three Months Ended			
	March 31,			
(Amounts in thousands, except per share amounts)	2005		2004	
<b>Numerator:</b>				
Income from continuing operations (applicable to common shares)	\$	198,456	\$	82,192
Income from discontinued operations		1,363		247
Net income		199,819		82,439
Preferred share dividends		(12,386)		(7,982)
Numerator for basic income per share net income applicable to common shares		187,433		74,457
Impact of assumed conversions:				
Series A convertible preferred share dividends		255		
Numerator for diluted income per share net income applicable to common shares	\$	187,688	\$	74,457
<b>Denominator:</b>				
Denominator for basic income per share weighted average shares		128,313		121,588
Effect of dilutive securities:				
Employee stock options and restricted share awards		6,571		5,423
Series A convertible preferred shares		435		
Denominator for diluted income per share adjusted weighted average shares and assumed conversions		135,319		127,011
<b>INCOME PER COMMON SHARE BASIC:</b>				
Income from continuing operations	\$	1.45	\$	.61
Income from discontinued operations		.01		
Net income per common share	\$	1.46	\$	.61
<b>INCOME PER COMMON SHARE DILUTED:</b>				

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Income from continuing operations	\$	1.38	\$	.59
Income from discontinued operations		.01		
Net income per common share	\$	1.39	\$	.59

## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

## 12. Comprehensive Income

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

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	
Net income	\$	199,819	\$	82,439
Other comprehensive (loss) income		(5,890)		3,305
Comprehensive income	\$	193,929	\$	85,744

## 13. Stock-based Compensation

Prior to 2003, the Company accounted for stock-based compensation using the intrinsic value method (i.e., the difference between the price per share on the grant date and the option exercise price). Accordingly, no stock-based compensation was recognized in the Company's consolidated financial statements for plan awards granted prior to 2003. If compensation cost for grants prior to 2003 were recognized as compensation expense based on the 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 March 31,			
	2005		2004	
Net income applicable to common shares:				
As reported	\$	187,433	\$	74,457
Stock-based compensation cost, net of minority interest		(76)		(911)
Pro forma	\$	187,357	\$	73,546
Net income per share applicable to common shares:				
Basic:				
As reported	\$	1.46	\$	.61
Pro forma		1.46		.60
Diluted:				
As reported	\$	1.39	\$	.59
Pro forma		1.39		.58



## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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## 14. Commitments and Contingencies

At March 31, 2005, the Company utilized \$32,149,000 of availability under its revolving credit facility for letters of credit and guarantees.

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 carries comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) acts of terrorism as defined in the Terrorism Risk Insurance Act of 2002 which expires in 2005 and (v) rental loss insurance) with respect to its assets. In April 2004, the Company renewed its all risk policies through December 31, 2005 and increased its coverage for Acts of Terrorism for each of its New York Office, CESCO Office, Retail and Merchandise Mart divisions. Below is a summary of the current all risk property insurance and terrorism risk insurance for each of the Company's business segments:

	Coverage Per Occurrence	
	All Risk (1)	Sub-Limits for Acts of Terrorism
New York Office	\$1,400,000,000	\$750,000,000
CESCO Office	1,400,000,000	750,000,000
Retail	500,000,000	500,000,000
Merchandise Mart	1,400,000,000	750,000,000
Temperature Controlled Logistics	225,000,000	225,000,000

(1) Limited as to terrorism insurance by the sub-limit shown in the adjacent column.

In addition to the coverage above, the Company carries lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Act of 2002.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its senior unsecured notes due 2007, 2009 and 2010, its exchangeable senior debentures due 2025 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. Although the Company believes that it has adequate insurance coverage

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under these agreements, the Company may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than the Company is able to obtain, or if the Terrorism Risk Insurance Act of 2002 is not extended, it could adversely affect the Company's ability to finance and/or refinance its properties and 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 that cannot be quantified by the Company.

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.



## VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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## 15. Retirement Plans

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

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	
Service cost	\$	1,052	\$	
Interest cost		1,617		304
Expected return on plan assets		(1,637)		(267)
Amortization of prior service cost		84		53
Net periodic benefit cost	\$	1,116	\$	90

*Employer Contributions*

The Company made contributions of \$1,877,000 and \$510,000 to the plan during the three months ended March 31, 2005 and 2004, respectively. The Company anticipates additional contributions of \$6,989,000 to the plans during the remainder of 2005.

## 16. Related Party Transactions

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating Company ( Vornado Operating ), its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold Realty Trust (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately \$4.5 million or about \$1 per Vornado Operating share or partnership unit before litigation expenses. The Company had accrued the proposed settlement payment and related legal costs as part of general and administrative expense in the fourth quarter of 2004. On March 22, 2005, the Court approved the settlement.

## 17. Restatement

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Subsequent to the issuance of the Company's consolidated financial statements for the quarterly period ended March 31, 2005, management determined that the Company's consolidated statements of cash flows for the three months ended March 31, 2005 and 2004 should be restated. In the three months ended March 31, 2005, an amount of \$21,797,000 was previously included in net cash provided by operating activities and should have been included in net cash (used in) provided by investing activities as it relates to \$21,797,000 of cash received upon the exchange of Sears common shares owned by the Company for cash and common shares of Sears Holdings Corporation. In addition, in the three months ended March 31, 2005 and 2004, \$6,201,000 and \$4,226,000 of distributions received from partially-owned entities were previously included in net cash (used in) provided by investing activities and should have been included in net cash provided by operating activities as they relate to distributions of income received from partially-owned entities accounted for on the equity method. These restatements do not affect the total net change in cash and cash equivalents for the three months ended March 31, 2005 and 2004 and have no impact on the Company's consolidated balance sheets, consolidated statements of income or the related income per share amounts.

	For The Three Months Ended March 31, 2005	
	As Reported	As Restated
(Amounts in thousands)		
<b>Cash Flows from Operating Activities:</b>		
Distributions of income from partially-owned entities	\$	\$ 6,201
Changes in operating assets and liabilities	(41,198)	(62,995)
Net cash provided by operating activities	149,619	134,023
<b>Cash Flows from Investing Activities:</b>		
Distributions of capital from partially-owned entities	9,607	3,406
Proceeds from sale of securities available for sale	7,671	29,468
Net cash used in investing activities	(22,445)	(6,849)

	For The Three Months Ended March 31, 2004	
	As Reported	As Restated
(Amounts in thousands)		
<b>Cash Flows from Operating Activities:</b>		
Distributions of income from partially-owned entities	\$	\$ 4,226
Net cash provided by operating activities	153,321	157,547
<b>Cash Flows from Investing Activities:</b>		
Distributions of capital from partially-owned entities	147,394	143,168
Net cash provided by investing activities	68,614	64,388

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

## 18. Segment Information

## Notes to preceding tabular information:

Below is a summary of net income and a reconciliation of net income to EBITDA (1) by segment for the three months ended March 31, 2005 and 2004.

	For the Three Months Ended March 31, 2005					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 322,444	\$ 209,282	\$ 46,484	\$ 53,352	\$	\$ 13,326
Straight-line rents:						
Contractual rent increases	4,584	4,502	1,269	(1,254)(3)		67
Amortization of free rent	6,821	4,052	654	2,115		
Amortization of acquired below market leases, net	2,229	1,484	745			
Total rentals	336,078	219,320	49,152	54,213		13,393
Temperature Controlled Logistics	181,225				181,225	
Tenant expense reimbursements	50,346	27,562	18,216	3,933		635
Fee and other income:						
Tenant cleaning fees	7,617	7,617				
Management and leasing fees	3,816	3,614	190	12		
Lease termination fees	14,301	330	583	13,388(3)		
Other	4,095	2,776	37	1,282		
Total revenues	597,478	261,219	68,178	72,828	181,225	14,028
Operating expenses	296,917	99,261	22,308	24,614	139,558	11,176
Depreciation and amortization	78,106	40,255	6,876	9,531	18,371	3,073
General and administrative	40,700	8,607	3,799	5,278	8,797	14,219
Total expenses	415,723	148,123	32,983	39,423	166,726	28,468
Operating income (loss)	181,755	113,096	35,195	33,405	14,499	(14,440)
Income applicable to Alexander's	25,386	88	293			25,005
Income from partially-owned entities	9,222	720	1,536	144	232	6,590
Interest and other investment income	101,198	236	216	48	31	100,667
Interest and debt expense	(77,460)	(33,398)	(14,886)	(2,677)	(13,645)	(12,854)
Net gain on disposition of wholly-owned and partially-owned assets other than	3,488	573	896			2,019

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depreciable real estate							
Minority interest of partially-owned entities	603			52		551	
Income from continuing operations	244,192	81,315	23,250	30,972	1,668	106,987	
Income (loss) from discontinued operations	1,363	573	(64)			854	
Income before allocation to limited partners	245,555	81,888	23,186	30,972	1,668	107,841	
Limited partners' interest in the Operating Partnership	(27,195)						(27,195)
Perpetual preferred unit distributions of the Operating Partnership	(18,541)						(18,541)
Net income	199,819	81,888	23,186	30,972	1,668	62,105	
Interest and debt expense (2)	83,091	34,639	16,442	2,902	6,492	22,616	
Depreciation and amortization(2)	74,964	41,249	7,655	9,664	8,767	7,629	
Income taxes	687	254		78	260	95	
EBITDA(1)	\$ 358,561	\$ 158,030	\$ 47,283	\$ 43,616	\$ 17,187	\$ 92,445	

See footnotes on page 25.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 18. Segment Information - continued

(Amounts in thousands)	For the Three Months Ended March 31, 2004											
	Total		Office (3)		Retail		Merchandise Mart (3)		Temperature Controlled Logistics (4)		Other (5)	
Property rentals	\$	308,631	\$	205,972	\$	37,180	\$	53,103	\$		\$	12,376
Straight-line rents:												
Contractual rent increases		7,604		5,915		820		828				41
Amortization of free rent		5,215		1,801		2,011		1,405				(2)
Amortization of acquired below market leases, net		3,603		2,614		989						
Total rentals		325,053		216,302		41,000		55,336				12,415
Tenant expense reimbursements		48,357		26,878		15,385		5,356				738
Fee and other income:												
Tenant cleaning fees		7,384		7,384								
Management and leasing fees		6,052		5,728		293		14				17
Other		4,522		3,330		161		1,023				8
Total revenues		391,368		259,622		56,839		61,729				13,178
Operating expenses		153,291		96,282		18,496		27,155				11,358
Depreciation and amortization		55,801		38,294		6,086		8,066				3,355
General and administrative		30,570		11,538		2,955		5,047				11,030
Total expenses		239,662		146,114		27,537		40,268				25,743
Operating income (loss)		151,706		113,508		29,302		21,461				(12,565)
Income (loss) applicable to Alexander s		(2,528)				173						(2,701)
Income from partially-owned entities		13,113		523		747		120		2,541		9,182
Interest and other investment income		9,244		243		39		36				8,926
Interest and debt expense		(58,367)		(32,792)		(14,991)		(2,900)				(7,684)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate		776										776
Minority interest of partially-owned entities		3										3
Income (loss) from continuing operations		113,947		81,482		15,270		18,717		2,541		(4,063)
Income (loss) from discontinued operations		247		121		222						(96)

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Income before allocation to limited partners	114,194	81,603	15,492	18,717	2,541	(4,159)
Limited partners interest in the Operating Partnership	(14,457)					(14,457)
Perpetual preferred unit distributions of the Operating Partnership	(17,298)					(17,298)
Net income	82,439	81,603	15,492	18,717	2,541	(35,914)
Interest and debt expense (2)	77,981	34,046	15,744	3,128	7,507	17,556
Depreciation and amortization (2)	71,296	39,319	6,750	8,200	8,688	8,339
Income taxes	81	11				70
EBITDA (1)	\$ 231,797	\$ 154,979	\$ 37,986	\$ 30,045	\$ 18,736	\$ (9,949)

See footnotes on the following page.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

**18. Segment Information - continued**

**Notes to preceding tabular information:**

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

(2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects the Company's share of the interest and debt expense and depreciation and amortization of its partially-owned entities.

