
Section 1: 10-Q (10-Q)

EXHIBIT INDEX ON PAGE 40

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **March 31, 2003**

or

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

For the transition period from _____ to _____

Commission File Number: **001-11954**

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation
or organization)

22-1657560

(I.R.S. Employer
Identification Number)

888 Seventh Avenue, New York, New York

(Address of principal executive offices)

10019

(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

Yes No

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

Yes No

As of May 1, 2003, 111,592,675 of the registrant's common shares of beneficial interest are outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share amounts)	(UNAUDITED) March 31, 2003	December 31, 2002
ASSETS		
Real estate, at cost:		
Land	\$ 1,491,679	\$ 1,491,808
Buildings and improvements	5,959,798	5,948,255
Development costs and construction in progress	60,588	51,965
Leasehold improvements and equipment	68,449	67,666
Total	7,580,514	7,559,694
Less accumulated depreciation and amortization	(779,620)	(737,426)
Real estate, net	6,800,894	6,822,268
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$14,570 and \$33,393	176,891	208,200
Escrow deposits and restricted cash	260,563	263,125
Marketable securities	42,689	42,525
Investments and advances to partially-owned entities, including Alexander's of \$195,873 and \$193,879	1,036,559	997,711
Due from Officers	20,724	20,643
Accounts receivable, net of allowance for doubtful accounts of \$15,629 and \$13,887	78,604	65,754
Notes and mortgage loans receivable	63,189	86,581
Receivable arising from the straight-lining of rents, net of allowance of \$4,071 and \$4,071	251,798	240,449
Other assets	310,858	270,923

TOTAL ASSETS	\$ 9,042,769	\$ 9,018,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	\$ 3,525,278	\$ 3,537,720
Senior Unsecured Notes due 2007, at fair value (accrued face amount of \$499,391 and \$499,355)	534,607	533,600
Accounts payable and accrued expenses	226,339	202,756
Officers' compensation payable	17,787	16,997
Deferred credit	57,887	59,362
Other liabilities	2,899	3,030
Total liabilities	4,364,797	4,353,465
Minority interest of unitholders in the Operating Partnership	1,951,227	2,037,358
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 70,000,000 shares;		
Series A: liquidation preference \$50.00 per share; issued and outstanding 1,446,623 and 1,450,623 shares	72,335	72,535
Series B: liquidation preference \$25.00 per share; issued and outstanding 3,400,000 shares	81,805	81,805
Series C: liquidation preference \$25.00 per share; issued and outstanding 4,600,000 shares	111,148	111,148
Common shares of beneficial interest: \$.04 par value per share; authorized, 200,000,000 shares; issued and outstanding, 111,499,231 and 108,629,736 shares	4,461	4,320
Additional capital	2,573,478	2,481,414
Distributions in excess of net income	(157,537)	(169,629)
	2,685,690	2,581,593
Deferred compensation shares earned but not yet delivered	67,347	66,660
Deferred compensation shares issued but not yet earned	(8,115)	(2,629)
Accumulated other comprehensive loss	(13,473)	(13,564)
Due from officers for purchase of common shares of beneficial interest	(4,704)	(4,704)
Total shareholders' equity	2,726,745	2,627,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 9,042,769	\$ 9,018,179

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,	
	2003	2002
Revenues:		
Rentals	\$ 320,256	\$ 304,877
Expense reimbursements	44,567	37,804
Fee income (including fees from related parties of \$176 and \$203)	12,182	6,760
Total revenues	377,005	349,441
Expenses:		
Operating	151,965	127,446
Depreciation and amortization	52,583	48,149
General and administrative	27,474	23,467
Amortization of officer's deferred compensation expense	—	6,875
Total expenses	232,022	205,937
Operating income	144,983	143,504
Income applicable to Alexander's	7,254	5,568
Income from partially-owned entities	23,234	13,786
Interest and other investment income	9,796	9,643
Interest and debt expense	(57,753)	(58,018)
Net gain on disposition of wholly-owned and partially-owned assets	188	1,531
Minority interest:		
Perpetual preferred unit distributions	(17,738)	(18,460)
Minority limited partnership earnings	(20,095)	(14,909)
Partially-owned entities	(771)	(989)
Income before gain on sale of real estate and cumulative effect of change in accounting principle	89,098	81,656