(3) At December 31, 2004, 7 West 34<sup>th</sup> Street, a 440,000 square foot New York office building, was 100% occupied by four tenants, of which Health Insurance Plan of New York (HIP) and Fairchild Publications occupied 255,000 and 146,000 square feet, respectively. Effective January 4, 2005, the Company entered into a lease termination agreement with HIP under which HIP made an initial payment of \$13,362 and is anticipated to make annual payments ranging from \$1,000 to \$2,000 over the remaining six years of the HIP lease contingent upon the level of operating expenses of the building in each year. In connection with the termination of the HIP lease, the Company wrote off the \$2,462 balance of the HIP receivable arising from the straight-lining of rent.

In the first quarter of 2005, the Company began redevelopment of this property into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results of this asset from the New York Office division to the Merchandise Mart division for both the current and prior periods presented.

(4) Operating results for the three months ended March 31, 2005, reflect the consolidation of the Company's investment in Americold on November 18, 2004. Previously, this investment was accounted for on the equity method.

(5) Other EBITDA is comprised of:

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(Amounts in thousands)	For the Three Months Ended March 31,			
	2005		2004	
Newkirk:				
Equity in income of MLP (A)	\$	12,220	\$	15,268
Interest and other income		2,426		2,924
Alexander s (B)		30,269		1,426
Industrial warehouses		1,138		1,265
Hotel Pennsylvania		2,254		294
GMH Communities L.P.		970		
Student housing				539
		49,277		21,716
Limited partners interest in the operating partnership		(27,195)		(14,457)
Perpetual preferred unit distributions of the operating partnership		(18,541)		(17,298)
Corporate general and administrative expenses		(13,154)		(10,022)
Investment income and other		17,318		8,522
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position		86,094		
Net gain on mark-to-market of Sears Holding derivative position		7,899		
Net loss on mark-to-market of GMH Communities L.P. warrants		(10,178)		
Discontinued operations:				
Palisades				1,674
400 North LaSalle		925		(84)
	\$	92,445	\$	(9,949)

(A) EBITDA for the three months ended March 31, 2005, includes the Company's \$496 share of an impairment loss. EBITDA for the three months ended March 31, 2004, includes the Company's \$1,917 share of net gains on sale of real estate.

(B) The three months ended March 31, 2005 includes (i) \$20,633 for the Company's share of Alexander's net gains on sale of condominiums and income previously deferred in connection therewith and (ii) the Company's \$7,433 share of Alexander's stock appreciation rights compensation expense. The three months ended March 31, 2004 includes (i) the Company's \$9,913 share of Alexander's stock appreciation rights compensation expense and (ii) the Company's \$1,010 share of Alexander's loss on early extinguishment of debt.



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust as of March 31, 2005, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

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

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

As discussed in Note 17, the accompanying consolidated statements of cash flows for the three month periods ended March 31, 2005 and 2004 have been restated.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 24, 2005 (June 8, 2005 as to the effects of the restatement discussed in Note 21), we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Company's application of the provisions of SFAS No. 142 *Goodwill and Other Intangible Assets*. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey  
April 28, 2005  
(June 8, 2005 as to the effects of the restatement discussed in Note 17)

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

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They 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 approximates, believes, expects, anticipates, intends, plans, will, would, may 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2004 under Forward Looking Statements and Item 1. Business - Certain Factors That May Adversely Affect Our Business and Operations. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

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 months ended March 31, 2005. 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.

The discussion of cash flows in the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations for the quarterly periods ended March 31, 2005 and 2004 have been restated. In the three months ended March 31, 2005, an amount of \$21,797,000 was previously included in net cash provided by operating activities and should have been included in net cash (used in) provided by investing activities as it relates to \$21,797,000 of cash received upon the exchange of Sears common shares owned by the Company for cash and common shares of Sears Holdings Corporation. In addition, in the three months ended March 31, 2005 and 2004, \$6,201,000 and \$4,226,000 of distributions received from partially-owned entities were previously included in net cash (used in) provided by investing activities and should have been included in net cash provided by operating activities as they relate to distributions of income received from partially-owned entities accounted for on the equity method. These restatements do not affect the total net change in cash and cash equivalents for the three months ended March 31, 2005 and 2004 and have no impact on the Company's consolidated balance sheets, consolidated statements of income or the related income per share amounts. These restatements also have no impact on the non-GAAP measure of funds from operations which is described on page 48.

**Overview**

The Company owns and operates office, retail and showroom properties with large concentrations of office and retail properties in the New York City metropolitan area and in the Washington, D.C. and Northern Virginia area. In addition, the Company has a 47.6% interest in an entity that owns and operates 88 cold storage warehouses nationwide.

The Company's business objective is to maximize shareholder value. The Company measures its success in meeting this objective by the total return to its shareholders. Below is a table comparing the Company's performance to the Morgan Stanley REIT Index ( RMS ) for the following periods ending March 31, 2005:

	Total Return (1)	
	Vornado	RMS
Three-months	(7.9)%	(7.4)%
One-year	19.8%	8.6%
Three-years	86.4%	59.3%
Five-years	177.4%	140.4%
Ten-years	573.3%	262.0%(2)

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

(2) From inception on July 25, 1995

The Company intends to continue to achieve its business objective by pursuing its investment philosophy and executing its operating strategies through:

Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit.

Investing in properties in select markets, such as New York City and Washington, D.C., where we believe there is high likelihood of capital appreciation.

Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents.

Investing in retail properties in select under-stored locations such as the New York City metropolitan area.

Developing/redeveloping the Company's existing properties to increase returns and maximize value.

Providing specialty financing to, and opportunistically investing in, real estate and real estate related companies.

The Company competes with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location and quality and breadth of services provided. The Company's success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. Economic growth has been fostered, in part, by low interest rates, Federal tax cuts, and increases in government spending. To the extent economic growth stalls, the Company may experience lower occupancy rates which may lead to lower initial rental rates, higher leasing costs and a corresponding decrease in net income, funds from operations and cash flow. Alternatively, if economic growth is sustained, the Company may experience higher occupancy rates leading to higher initial rents and higher interest rates causing an increase in the Company's weighted average cost of capital and a corresponding effect on net income, funds from operations and cash flow.

**Overview - continued**

**2005 Acquisitions**

***Rockville Town Center***

On March 3, 2005, the Company acquired a 94,078 square foot property located in Rockville, Maryland for \$24,785,000, of which \$9,185,000 was paid in cash and \$15,600,000 was debt assumed.

***Beverly Connection***

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, in Los Angeles, California for \$10,700,000 in cash. In addition, the Company provided the venture with \$35,000,000 of preferred equity yielding 13.5% for up to a three-year term and a \$59,500,000 first mortgage loan due February 2006 bearing interest at 8.1%. The Company will also provide up to an additional \$35,000,000 of preferred equity, if requested by the venture. The shopping center is anchored by a Ralph's Supermarket, Old Navy and Sports Chalet. The venture plans to redevelop the property and add retail, residential condominiums and assisted living facilities. The redevelopment is subject to government approvals.

***Toys R Us***

On March 17, 2005, the Company entered into an agreement under which it expects to provide approximately \$450,000,000 of equity in cash for a one-third interest in a joint venture to be owned equally with Bain Capital and Kohlberg Kravis Roberts & Co. to acquire Toys R Us, Inc. (NYSE: TOY). The venture has signed a definitive merger agreement to acquire all of the outstanding equity of Toys R Us, Inc. for \$26.75 per share in cash or approximately \$6.6 billion, which was approved by the Board of Directors of Toys R Us, Inc. The obligation of the Company to fund its equity commitment is conditioned upon the merger closing, which is expected in the third quarter of 2005. The merger is subject to the approval of the stockholders of Toys R Us, Inc., and other customary conditions.

***Westbury Retail Condominium***

On March 24, 2005, the Company entered into an agreement and expects to acquire the retail condominium of the former Westbury Hotel for \$113,000,000 in cash. This Manhattan property occupies the entire Madison Avenue block-front between 69th and 70th Streets and contains approximately 17,000 square feet. The space is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018. The purchase, which is expected to close in the second quarter of 2005, is subject to customary closing conditions.

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### *Investment in Sears, Roebuck and Co.*

As a result of the merger between Sears and Kmart on March 30, 2005, in exchange for 1,176,600 Sears common shares owned, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) (Sears Holding ) valued at \$48,143,000 based on the \$130.00 closing share price that day and \$21,797,000 of cash. The Company recognized a net gain of \$27,651,000 in the first quarter of 2005, which is the difference between the aggregate cost basis in the Sears shares of \$42,289,000 and the market value of the total consideration received on March 30, 2005 of \$69,940,000. The Sears Holding shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as available-for-sale. At March 31, 2005, based on Sears Holding's closing stock price of \$133.17 per share, \$1,174,000 of appreciation in the value of these shares was included in accumulated other comprehensive income.

In addition, as a result of the merger, pursuant to the terms of the contract the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at \$323,936,000 based on the \$130.00 per share closing price on March 30, 2005, the date of the merger, and \$146,663,000 of cash. As a result, the Company recognized a net gain of approximately \$58,443,000 based on the fair value of the Company's derivative position. On March 31, 2005, the Company recorded additional income of \$7,899,000 from the mark-to-market of the derivative position based on Sears Holding's closing share price of \$133.17.

The Company's aggregate net gain recognized on the owned shares and the derivative position from inception to March 31, 2005 was \$175,723,000, which is after deducting \$13,236,000 for a third-party performance based participation. On April 4, 2005, the Company satisfied the performance based participation through the transfer of 99,393 of its Sears Holding shares. As a result of these transactions, the Company owns 270,937 common shares of Sears Holding and has an economic interest in an additional 2,491,819 common shares through its derivative position.

**Overview - continued**

***478-486 Broadway***

On November 2, 2004, the Company acquired a 50% joint venture interest in a 92,500 square foot property located at Broome Street and Broadway in New York City. The Company contributed \$4,462,000 of equity in cash and provided a \$24,000,000 bridge loan with interest at 10% per annum. On April 5, 2005, the Company replaced the bridge loan to the venture with a \$20,000,000 new loan and \$2,000,000 of cash contributed by each of the venture partners. The new loan bears annual interest at 90-day LIBOR plus 3.15% (6.27% as of March 31, 2005) and matures in October 2007.

**2005 Mezzanine Loan Activity:**

On January 7, 2005, all of the outstanding General Motors Building loans aggregating \$275,000,000 were repaid. In connection therewith, the Company received a \$4,500,000 prepayment premium and \$1,996,000 of accrued interest and fees through January 14, 2005, which is included in interest and other income on the Company's consolidated statement of income.

On February 3, 2005, the Company made a \$135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). Riley Holdco Corp. is a wholly-owned subsidiary of LNR Property Holdings, Ltd., which is 75% owned by funds and accounts managed by Cerbus Capital Management, L.P. and its real estate affiliate Blackacre Institutional Capital Management, LLC. The terms of the financings are as follows: (i) \$60,000,000 of a \$325,000,000 mezzanine tranche of a \$2,400,000,000 credit facility which is secured by certain equity interests. This tranche is junior to \$1,900,000,000 of the credit facility, bears interest at LIBOR plus 5.25%, and matures in February 2008 with two one-year extensions; and (ii) \$75,000,000 of \$400,000,000 of unsecured notes which are subordinate to the \$2,400,000,000 credit facility and senior to over \$700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On February 4, 2005, the Company made a \$17,000,000 mezzanine loan secured by Roney Palace Phase II, in Miami Beach, Florida, a 593-room hotel to be converted to residential condominiums. The loan, which is subordinate to \$141,000,000 of other debt, bears interest at LIBOR plus 9.53% (12.4% as of March 31, 2005), until 25% of the loan is repaid and LIBOR plus 7.48% thereafter until maturity in October 2006. The loan has a one-year extension option.

On April 7, 2005, the Company made a \$108,000,000 mezzanine loan secured by The Sheffield, a mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to \$378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (10.6% if set on March 31, 2005).

**2005 Dispositions:**

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for \$126,000,000. The Company's net gain on sale after closing costs was approximately \$30,000,000.



**Overview - continued**

**2005 Financings:**

On January 19, 2005, the Company redeemed all of its Series C Cumulative Redeemable Preferred Shares at a redemption price equal to \$25.00 per share or \$115,000,000 plus accrued distributions. In addition, the Company also redeemed \$80,000,000 of Series D-3 Perpetual Preferred Units of the Operating Partnership. The redemption amounts exceeded the carrying amounts by \$6,052,000, representing the original issuance costs. Upon redemption, these issuance costs were recorded as a reduction to earnings in arriving at net income applicable to common shares.

On March 29, 2005, the Company completed a public offering of \$500,000,000 aggregate principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their aggregate principal amount. The aggregate net proceeds from this offering, after the underwriters' discount were approximately \$490,000,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at an initial exchange rate of 10.9589 common shares per \$1,000 of principal amount of debentures. The initial exchange price of \$91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of \$70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control. The net proceeds from the offering will be used for working capital, which may include funding the commitment in respect of the acquisition of Toys 'R Us, Inc.

On March 31, 2005, the Company completed a \$225,000,000 refinancing of its 1.4 million square foot New York City office building located at 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company realized net proceeds of approximately \$100,000,000 after repaying the existing floating rate loan on the property and closing costs.

## Overview (continued) - Leasing Activity

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity. Tenant improvements and leasing commissions are presented below based on square feet leased during the period and on a per annum basis based on the weighted average term of the leases.

	Office			Merchandise Mart			Temperature Controlled
	New York						
(Square feet and cubic feet in thousands)	City	CESCR	Retail	Office	Showroom		Logistics
<b>As of March 31, 2005:</b>							
Square feet/ cubic feet	12,910	14,224	14,395	3,022	5,812		17,378/438,900
Number of properties	19	66	96	9	9		87
Occupancy rate	94.8%	90.3%	94.0%	95.6%	95.9%		71.4%
Leasing Activity:							
<b>Quarter ended March 31, 2005:</b>							
Square feet	269	358	210	84	377		
Initial rent (1)	\$ 44.16	\$ 28.20	\$ 19.93	\$ 23.29	\$ 27.09		
Weighted average lease term (years)	7.6	5.5	9.3	9.1	5.3		
Rent per square foot on relet space:							
Square feet	204	248	154	84	377		
Initial rent (1)	\$ 43.94	\$ 29.12	\$ 21.83	\$ 23.29	\$ 27.09		
Prior escalated rent	\$ 43.43	\$ 31.53	\$ 19.63	\$ 30.30	\$ 25.87		
Percentage increase (decrease)	1.2%	(7.6)%	11.2%	(23.1)%	4.7%		
Rent per square foot on space previously vacant:							
Square feet	65	110	56				
Initial rent (1)	\$ 44.85	\$ 26.11	\$ 14.64	\$	\$		
Tenant improvements and leasing commissions per square foot	\$ 38.02	\$ 16.51	\$ 10.27	\$ 49.51	\$ 7.34		
Tenant improvements and leasing commissions per square foot per annum (2)	\$ 5.11	\$ 3.00	\$ 1.10	\$ 5.42	\$ 1.39		
<b>As of December 31, 2004:</b>							
Square feet/ cubic feet	12,989	14,216	14,210	2,837	5,589		17,563/443,700
Number of properties	19	66	94	8	8		88
Occupancy rate	95.5%	91.4%	93.9%	96.0%	97.6%		76.9%
<b>As of March 31, 2004:</b>							
Square feet/ cubic feet	12,836	13,963	13,116	2,821	5,623		17,476/440,700
Number of properties	19	63	63	9	9		87
Occupancy rate	95.4%	93.3%	93.7%	92.1%	95.0%		67.5%

- 
- (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.
  - (3) Excludes Crystal Plaza 3 and 4 taken out of service for redevelopment in the fourth quarter of 2004 and Crystal Plaza 2 taken out of service in the first quarter of 2005.

Square feet leased in the three months ended March 31, 2005 does not include 34,375 square feet of retail space included in the NYC office properties which was leased at an initial rent of \$65.46 per square foot.

#### **Critical Accounting Policies**

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, 2004 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no significant changes to those policies during the first quarter of 2005.

**Reconciliation of Net Income and EBITDA**

Below is a summary of net income and a reconciliation of net income to EBITDA(1) by segment for the three months ended March 31, 2005 and 2004.

(Amounts in thousands)	For the Three Months Ended March 31, 2005					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 322,444	\$ 209,282	\$ 46,484	\$ 53,352	\$	\$ 13,326
Straight-line rents:						
Contractual rent increases	4,584	4,502	1,269	(1,254)	(3)	67
Amortization of free rent	6,821	4,052	654	2,115		
Amortization of acquired below market leases, net	2,229	1,484	745			
Total rentals	336,078	219,320	49,152	54,213		13,393
Temperature Controlled Logistics	181,225				181,225	
Tenant expense reimbursements	50,346	27,562	18,216	3,933		635
Fee and other income:						
Tenant cleaning fees	7,617	7,617				
Management and leasing fees	3,816	3,614	190	12		
Lease termination fees	14,301	330	583	13,388	(3)	
Other	4,095	2,776	37	1,282		
Total revenues	597,478	261,219	68,178	72,828	181,225	14,028
Operating expenses	296,917	99,261	22,308	24,614	139,558	11,176
Depreciation and amortization	78,106	40,255	6,876	9,531	18,371	3,073
General and administrative	40,700	8,607	3,799	5,278	8,797	14,219
Total expenses	415,723	148,123	32,983	39,423	166,726	28,468
Operating income (loss)	181,755	113,096	35,195	33,405	14,499	(14,440)
Income applicable to Alexander	25,386	88	293			25,005
Income from partially-owned entities	9,222	720	1,536	144	232	6,590
Interest and other investment income	101,198	236	216	48	31	100,667
Interest and debt expense	(77,460)	(33,398)	(14,886)	(2,677)	(13,645)	(12,854)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	3,488	573	896			2,019
Minority interest of partially-owned entities	603			52	551	
Income from continuing operations	244,192	81,315	23,250	30,972	1,668	106,987
Income (loss) from discontinued operations	1,363	573	(64)			854
Income before allocation to limited partners	245,555	81,888	23,186	30,972	1,668	107,841
Limited partners' interest in the Operating Partnership	(27,195)					(27,195)

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Perpetual preferred unit distributions of the Operating Partnership		(18,541)									(18,541)	
Net income		199,819		81,888		23,186		30,972		1,668	62,105	
Interest and debt expense (2)		83,091		34,639		16,442		2,902		6,492	22,616	
Depreciation and amortization(2)		74,964		41,249		7,655		9,664		8,767	7,629	
Income taxes		687		254				78		260	95	
EBITDA(1)	\$	358,561	\$	158,030	\$	47,283	\$	43,616	\$	17,187	\$	92,445

See footnotes on page 35.