Gain on sale of real estate		2,644	—
Cumulative effect of change in accounting principle		—	(30,129)
Net income		91,742	51,527
Preferred share dividends		(5,425)	(6,131)
NET INCOME applicable to common shares		<u>\$ 86,317</u>	<u>\$ 45,396</u>
NET INCOME PER COMMON SHARE – BASIC:			
Income before gain on sale of real estate and cumulative effect of change in accounting principle	\$.77	\$.73
Gain on sale of real estate		.02	—
Cumulative effect of change in accounting principle		—	(.29)
Net income per common share	\$	<u>.79</u>	<u>\$.44</u>
NET INCOME PER COMMON SHARE – DILUTED:			
Income before gain on sale of real estate and cumulative effect of change in accounting principle	\$.75	\$.70
Gain on sale of real estate		.02	—
Cumulative effect of change in accounting principle		—	(.28)
Net income per common share	\$	<u>.77</u>	<u>\$.42</u>
DIVIDENDS PER COMMON SHARE	\$	<u>.68</u>	<u>\$.66</u>

See notes to consolidated financial statements.

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Amounts in thousands)

	For The Three Months Ended March 31,	
	2003	2002
Cash Flows From Operating Activities:		
Net income	\$ 91,742	\$ 51,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	—	30,129
Gain on sale of real estate	(2,644)	—
Minority interest	38,604	34,358
Net gain on disposition of wholly-owned and partially-owned assets	(188)	(1,531)
Depreciation and amortization	52,583	48,149
Amortization of Officer's deferred compensation expense	—	6,875
Straight-lining of rental income	(11,349)	(10,068)
Amortization of acquired below market leases, net	(1,445)	(3,117)
Equity in income of Alexander's	(7,254)	(5,568)
Equity in income of partially-owned entities	(23,234)	(13,786)
Changes in operating assets and liabilities	(16,560)	(42,106)
Net cash provided by operating activities	<u>120,255</u>	<u>94,862</u>
Cash Flows From Investing Activities:		
Development costs and construction in progress	(12,942)	(22,622)
Additions to real estate	(18,269)	(16,672)
Investments in partially-owned entities	(15,592)	(5,352)
Distributions from partially-owned entities	8,284	44,219
Repayment of notes and mortgage loans receivable	23,392	2,500
Cash restricted for tenant improvements	2,562	(8,432)
Proceeds from sale of real estate	4,752	—
Acquisition of Building Maintenance Service Company	(13,000)	—
Acquisitions of real estate	(408)	—
Investment in notes and mortgage loans receivable	—	(55,236)
Net cash used in investing activities	<u>(21,221)</u>	<u>(61,595)</u>
Cash Flows From Financing Activities:		
Dividends paid on common shares	(74,225)	(99,084)

Repayments of borrowings	(59,442)	(45,090)
Distributions to minority partners	(39,041)	(42,945)
Dividends paid on preferred shares	(5,425)	(6,131)
Exercise of stock options	790	8,941
Proceeds from borrowings	47,000	—
Proceeds from issuance of common shares	—	56,658
Net cash used in financing activities	(130,343)	(127,651)
Net decrease in cash and cash equivalents	(31,309)	(94,384)
Cash and cash equivalents at beginning of period	208,200	265,584
Cash and cash equivalents at end of period	<u>\$ 176,891</u>	<u>\$ 171,200</u>

Supplemental Disclosure Of Cash Flow Information:

Cash payments for interest (including capitalized interest of \$1,549 and \$2,505)	<u>\$ 49,763</u>	<u>\$ 56,005</u>
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Non-Cash Transactions:

Class A units issued in acquisitions	\$ —	\$ 607,155
Financing assumed in acquisitions	—	991,980
Unrealized gain on securities available for sale	311	2,925
Capitalized development payroll	502	782

See notes to consolidated financial statements.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

Vornado Realty Trust is a fully-integrated real estate investment trust (“REIT”). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Vornado is the sole general partner of, and owned approximately 81% of the common limited partnership interest in, the Operating Partnership at March 31, 2003. All references to the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. Basis of Presentation

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

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

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

3. Acquisitions, Dispositions and Financings

Acquisitions

Building Maintenance Service Company ("BMS")

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

For the three months ended March 31, 2003, BMS revenues of \$7,698,000 are included in fee income and BMS expenses of \$6,068,000 are included in operating expenses in the Company's consolidated statements of income.