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(Amounts in thousands)	For the Three Months Ended March 31, 2004					
	Total	Office (3)	Retail	Merchandise Mart (3)	Temperature Controlled Logistics (4)	Other (5)
Property rentals	\$ 308,631	\$ 205,972	\$ 37,180	\$ 53,103		\$ 12,376
Straight-line rents:						
Contractual rent increases	7,604	5,915	820	828		41
Amortization of free rent	5,215	1,801	2,011	1,405		(2)
Amortization of acquired below market leases, net	3,603	2,614	989			
Total rentals	325,053	216,302	41,000	55,336		12,415
Tenant expense reimbursements	48,357	26,878	15,385	5,356		738
Fee and other income:						
Tenant cleaning fees	7,384	7,384				
Management and leasing fees	6,052	5,728	293	14		17
Other	4,522	3,330	161	1,023		8
Total revenues	391,368	259,622	56,839	61,729		13,178
Operating expenses	153,291	96,282	18,496	27,155		11,358
Depreciation and amortization	55,801	38,294	6,086	8,066		3,355
General and administrative	30,570	11,538	2,955	5,047		11,030
Total expenses	239,662	146,114	27,537	40,268		25,743
Operating income (loss)	151,706	113,508	29,302	21,461		(12,565)
Income (loss) applicable to Alexander s	(2,528)		173			(2,701)
Income from partially-owned entities	13,113	523	747	120	2,541	9,182
Interest and other investment income	9,244	243	39	36		8,926
Interest and debt expense	(58,367)	(32,792)	(14,991)	(2,900)		(7,684)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	776					776
Minority interest of partially-owned entities	3					3
Income from continuing operations	113,947	81,482	15,270	18,717	2,541	(4,063)
Income (loss) from discontinued operations	247	121	222			(96)
Income before allocation to limited partners	114,194	81,603	15,492	18,717	2,541	(4,159)
Limited partners' interest in the Operating Partnership	(14,457)					(14,457)
Perpetual preferred unit distributions of the Operating Partnership	(17,298)					(17,298)
Net income	82,439	81,603	15,492	18,717	2,541	(35,914)
Interest and debt expense (2)	77,981	34,046	15,744	3,128	7,507	17,556
Depreciation and amortization (2)	71,296	39,319	6,750	8,200	8,688	8,339
Income taxes	81	11				70
EBITDA (1)	\$ 231,797	\$ 154,979	\$ 37,986	\$ 30,045	\$ 18,736	\$ (9,949)

See following page for footnotes.



**Notes:**

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

(2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects the Company's share of the interest and debt expense and depreciation and amortization of its partially-owned entities.

(3) At December 31, 2004, 7 West 34<sup>th</sup> Street, a 440,000 square foot New York office building, was 100% occupied by four tenants, of which Health Insurance Plan of New York (HIP) and Fairchild Publications occupied 255,000 and 146,000 square feet, respectively. Effective January 4, 2005, the Company entered into a lease termination agreement with HIP under which HIP made an initial payment of \$13,362 and is anticipated to make annual payments ranging from \$1,000 to \$2,000 over the remaining six years of the HIP lease contingent upon the level of operating expenses of the building in each year. In connection with the termination of the HIP lease, the Company wrote off the \$2,462 balance of the HIP receivable arising from the straight-lining of rent.

In the first quarter of 2005, the Company began redevelopment of this property into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results of this asset from the New York Office division to the Merchandise Mart division for both the current and prior periods presented.

(4) Operating results for the three months ended March 31, 2005, reflect the consolidation of the Company's investment in Americold on November 18, 2004. Previously this investment was accounted for under the equity method.

(5) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,			
	2005		2004	
Newkirk:				
Equity in income of MLP (A)	\$	12,220	\$	15,268
Interest and other income		2,426		2,924
Alexander's (B)		30,269		1,426
Industrial warehouses		1,138		1,265
Hotel Pennsylvania (C)		2,254		294
GMH Communities L.P.		970		
Student housing				539
		49,277		21,716
Limited partners' interest in the operating partnership		(27,195)		(14,457)



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Perpetual preferred unit distributions of the operating partnership	(18,541)	(17,298)
Corporate general and administrative expenses	(13,154)	(10,022)
Investment income and other	17,318	8,522
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	86,094	
Net gain on mark-to-market of Sears Holding derivative position	7,899	
Net loss on mark-to-market of GMH Communities L.P. warrants	(10,178)	
Discontinued operations:		
Palisades		1,674
400 North LaSalle	925	(84)
	\$ 92,445	\$ (9,949)

(A) EBITDA for the three months ended March 31, 2005, includes the Company's \$496 share of an impairment loss. EBITDA for the three months ended March 31, 2004, includes the Company's \$1,917 share of net gains on sale of real estate.

(B) The three months ended March 31, 2005 includes (i) \$20,633 for the Company's share of Alexander's net gains on sale of condominiums and income previously deferred in connection therewith and (ii) the Company's \$7,433 share of Alexander's stock appreciation rights compensation expense. The three months ended March 31, 2004 includes (i) the Company's \$9,913 share of Alexander's stock appreciation rights compensation expense and (ii) the Company's \$1,010 share of Alexander's loss on early extinguishment of debt.

(C) Average occupancy and revenue per available room ( REVPAR ) were 75.3% and \$71.81 for the three months ended March 31, 2005 compared to 64.2% and \$55.26 for the prior year's quarter.

**Results of Operations****Revenues**

The Company's revenues, which consist of property rentals, tenant expense reimbursements, Temperature Controlled Logistics revenues, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were \$597,478,000 for the quarter ended March 31, 2005, compared to \$391,368,000 in the prior year's quarter, an increase of \$206,110,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Property rentals:							
Increase (decrease) due to:							
Acquisitions:							
So. California supermarkets	July 2004	\$ 1,304	\$	\$ 1,304	\$	\$	\$
Marriot Hotel	July 2004	973	973				
25 W. 14 <sup>th</sup> Street	March 2004	632		632			
Burnside Plaza Shopping Center	December 2004	509		509			
Lodi Shopping Center	November 2004	482		482			
386 and 387 W. Broadway	December 2004	429		429			
99-01 Queens Boulevard	August 2004	393		393			
Forest Plaza Shopping Center	February 2004	254		254			
Rockville Town Center	March 2005	181		181			
Development placed into service: 4 Union Square South		2,874		2,874			
Amortization of acquired below market leases, net		(1,374)	(1,130)	(244)			
Operations:							
Hotel activity		2,341					2,341(1)
Trade shows activity		(805)			(805)		
Leasing activity		2,832	3,175	1,338	(318)(2)		(1,363)
Total increase (decrease) in property rentals		11,025	3,018	8,152	(1,123)		978
Tenant expense reimbursements:							
Increase (decrease) due to:							

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Acquisitions		903		903					
Operations		1,086	684	1,928	(1,423)	(3)		(103)	
Total increase (decrease) in tenant expense reimbursements		1,989	684	2,831	(1,423)			(103)	
Temperature Controlled Logistics (effect of consolidating Americold from November 18, 2004 vs. equity method prior)		181,225					181,225		
Fee and other income:									
Increase (decrease) in:									
Lease cancellation fee income		11,693	(2,133)	459	13,367	(4)			
BMS Cleaning fees		233	233						
Management and leasing fees		(2,219)	(2,114)	(103)	(2)				
Other		2,164	1,909	(6)	280			(25)	
Total increase (decrease) in fee and other income		11,871	(2,105)	356	13,645			(25)	
Total increase in revenues		\$ 206,110	\$ 1,597	\$ 11,339	\$ 11,099		\$ 181,225	\$ 850	

See notes on following page.

See Overview - Leasing Activity on page 32 for further details and corresponding changes in occupancy.

**Notes to preceding tabular information:**

- (1) Average occupancy and REVPAR were 75.3% and \$71.81 for the year ended March 31, 2005 compared to 64.2% and \$55.26 for the prior year.
- (2) Reflects a \$2,462 write-off of HIP's receivable arising from the straight-lining of rent upon termination of the lease during the three months ended March 31, 2005 partially offset by higher rents on space relet during 2004, including leases with WPP Group (228,000 square feet) in the third quarter of 2004 and the Chicago Sun Times (127,000 square feet) in the second quarter of 2004.
- (3) Primarily due to lower real estate tax reimbursements from tenants based on the finalization of 2003 real estate taxes in September 2004.
- (4) Reflects lease termination income of \$13,362,000 received from HIP at 7 West 34<sup>th</sup> Street in January 2005. See Note 3 on page 35 for details.
- (5) Reflects \$1,900 of non-recurring Washington D.C. commission income in the first quarter of 2004.
- (6) Primarily due to \$1,250 of income received to terminate a CESC road improvement requirement during the first quarter of 2005.

**Expenses**

The Company's expenses were \$415,723,000 for the year ended March 31, 2005, compared to \$239,662,000 in the prior year's quarter, an increase of \$176,061,000.

Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Operating:							
Increase (decrease) due to:							
Acquisitions:							
Burnside Plaza Shopping Center	December 2004	\$ 270	\$	\$ 270	\$	\$	\$
Lodi Shopping Center	November 2004	140		140			
Forest Plaza Shopping Center	February 2004	122		122			
99-01 Queens Boulevard	August 2004	91		91			
25 W. 14 <sup>th</sup> Street	March 2004	87		87			
386 and 387 W. Broadway	December 2004	45		45			
Rockville Town Center	March 2005	16		16			
Development placed into service:							
4 Union Square South		772		772			
Americold - effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior		139,558				139,558	
Hotel activity		324					324
Trade shows activity		(973)			(973)		
Operations		3,174	2,979 (1)	2,269 (2)	(1,568) (3)		(506)
Total increase (decrease) in operating expenses		143,626	2,979	3,812	(2,541)	139,558	(182)
Depreciation and amortization:							
Increase (decrease) due to:							
Acquisitions/Development		1,496	318	1,178			
Americold - effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior		18,371				18,371	
Operations		2,438 (4)	1,643	(388)	1,465		(282)
Total increase (decrease) in depreciation and amortization		22,305	1,961	790	1,465	18,371	(282)

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General and administrative:													
Increase (decrease) due to:													
Americold - effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior			8,797							8,797			
Operations			1,333	(2,931)	(5)	844	(6)	231				3,189	(7)
Total increase (decrease) in general and administrative			10,130	(2,931)		844		231		8,797		3,189	
Total increase (decrease) in expenses			\$ 176,061	\$ 2,009		\$ 5,446	\$ (845)	\$ 166,726		\$ 2,725			

See notes on following page.

**Notes to preceding tabular information:**

- (1) Results primarily from a \$1,886 increase in real estate taxes and a \$873 increase due to higher repairs and maintenance in the New York Office portfolio.
- (2) Results primarily from a bad debt recovery in 2004 of \$840 related to former Bradlees leases.
- (3) Primarily due to lower real estate taxes based on the finalization of 2003 taxes in September 2004.
- (4) Primarily due to additions to buildings and improvements during 2004.
- (5) Primarily due to a \$1,087 savings in payroll and fringes over the prior quarter as a result of exiting the CESC third party representation business, of which \$697 relates to 2004 severance.
- (6) Primarily relates to an increase in payroll and fringes of \$595.
- (7) The increase in general and administrative expenses results primarily from an increase in payroll and fringe benefits of \$1,981 and an increase in professional fees of \$365.

**Income Applicable to Alexander's**

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$12,186,000 before the Company's \$20,633,000 share of net gain on sale of condominiums and \$7,433,000 share of Alexander's stock appreciation rights compensation (SAR) expense or \$25,386,000, net in the quarter ended March 31, 2005, compared to income of \$7,385,000 before the Company's \$9,913,000 share of SAR expense or \$2,528,000, net in the prior year's quarter. This net increase of \$27,914,000 resulted primarily from (i) a net gain of \$20,633,000 related to the sale of condominiums at Alexander's 731 Lexington Avenue property and (ii) a decrease of \$2,480,000 for the Company's share of Alexander's SAR expense.

**Income from Partially-Owned Entities**

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 March 31, 2005 and 2004:

(Amounts in thousands) For the three months ended:	Total	Monmouth Mall	Temperature Controlled Logistics (1)	Newkirk MLP	Starwood Ceruzzi Joint Venture	Partially- Owned Office Buildings	Other
<b>March 31, 2005:</b>							
Revenues		\$ 6,262		\$ 59,639	\$ 471	\$ 31,651	
Expenses:							
Operating, general and administrative		(2,667)		(1,549)	(733)	(13,654)	
Depreciation		(1,162)		(8,617)	(100)	(5,563)	
Interest expense		(1,846)		(18,123)		(8,124)	
Other, net		(791)		(4,158)		1,809	
Net (loss) income		\$ (204)		\$ 27,192	\$ (362)	\$ 6,119	
Company's interest		50%		22.5%	80%	12.3%	
Equity in net (loss) income	\$ 6,241	\$ (102)		\$ 5,810(2)	\$ (290)	\$ 753	\$ 70
Interest and other income	2,716	823		658		(33)	1,268
Fee income	265	265					
Income (loss) from partially-owned entities	\$ 9,222	\$ 986	N/A	\$ 6,468	\$ (290)	\$ 720	\$ 1,338
<b>March 31, 2004:</b>							
Revenues		\$ 5,930	\$ 29,631	\$ 60,509	\$ 328	\$ 29,627	
Expenses:							
Operating, general and administrative		(2,165)	(1,952)	(2,392)	(810)	(12,073)	
Depreciation		(1,047)	(14,121)	(12,344)	(176)	(4,793)	
Interest expense		(1,506)	(12,512)	(20,725)		(8,140)	
Other, net		(810)	744	8,007		(1,884)	
Net income (loss)		\$ 402	\$ 1,790	\$ 33,055	\$ (658)	\$ 2,737	
Company's interest		50%	60%	22.3%	80%	23%	
Equity in net income (loss)	\$ 9,423	\$ 201	\$ 1,074	\$ 7,813	\$ (527)	\$ 639	\$ 223
Interest and other income	2,062	823	89	1,266		(116)	
Fee income	1,628	250	1,378				
Income (loss) from partially-owned entities	\$ 13,113	\$ 1,274	\$ 2,541	\$ 9,079	\$ (527)	\$ 523	\$ 223
<b>(Decrease) increase in income of partially-owned entities</b>	\$ (3,891)	\$ (288)	\$ (2,541)	\$ (2,611)(3)	\$ 237	\$ 197	\$ 1,115

(1) On November 18, 2004, the Company's investment in Americold was consolidated into the accounts of the Company.

(2) Includes the Company's \$496 share of an impairment loss.



(3) Primarily reflects a reduction of Newkirk MLP income as a result of the sale of assets during 2004 (primarily 25 Stater Brothers supermarkets).

**Interest and Other Investment Income**

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$101,198,000 for the quarter ended March 31, 2005, compared to \$9,244,000 in the prior year's quarter, an increase of \$91,954,000. This increase resulted primarily from:

(Amounts in thousands)

Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position, after a \$7,265 third-party performance based participation	\$	86,094
Expense from the mark-to-market of 5.7 million GMH warrants at March 31, 2005		(10,178)
Income from the mark-to-market of Sears Holding derivative position		7,899
Prepayment penalty recognized on repayment of the General Motors building mezzanine loans in January 2005		4,500
Interest income on the Company's mezzanine loans to Extended Stay America in May 2004, Charles Square in November 2004 and Riley Holding Corp in February 2005	\$	3,639
		91,954

**Interest and Debt Expense**

Interest and debt expense was \$77,460,000 for the three months ended March 31, 2005, compared to \$58,367,000 in the prior year's quarter, an increase of \$19,093,000. This increase resulted primarily from (i) \$13,645,000 resulting from the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004 versus accounting for the investment on the equity method prior and (ii) \$5,182,000 from an increase in the weighted average interest rate on variable rate of debt of 168 basis points.

**Net gains on Disposition of Wholly-Owned and Partially-Owned Assets Other than Depreciable Real Estate**

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	
Net gains on sale of marketable securities	\$	2,019	\$	
Net gains on sale of land parcels		1,469		
Net gain on sale of residential condominiums				776
	\$	3,488	\$	776

**Minority Interest of Partially-Owned Entities**

Minority interest was \$603,000 of income for the three months ended March 31, 2005, compared to \$3,000 of income for the prior year's quarter, a reduction of \$600,000. This reduction resulted primarily from the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004 versus accounting for the investment on the equity method in the prior year.

**Income From Discontinued Operations**

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2005 and 2004 include the operating results of the assets related to discontinued operations (400 North LaSalle and Arlington Plaza), as well as the Company's Palisades Residential Complex sold on June 29, 2004, and Dundalk, Maryland retail property sold on August 12, 2004.

	For The Three Months Ended March 31,			
	2005		2004	
(Amounts in thousands)				
Total revenues	\$	3,191	\$	5,801
Total expenses		1,828		5,554
Income from discontinued operations	\$	1,363	\$	247

**Allocation to Limited Partners**

Allocation to limited partners (consisting of limited partners' interest in the Operating Partnership and perpetual preferred unit distributions of the Operating Partnership) was \$45,736,000 for the three months ended March 31, 2005 compared to \$31,755,000 for the prior year's quarter, an increase of \$13,981,000. This increase resulted primarily from (i) higher earnings allocations to the limited partners as a result of higher income, (ii) distributions to the holders of the Series D-11 and D-12 perpetual preferred units issued in May and December 2004, (iii) a \$2,200,000 write off of Series D-3 issuance costs upon their redemption in January 2005, partially offset by (iv) lower distributions to the holders of the Series D-3 preferred units.

**Three Months Ended March 31, 2005 and March 31, 2004**

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

(Amounts in thousands)	Total		Office		Retail		Merchandise Mart		Temperature Controlled Logistics		Other		
Three months ended March 31, 2004	\$	231,797	\$	154,979	\$	37,986	\$	30,045	\$	18,736	\$	(9,949)	
2005 Operations:													
Same store operations(1)				710		1,255		3,331	(3)			(5)	
Acquisitions, dispositions and non-same store income and expenses				2,341		8,042		10,240	(4)			(1,549)	
Three months ended March 31, 2005	\$	358,561	\$	158,030	\$	47,283	\$	43,616	\$	17,187	\$	92,445	
% increase in same store operations				0.5%	(2)		3.5%		11.2%	(4)		N/A	(5)

(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 \$83,390 and 4.8% for the New York office portfolio and \$74,640 and (4.1%) for the CESCRO portfolio.

(3) EBITDA and the same store percentage increase reflect the commencement of leases with WPP Group (228,000 square feet) in the third quarter of 2004 and the Chicago Sun Times (127,000 square feet) in the second quarter of 2004. The same store percentage increase exclusive of these leases was 4.3%.

(4) Primarily represents \$13,362 of lease termination fee income received from a tenant at 7 West 34<sup>th</sup> Street, partially offset by \$2,462 for the write off of the tenant's receivable arising from the straight-lining of rent. See page 35 for details.

(5) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company reflects its equity in the operations of the combined company. See page 43 for condensed pro forma operating results of Americold for the three months ended March 31, 2005 and 2004, giving effect to the acquisition of its tenant, AmeriCold Logistics, as if it had occurred on January 1, 2004.



**Investment in Americold Realty Trust ( Americold )**

Prior to November 18, 2004, the Company owned a 60% interest in the Vornado Crescent Portland Partnership, which owned Americold, and accounted for its interest under the equity method. On November 18, 2004 the Company's investment in Americold was consolidated into the accounts of the Company. The following is a pro forma presentation of the results of operations of Americold for the three months ended March 31, 2005 and 2004, giving effect to the acquisition of AmeriCold Logistics as if it had occurred on January 1, 2004.

(Amounts in thousands)	For The Three Months Ended March 31,			
	2005		2004	
Revenue	\$	181,225	\$	170,346
Cost of operations		139,558		130,498
Gross margin		41,667		39,848
Depreciation, depletion and amortization		18,371		18,288
Interest expense		13,645		12,593
General and administrative expense		8,797		9,703
Other (income) expense, net		323		(337)
Net income (loss)		531		(399)
Add - Company's 47.6% ownership interest:				
Depreciation and amortization		8,767		8,661
Interest expense		6,492		5,994
Income taxes		260		303
EBITDA	\$	16,050	\$	14,559
Same store % increase		10.1%		

Revenue was \$181,225,000 for the quarter ended March 31, 2005, compared to \$170,346,000 for the quarter ended March 31, 2004, an increase of \$10,879,000. This increase was primarily due to (i) \$6,396,000 from Americold's transportation management services business from both new and existing customers, (ii) \$1,043,000 from new managed warehouse contracts, net of a contract termination in the fourth quarter of 2004 and (iii) an increase in handling and accessorial services.

Gross margin from owned warehouses was \$37,546,000 or 34.7%, for the quarter ended March 31, 2005, compared to \$36,792,000, or 35.2%, for the quarter ended March 31, 2004, an increase of \$754,000. This increase was primarily attributable to higher occupancy, lower operating costs and improved productivity at the Atlanta and Allentown facilities.

Gross margin from other operations (i.e., transportation, management services and managed warehouses) was \$4,121,000 for the quarter ended March 31, 2005, compared to \$3,056,000 for the quarter ended March 31, 2004, an increase of \$1,065,000. This increase was primarily the result of an increase in transportation management services from both new and existing customers and an increase in margin from new and existing managed warehouse customers.

Interest expense was \$13,645,000 for the quarter ended March 31, 2005, compared to \$12,593,000 for the quarter ended March 31, 2004, an increase of \$1,052,000. This increase was primarily due to higher average debt outstanding as Americold obtained a mortgage financing on 28 of its unencumbered properties in February 2004.

General and administrative expense was \$8,797,000 for the quarter ended March 31, 2005, compared to \$9,703,000 for the quarter ended March 31, 2004, a decrease of \$906,000. This decrease resulted primarily from a decrease in payroll and fringes and travel and entertainment expenses.

## Liquidity And Capital Resources

### *Three Months Ended March 31, 2005*

Cash flows provided by operating activities of \$134,023,000 was primarily comprised of (i) net income of \$199,819,000, (ii) distributions of income from partially-owned entities of \$6,201,000, partially offset by (iii) adjustments for non-cash items of \$9,002,000 and (iv) the net change in operating assets and liabilities of \$62,995,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$81,410,000, (ii) allocation of income to limited partners of the Operating Partnership of \$27,195,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$16,341,000, (iv) net loss on mark-to-market of GMH Communities L.P. warrants of \$10,178,000, (v) the write-off of preferred unit issuance costs of \$2,200,000, partially offset by, (vi) net gains on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position of \$86,094,000, (vii) net gain on mark-to-market of Sears Holding derivative position of \$7,899,000, (viii) net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate \$3,488,000, (ix) the effect of straight-lining of rental income of \$11,405,000, (x) equity in net income of partially-owned entities and Alexander's of \$34,608,000 and (xi) amortization of acquired below market leases net of above market leases of \$2,229,000.

Net cash used in investing activities of \$6,849,000 was primarily comprised of (i) investments in notes and mortgage loans receivable of \$152,000,000, (ii) capital expenditures of \$1,744,000, (iii) development and redevelopment expenditures of \$32,404,000, (iv) investments in partially-owned entities of \$112,066,000, (v) acquisitions of real estate of \$8,135,000, (vi) investments in marketable securities of \$52,322,000, partially offset by (vii) proceeds from the sale of real estate of \$1,980,000, (viii) distributions of capital from partially-owned entities of \$3,406,000, (ix) repayments on notes and mortgages receivable of \$274,711,000, (x) restricted cash of \$42,257,000 and (xi) proceeds from the sale of marketable securities of \$29,468,000.

Net cash provided by financing activities of \$247,874,000 was primarily comprised of (i) proceeds from borrowings of \$715,000,000, (ii) proceeds of \$8,645,000 from the exercise by employees of share options, partially offset by (iii) dividends paid on common shares of \$103,747,000, (iv) repayments of borrowings of \$139,345,000, (v) redemption of preferred shares and units of \$195,000,000, (vi) dividends paid on preferred shares of \$5,206,000, and (vii) distributions to minority partners of \$32,473,000.

During 2005 and 2006, approximately \$77,690,000 and \$423,854,000 of the Company's notes and mortgages payable mature, respectively. The Company may refinance such loans or choose to repay all or a portion of such loans using existing cash balances or its revolving credit facility.

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 necessary 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 three months ended March 31, 2005.

(Amounts in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures - Accrual basis:						
Expenditures to maintain the assets:						
Recurring	\$ 7,010	\$ 2,045	\$ 1,223	\$ (674)	\$ 4,416	\$
Non-recurring						
	7,010	2,045	1,223	(674)	4,416	
Tenant improvements:						
Recurring	17,725	8,106	1,848	1,920	5,851	
Non-recurring	1,938		1,938			
	19,663	8,106	3,786	1,920	5,851	
Total	\$ 26,673	\$ 10,151	\$ 5,009	\$ 1,246	\$ 10,267	\$
Leasing Commissions:						
Recurring	\$ 4,052	\$ 2,241	\$ 496	\$ 232	\$ 1,083	\$
Non-recurring	294		294			
	\$ 4,346	\$ 2,241	\$ 790	\$ 232	\$ 1,083	\$
Square feet leased	1,298	269	358	210	461	
Total Capital Expenditures and Leasing Commissions - Accrual basis	\$ 31,019	\$ 12,392	\$ 5,799	\$ 1,478	\$ 11,350	\$
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	9,421	4,137	4,003	663	618	
Expenditures to be made in future periods for the current period	(18,410)	(10,366)	(3,890)	(2,152)	(2,002)	
Total Capital Expenditures and Leasing Commissions - Cash basis	\$ 22,030	\$ 6,163	\$ 5,912	\$ (11)	\$ 9,966	\$
Development and Redevelopment Expenditures:						
7 West 34 <sup>th</sup> Street	\$ 8,276	\$	\$	\$	\$ 8,276	\$
Crystal Plaza (PTO)	7,394		7,394			
640 Fifth Avenue	2,398	2,398				
Crystal Drive retail	905		905			
Other	13,431	651		5,264	7,145	371
	\$ 32,404	\$ 3,049	\$ 8,299	\$ 5,264	\$ 15,421	\$ 371

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*Three Months Ended March 31, 2004*

Cash flows provided by operating activities of \$157,547,000 was primarily comprised of (i) income of \$82,439,000, (ii) distributions of income from partially-owned entities of \$4,226,000, (iii) adjustments for non-cash items of \$68,725,000, and (iv) the net change in operating assets and liabilities of \$2,157,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$58,465,000, (ii) allocation of income to limited partners of the Operating Partnership of \$14,457,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$17,298,000, and (iv) write-off of preferred share and unit issuance costs of \$3,895,000, partially offset by, (v) the effect of straight-lining of rental income of \$10,376,000, (vi) equity in net income of partially-owned entities and Alexander s of \$10,585,000 and (vii) amortization of acquired below market leases net of above market leases of \$3,650,000.

Net cash provided by investing activities of \$64,388,000 was primarily comprised of (i) distributions of capital from partially-owned entities of \$143,168,000, (ii) repayments on notes and mortgages receivable of \$38,500,000, partially offset by, (iii) capital expenditures of \$29,744,000, (iv) development and redevelopment expenditures of \$24,068,000, (v) investments in partially-owned entities of \$5,102,000, and (vi) acquisitions of real estate of \$54,422,000.

Net cash used in financing activities of \$251,459,000 was primarily comprised of (i) dividends paid on common shares of \$103,692,000 (ii) repayments of borrowings of \$160,183,000, (iii) redemption of preferred shares and units of \$112,467,000, (iv) dividends paid on preferred shares of \$6,614,000, and (v) distributions to minority partners of \$38,937,000, partially offset by, (vi) proceeds from borrowings of \$150,427,000 and (vii) proceeds of \$20,007,000 from the exercise by employees of share options.

Below are the detail of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2004.

(Amounts in thousands)	Total		New York Office		CESCR		Retail		Merchandise Mart		Other	
Capital Expenditures (Accrual basis):												
Expenditures to maintain the assets:												
Recurring	\$	13,268	\$	1,220	\$	3,812	\$	79	\$	5,804	\$	2,353
Non-recurring												
		13,268		1,220		3,812		79		5,804		2,353
Tenant improvements:												
Recurring		18,579		10,033		6,119		218		2,209		
Non-recurring		939				939						
		19,518		10,033		7,058		218		2,209		
Total	\$	32,786	\$	11,253	\$	10,870	\$	297	\$	8,013	\$	2,353
Leasing Commissions:												
Recurring	\$	7,026	\$	4,716	\$	2,040	\$	154	\$	116	\$	
Non-recurring		140				140						
	\$	7,166	\$	4,716	\$	2,180	\$	154	\$	116	\$	
Square feet leased		1,772		360		765		236		411		

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Total Capital Expenditures and Leasing Commissions (Accrual basis)	\$	39,952	\$	15,969	\$	13,050	\$	451	\$	8,129	\$	2,353
Adjustments to reconcile accrual basis to cash basis:												
Expenditures in the current year applicable to prior periods		18,751		7,831		9,119		1,067		734		
Expenditures to be made in future periods for the current period		(21,963)		(13,092)		(7,873)		(347)		(651)		
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$	36,740	\$	10,708	\$	14,296	\$	1,171	\$	8,212	\$	2,353
Development and Redevelopment: Expenditures:												
640 Fifth Avenue	\$	4,557	\$	4,557	\$		\$		\$		\$	
4 Union Square South		7,320						7,320				
Other		12,191		206		3,917		7,026				1,042
	\$	24,068	\$	4,763	\$	3,917	\$	14,346	\$		\$	1,042

## Three Months Ended **March 31, 2005 vs. Three Months Ended December 31, 2004**

Below are the details of the changes by segment in EBITDA for the three months ended March 31, 2005 from the three months ended December 31, 2004.

(Amounts in thousands)	Total		Office		Retail		Merchandise Mart		Temperature Controlled Logistics		Other	
EBITDA for the three months ended December 31, 2004	\$	397,635	\$	155,806	\$	47,482	\$	37,298	\$	16,933	\$	140,116
2005 Operations:												
Same store operations(1)				(71)		196		(2,481)	(3)			
Acquisitions, dispositions and other non-same store income and expenses				2,295		(395)		8,799	(4)		254	
EBITDA for the three months ended March 31, 2005	\$	358,561	\$	158,030	\$	47,283	\$	43,616	\$	17,187	\$	92,445
% (decrease) increase in same store operations				(0.1)%	(2)	.5%		(7.0)%		N/A	(5)	

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

(2) Same store percentage (decrease) increase was (1.1)% for the New York Office portfolio, and 1.2% for the CESCRR portfolio. The decrease in New York Office same store was primarily due to an increase in utilities costs and repairs and maintenance expense versus the prior quarter.

(3) Primarily due to seasonality of operations as the second and fourth quarters include major trade shows and, therefore have historically been higher than the first and third quarters.

(4) Primarily represents \$13,362 of lease termination fee income received from a tenant at 7 West 34<sup>th</sup> Street, partially offset by \$2,462 for the write off of the tenant's receivable arising from the straight-lining of rent. See page 35 for details.

(5) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company reflects its equity in the operations of the combined company. See page 43 for condensed pro forma operating results of Americold for the three months ended March 31, 2005 and 2004, giving effect to the acquisition of its tenant, AmeriCold Logistics, as if it had occurred on January 1, 2004.

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Below is a reconciliation of net income and EBITDA for the three months ended December 31, 2004.

(Amounts in thousands)	Total		Office		Retail		Merchandise Mart		Temperature Controlled Logistics		Other	
Net income for the three months ended December 31, 2004	\$	239,954	\$	80,449	\$	23,770	\$	23,031	\$	927	\$	111,777
Interest and debt expense		78,474		32,473		15,022		3,025		7,326		20,628
Depreciation and amortization		78,378		42,771		8,690		10,669		8,601		7,647
Income taxes		829		113				573		79		64
EBITDA for the three months ended December 31, 2004	\$	397,635	\$	155,806	\$	47,482	\$	37,298	\$	16,933	\$	140,116

**FUNDS FROM OPERATIONS ( FFO )**

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ( NAREIT ). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles ( GAAP ), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs.

FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Statements of Cash Flows. 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.

The calculations of both the numerator and denominator used in the computation of income per share are disclosed in footnote 11 - Income Per Share, in the Company's notes to consolidated financial statements on page 19 of this Quarterly Report on Form 10-Q/A.

FFO for the Three Months Ended March 31, 2005, and 2004

FFO applicable to common shares plus assumed conversions was \$248,725,000, or \$1.84 per diluted share for three months ended March 31, 2005, compared to \$128,975,000 or \$1.01 diluted share for prior year's quarter, an increase of \$119,750,000 or \$.83 per share.

	For The Three Months Ended March 31,			
	2005		2004	
<b>(Amounts in thousands, except per share amounts)</b>				
<b>Reconciliation of Net Income to FFO:</b>				
Net income	\$	199,819	\$	82,439
Depreciation and amortization of real property		63,876		53,640
Net gains on sale of real estate				

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Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:				
Depreciation and amortization of real property		6,297		13,104
Net gains on sale of real estate		(135)		(1,917)
Limited partners share of above adjustments		(9,001)		(10,586)
FFO		260,856		136,680
Preferred dividends		(12,386)		(7,982)
FFO applicable to common shares		248,470		128,698
Series A convertible preferred dividends		255		277
FFO applicable to common shares plus assumed conversions	\$	248,725	\$	128,975
Reconciliation of Weighted Average Shares:				
Weighted average common shares outstanding		128,313		121,588
Effect of dilutive securities:				
Employee stock options and restricted share awards		6,571		5,423
Series A convertible preferred shares		435		473
Denominator for diluted FFO per share		135,319		127,484
Diluted FFO per share	\$	1.84	\$	1.01



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Included in FFO are certain items that affect comparability as detailed below. Before these items, the three months ended March 31, 2005 is 11.7% higher than the prior year's three months on a per share basis.

(Amounts in thousands, except per share amounts)	For the Three Months Ended							
	March 31, 2005				March 31, 2004			
	Amount		Per Share		Amount		Per Share	
FFO applicable to common shares plus assumed conversions	\$	248,725	\$	1.84	\$	128,975	\$	1.01
Items that affect comparability:								
Net gain on conversion of Sears common shares and derivative position to Sears Holding common shares and derivative position	\$	(86,094)	\$		\$		\$	
Net gain on mark-to-market of Sears Holding derivative position		(7,899)						
Net gain on sale of Alexander's 731 Lexington Avenue condominiums		(20,633)				(776)		
Net loss on mark-to-market of GMH warrants		10,178						
Alexander's stock appreciation rights compensation expense		7,433				9,913		
Write-off of perpetual preferred share and unit issuance costs		6,052				3,895		
Net gain on sale of land parcels		(1,469)						
Net loss on early extinguishment of debt and impairment loss of partially-owned entities		496				1,434		
Limited partners' share of above adjustments		11,260				(2,261)		
	\$	(80,676)	\$	(.60)	\$	12,205	\$	.10

### 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.

As of March 31, 2005, the Company has an interest rate swap as described in footnote 1 to the table below. In addition, during 2003 the Company purchased two interest rate caps with notional amounts aggregating \$295,000,000, and simultaneously sold two interest rate caps with the same aggregate notional amount on substantially the same terms as the caps purchased. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments are expected to substantially offset one another. Management may engage in additional hedging strategies in the future, depending on management's analysis of the interest rate environment and the costs and risks of such strategies.

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

(Amounts in thousands, except per share amounts)

	As at March 31, 2005				As at December 31, 2004				
	Balance		Weighted Average Interest Rate	Effect of 1% Increase In Base Rates	Balance		Weighted Average Interest Rate		
Consolidated debt:									
Variable rate	\$	979,906	(1)	4.22%	\$	9,799	\$	1,114,981	3.45%
Fixed rate		4,557,973		6.32%				3,841,530	6.68%
	\$	5,537,879		5.95%		9,799	\$	4,956,511	5.95%
Debt of non-consolidated entities:									
Variable rate	\$	123,681		4.82%		1,237	\$	122,007	4.67%
Fixed rate		563,255		6.80%				547,935	6.73%
	\$	686,936		6.44%		1,237	\$	669,942	6.36%
Minority interest						(1,313)			
Total change in the Company's annual net income					\$	9,723			
Per share-diluted					\$	(.07)			

(1) Includes \$504,003 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

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of LIBOR plus .7725%, based upon the trailing three month LIBOR rate (3.60% if set on March 31, 2005). In accordance with SFAS No. 133, as amended, the Company is required to fair value the debt at each reporting period. At March 31, 2005 and 2004, the fair value adjustment was \$4,324 and \$32,474, and is included in the balances of the senior unsecured notes above.

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 \$26,700,000 at March 31, 2005.

### *Derivative Instruments*

The Company has the following derivative instruments that do not qualify for hedge accounting treatment:

As a result of the merger between Sears and Kmart on March 30, 2005, the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at \$323,936,000 based on the \$130.00 per share closing price on March 30, 2005, the date of the merger, and \$146,663,000 of cash. As a result, the Company recognized a net gain of approximately \$58,443,000 based on the fair value of the Company's derivative position after the exchange of these underlying assets. Because this derivative position does not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on the Company's consolidated statement of income. On March 31, 2005, the Company recorded income of \$7,899,000 from the mark-to-market of this derivative position based on Sears Holding's closing share price of \$133.17.

Under a warrant agreement with GMH Communities L.P., the Company holds 5.7 million warrants to purchase partnership units of GMH at an adjusted exercise price of \$8.82 per share. Because these warrants are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on the Company's consolidated statement of income. In the quarter ended March 31, 2005, the Company recognized a loss of \$10,178,000 from the mark-to-market of these warrants based on GCT's closing stock price on the NYSE of \$11.71 per share on March 31, 2005.

## **Item 4. Controls and Procedures (as restated)**

**Disclosure Controls and Procedures:** The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are not effective solely because of the material weakness described below. However, as of the date hereof, management believes that as a result of the remedial actions described herein, we have remediated the material weakness in internal control over financial reporting described below, and that as of the date hereof, our disclosure controls and procedures are effective.

**Internal Control Over Financial Reporting:** Subsequent to the issuance of the original Form 10-Q for the quarter ended March 31, 2005, we determined that the Company's consolidated statements of cash flows for the three months ended March 31, 2005 and 2004 should be restated. In the three months ended March 31, 2005, an amount of \$21,797,000 was previously included in net cash provided by operating activities and should have been included in net cash (used in) provided by investing activities as it relates to \$21,797,000 of cash received upon the exchange of Sears common shares owned by the Company for cash and common shares of Sears Holdings Corporation. In addition, in the three months ended March 31, 2005 and 2004 \$6,201,000 and \$4,226,000, of distributions received from partially-owned entities were previously included in net cash (used in) provided by investing activities and should have been included in net cash provided by operating activities as they relate to distributions of income received from partially-owned entities accounted for on the equity method. These restatements were the result of a material weakness in our controls as we did not appropriately evaluate the classification of the cash received upon (i) the exchange of Sears common shares owned by the Company for common shares of Sears Holdings Corporation and (ii) the receipt of cash from partially-owned entities to determine whether it related to a return of capital or income. Subsequent to the filing of the original Form 10-Q and in connection with the preparation of this Form 10-Q/A we have involved additional personnel in the preparation and review of the consolidated statement of cash flows and believe, as of the date hereof, we have remediated this weakness.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. However, subsequent to March 31, 2005, we took the remedial actions described above.

**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 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 updates 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, 2004.

**Stop & Shop**

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ( USDC-NJ ) claiming 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, froze the Company's right to re-allocate which effectively terminated the Company's right to collect the additional rent from Stop & Shop. 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 USDC-NJ complaint. The Company removed the action to the United States District Court for the Southern District of New York, but in January 2005 that court remanded the action to the New York Supreme Court. The Company then served an answer in which it asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. The Company intends to pursue its claims against Stop & Shop vigorously.

**Vornado Operating Company**

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating Company ( Vornado Operating ), its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold Realty Trust (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately \$4.5 million or about \$1 per Vornado Operating share or partnership unit before litigation expenses. The Company had accrued the proposed settlement payment and related legal costs as part of general and administrative expense in the fourth quarter of 2004. On March 22, 2005, the Court approved the settlement.



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

Not Applicable.

**Item 6. Exhibits**

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



**SIGNATURES**

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

**VORNADO REALTY TRUST**  
(Registrant)

Date: June 10, 2005

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 Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) to Vornado Realty Trust'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 Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust'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 Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002                      | * |
| 3.4 | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust'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 Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003                     | * |
| 3.6 | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust'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 Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust'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 Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 to 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 Realty Trust dated May 31, 2002, as filed with the State Department of Assessments and Taxation 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), filed on August 7, 2002 | * |

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\* Incorporated by reference.



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- 3.10 Articles of Amendment of Declaration of Trust of Vornado Realty Trust dated June 6, 2002, as filed with the State Department of Assessments and Taxation 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), filed on August 7, 2002 \*
- 3.11 Articles of Amendment of Declaration of Trust of Vornado Realty Trust dated December 16, 2004, as filed with the State Department of Assessments and Taxation of Maryland on December 16, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated December 16, 2004 (File No. 001-11954), filed on December 21, 2004 \*
- 3.12 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 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.13 Articles Supplementary Classifying Vornado Realty Trust'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 Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002 \*
- 3.14 Articles Supplementary Classifying Vornado Realty Trust's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 \*
- 3.15 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 to Vornado Realty Trust's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999 \*
- 3.16 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 to Vornado Realty Trust's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999 \*
- 3.17 Articles Supplementary Classifying Vornado Realty Trust'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 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999 \*
- 3.18 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 to Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*

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\* Incorporated by reference.

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- 3.19 Articles Supplementary Classifying Vornado Realty Trust'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 to Vornado Realty Trust'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 Realty Trust'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 to Vornado Realty Trust's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 \*
- 3.21 Articles Supplementary Classifying Vornado Realty Trust's Series D-5 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999 \*
- 3.22 Articles Supplementary Classifying Vornado Realty Trust'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 to Vornado Realty Trust's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000 \*
- 3.23 Articles Supplementary Classifying Vornado Realty Trust'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 to Vornado Realty Trust's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000 \*
- 3.24 Articles Supplementary Classifying Vornado Realty Trust's Series D-8 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 \*
- 3.25 Articles Supplementary Classifying Vornado Realty Trust'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 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.26 Articles Supplementary Classifying Vornado Realty Trust's Series D-10 7.00% Cumulative Redeemable Preferred Shares, dated November 17, 2003, as filed with the State Department of Assessments and Taxation of Maryland on November 17, 2003 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 18, 2003 \*
- 3.27 Articles Supplementary Classifying Vornado Realty Trust's Series D-11 7.20% Cumulative Redeemable Preferred Shares, dated May 27, 2004, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 2004 - Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004 \*

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- |      |   |   |
|------|---|---|
| 3.28 | Articles Supplementary Classifying Vornado Realty Trust's 7.00% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 20, 2004                      | * |
| 3.29 | Articles Supplementary Classifying Vornado Realty Trust's 6.75% Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.28 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on November 17, 2004                    | * |
| 3.30 | Articles Supplementary Classifying Vornado Realty Trust's 6.55% Series D-12 Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K, dated December 16, 2004 (File No. 001-11954), filed on December 21, 2004 | * |
| 3.31 | Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K, dated December 16, 2004 (File No. 001-11954), filed on December 21, 2004   | * |
| 3.32 | Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000   | * |
| 3.33 | Second Amendment 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 Realty Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003                      | * |
| 3.34 | Amendment to the Partnership Agreement, dated as of December 16, 1997 - Incorporated by reference to Exhibit 3.27 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003  | * |
| 3.35 | Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998  | * |
| 3.36 | Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998   | * |
| 3.37 | Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado Realty Trust's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999  | * |
| 3.38 | Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado Realty Trust's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999  | * |
| 3.39 | Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999  | * |

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\* Incorporated by reference.



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- 3.40 Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*
- 3.41 Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 \*
- 3.42 Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - 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 25, 1999 \*
- 3.43 Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 \*
- 3.44 Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999 \*
- 3.45 Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000 \*
- 3.46 Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000 \*
- 3.47 Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 \*
- 3.48 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 \*
- 3.49 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 \*
- 3.50 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 \*
- 3.51 Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 18, 2002 \*
- 3.52 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) \*

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\* Incorporated by reference.





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- 3.53 Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.27 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.54 Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 10.5 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003 \*
- 3.55 Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 - Incorporated by reference to Exhibit 3.49 of Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004 \*
- 3.56 Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 - Incorporated by reference to Exhibit 99.2 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004 \*
- 3.57 Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 - Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005 \*
- 3.58 Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 - Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005 \*
- 3.59 Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 - Incorporated by reference to Exhibit 3.1 of Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 \*
- 3.60 Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 - Incorporated by reference to Exhibit 3.2 of Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 \*
- 3.61 Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 of Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005 \*
- 4.1 Instruments defining the rights of security holders (see Exhibits 3.1 through 3.32 of this Annual Report on Form 10-K) \*
- 4.2 Specimen certificate representing Vornado Realty Trust'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 Realty Trust's Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995 \*
- 4.3 Specimen certificate representing Vornado Realty Trust'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 Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*

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\* Incorporated by reference.



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- 4.4 Specimen certificate evidencing Vornado Realty Trust's 7.00% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.5 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed August 20, 2004 \*
- 4.5 Specimen certificate evidencing Vornado Realty Trust's 6.75% Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.6 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed November 17, 2004 \*
- 4.6 Specimen certificate evidencing Vornado Realty Trust's 6.625% Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.7 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed December 21, 2004 \*
- 4.7 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 \*
- 4.8 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 (File No. 000-22685), filed on June 24, 2002 \*
- 4.9 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 \*
- 4.10 Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005 \*
- Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.*
- 10.1\*\* Vornado Realty Trust's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996 \*
- 10.2\*\* Second Amendment, dated as of June 12, 1997, to Vornado's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Vornado's Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997 \*
- 10.3 Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992 \*

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

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| 10.4   | Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of November 24, 1993 made by each of the entities listed therein, as mortgagors to Vornado Finance Corp., as mortgagee - Incorporated by reference to Vornado's Current Report on Form 8-K, dated November 24, 1993 (File No. 001-11954), filed December 1, 1993 | * |
| 10.5** | Employment Agreement between Vornado Realty Trust and Joseph Macnow dated January 1, 1998 - Incorporated by reference to Exhibit 10.7 of Vornado's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File No. 001-11954), filed November 12, 1998   | * |
| 10.6** | Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997   | * |
| 10.7   | Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993   | * |
| 10.8   | Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993   | * |
| 10.9   | Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993   | * |
| 10.10  | Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993  | * |
| 10.11  | Amendment to Real Estate Retention Agreement dated February 6, 1995 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995   | * |
| 10.12  | Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994   | * |
| 10.13  | Stock Purchase Agreement, dated February 6, 1995, among Vornado Realty Trust and Citibank, N.A. - Incorporated by reference to Vornado's Current Report on Form 8-K, dated February 6, 1995 (File No. 001-11954), filed February 21, 1995   | * |
| 10.14  | Management and Development Agreement, dated as of February 6, 1995 - Incorporated by reference to Vornado's Current Report on Form 8-K, dated February 6, 1995 (File No. 001-11954), filed February 21, 1995  | * |
| 10.15  | Standstill and Corporate Governance Agreement, dated as of February 6, 1995 - Incorporated by reference to Vornado's Current Report on Form 8-K, dated February 6, 1995 (File No. 001-11954), filed February 21, 1995   | * |

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.



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10.16	Credit Agreement, dated as of March 15, 1995, among Alexander's Inc., as borrower, and Vornado Lending Corp., as lender - Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995	*
10.17	Subordination and Intercreditor Agreement, dated as of March 15, 1995 among Vornado Lending Corp., Vornado Realty Trust and First Fidelity Bank, National Association - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995	*
10.18	Form of Intercompany Agreement between Vornado Realty L.P. and Vornado Operating, Inc. - Incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998	*
10.19	Form of Revolving Credit Agreement between Vornado Realty L.P. and Vornado Operating, Inc., together with related form of Note - Incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998	*
10.20	Registration Rights Agreement, dated as of April 15, 1997, between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997	*
10.21	Noncompetition Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, the Mendik Company, L.P., and Bernard H. Mendik - Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997	*
10.22**	Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997	*
10.23	Agreement, dated September 28, 1997, between Atlanta Parent Incorporated, Portland Parent Incorporated and Crescent Real Estate Equities, Limited Partnership - Incorporated by reference to Exhibit 99.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997	*
10.24	Contribution Agreement between Vornado Realty Trust, Vornado Realty L.P. and The Contributors Signatory - thereto - Merchandise Mart Properties, Inc. (DE) and Merchandise Mart Enterprises, Inc. - Incorporated by reference to Exhibit 10.34 of Vornado's Annual Report on Form 10-K/A for the year ended December 31, 1997 (File No. 001-11954), filed on April 8, 1998	*
10.25	Sale Agreement executed November 18, 1997, and effective December 19, 1997, between MidCity Associates, a New York partnership, as Seller, and One Penn Plaza LLC, a New York limited liability company, as purchaser - Incorporated by reference to Exhibit 10.35 of Vornado's Annual Report on Form 10-K/A for the year ended December 31, 1997 (File No. 001-11954), filed on April 8, 1998	*
10.26	Credit Agreement, dated as of June 22, 1998, among One Penn Plaza, LLC, as Borrower, The Lenders Party hereto, The Chase Manhattan Bank, as Administrative Agent - Incorporated by reference to Exhibit 10 of Vornado's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 001-11954), filed August 13, 1998	*

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.





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10.27	Registration Rights Agreement, dated as of April 1, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on May 6, 1998	*
10.28	Registration Rights Agreement, dated as of August 5, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.1 of Vornado's Registration Statement on Form S-3 (File No. 333-89667), filed on October 25, 1999	*
10.29	Registration Rights Agreement, dated as of July 23, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.2 of Vornado's Registration Statement on Form S-3 (File No. 333-89667), filed on October 25, 1999	*
10.30	Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.31**	Employment Agreement, dated January 22, 2000, between Vornado Realty Trust and Melvyn Blum - Incorporated by reference to Exhibit 10.49 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.32**	Deferred Stock Agreement, dated December 29, 2000, between Vornado Realty Trust and Melvyn Blum - Incorporated by reference to Exhibit 10.32 of Vornado's Annual Report on Form 10-K for the period ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.33	First Amended and Restated Promissory Note of Steven Roth, dated November 16, 1999 - Incorporated by reference to Exhibit 10.50 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.34	Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.35	Revolving Credit Agreement dated as of March 21, 2000 among Vornado Realty L.P., as borrower, Vornado Realty Trust, as general partner, and UBS AG, as Bank - Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 (File No. 001-11954), filed on May 5, 2000	*
10.36	Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002	*
10.37	Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

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10.38	Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*
10.39	Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*
10.40**	Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002	*
10.41**	First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.42**	First Amendment, dated June 7, 2002, to the Convertible Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.3 to Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.43**	Second Amendment, dated October 31, 2002, to the Convertible Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.4 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.44**	2002 Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.7 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.45**	First Amendment, dated October 31, 2002, to the 2002 Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.8 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.46**	First Amendment, dated October 31, 2002, to the Registration Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.9 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.47**	Trust Agreement between Vornado Realty Trust and Chase Manhattan Bank, dated December 2, 1996 - Incorporated by reference to Exhibit 99.10 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.48**	First Amendment, dated September 17, 2002, to the Trust Agreement between Vornado Realty Trust and Chase Manhattan Bank, dated December 2, 1996 - Incorporated by reference to Exhibit 99.11 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.

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10.49	Amended and Restated Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. (evidencing a \$50,000,000 line of credit facility) - Incorporated by reference to Exhibit 10(i)(B)(3) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.50	Credit Agreement, dated July 3, 2002, between Alexander's and Vornado Lending L.L.C. (evidencing a \$35,000,000 loan) - Incorporated by reference to Exhibit 10(i)(B)(4) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.51	Guaranty of Completion, dated as of July 3, 2002, executed by Vornado Realty L.P. for the benefit of Bayerische Hypo- und Vereinsbank AG, New York Branch, as Agent for the Lenders - Incorporated by reference to Exhibit 10(i)(C)(5) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.52	Reimbursement Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., 731 Commercial LLC, 731 Residential LLC and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(C)(8) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.53	Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.54	59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.55	Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.56	59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.57	Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties Schedule 13D dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002	*
10.58**	Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado's Registration Statement on Form S-3 (File No. 333-102216) filed December 26, 2002	*

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\* Incorporated by reference.

\*\* Management contract or compensatory agreement.