Kaempfer Company ("Kaempfer")

On April 7, 2003, the Company acquired Kaempfer, which owns partial interests in six Class "A" office properties in Washington D.C., manages and leases these properties and four others for which it receives customary fees and has options to acquire certain other real estate interests, including the planned redevelopment of 401 M Street, a mixed-use project in Southwest Washington D.C. Kaempfer's equity interest in the properties approximates 5.0%. The aggregate purchase price for the equity interests and the management and leasing business was \$33,400,000 (consisting of \$29,800,000 in cash and \$3,600,000 of Vornado's Operating Partnership Units) and may be increased by up to \$9,000,000 based on the performance of the management company.

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

20 Broad Street

On May 2, 2003, the Company acquired the remaining 40% of a 78-year leasehold interest in 20 Broad Street it did not already own. The purchase price was approximately \$30,000,000 in cash. 20 Broad Street contains 466,000 square feet of office space, of which 348,000 square feet is leased to the New York Stock Exchange.

Dispositions

On January 9, 2003, the Company sold its Baltimore, Maryland shopping center for \$4,753,000, which resulted in a net gain of \$2,644,000.

In the first quarter of 2003 and 2002, the Company recognized gains of \$188,000 and \$1,531,000 from the sale of residential condominiums in Chicago, Illinois, which is included in the income statement caption "net gain on disposition of wholly-owned and partially-owned assets."

Financings

On February 25, 2002, the Company sold 1,398,743 common shares based on the closing price of \$42.96 on the NYSE. The net proceeds to the Company were approximately \$57,042,000.

4. Investments and Advances to Partially-Owned Entities

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

Investments and Advances:

<u>(Amounts in thousands)</u>	<u>March 31, 2003</u>	<u>December 31, 2002</u>
Temperature Controlled Logistics	\$ 466,676	\$ 448,295
Alexander's	195,873	193,879
Newkirk Master Limited Partnership ("MLP")	198,858	182,465
Monmouth Mall Joint Venture	31,853	31,416
Partially-Owned Office Buildings	28,854	29,421
Starwood Ceruzzi Joint Ventures	24,024	24,959
Prime Group Realty L.P.	23,162	23,408
Park Laurel	3,593	3,481
Other	63,666	60,387
	<u>\$ 1,036,559</u>	<u>\$ 997,711</u>

Income:

(Amounts in thousands)	For The Three Months Ended March 31,	
	2003	2002
Income applicable to Alexander's:		
33.1% share of equity in income	\$ 1,440	\$ 1,019
Interest income(1)	2,527	2,531
Development and guarantee fees(1)	2,193	816
Management and leasing fees(1)	1,094	1,202
	<u>\$ 7,254</u>	<u>\$ 5,568</u>
Temperature Controlled Logistics:		
60% share of equity in net income	\$ 4,361	\$ 3,807
Management fee (40% of 1% per annum of Total Combined Assets, as defined)	1,491	1,498
	<u>5,852</u>	<u>5,305</u>
Newkirk MLP:		
Equity in income of limited partnership	15,181(2)	5,429
Interest and other income	1,819	2,271
	<u>17,000</u>	<u>7,700</u>
Partially-Owned Office Buildings	618	550
Other	(236)	231
	<u>\$ 23,234</u>	<u>\$ 13,786</u>

- (1) Alexander's capitalizes the fees and interest charged by the Company. Because the Company owns 33.1% of Alexander's, the Company recognizes 66.9% of such amounts as income and the remainder is reflected as a reduction of the Company's carrying amount of the investment in Alexander's.
- (2) Includes a net gain of \$6,400 from the sale of three properties and a gain of \$1,600 from the early extinguishment of debt in the first quarter of 2003.

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

(Amounts in thousands)	100% of Partially-Owned Entities Debt	
	March 31, 2003	December 31, 2002
Alexander's (33.1% interest):		
Due to Vornado on January 3, 2006 with interest at 12.48% (prepayable without penalty)	\$ 119,000	\$ 119,000
Lexington Avenue construction loan payable, due on January 3, 2006, plus two one-year extensions, with interest at LIBOR plus 2.50% (3.86% at March 31, 2003)	80,018	55,500
Rego Park mortgage payable, due in June 2009, with interest at 7.25%	82,000	82,000
Kings Plaza Regional Shopping Center mortgage payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	218,591	219,308
Paramus mortgage payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
Temperature Controlled Logistics (60% interest):		
Mortgage notes payable collateralized by 58 temperature controlled warehouses, due in May 2008, requires amortization based on a 25 year term with interest at 6.94% (prepayable with yield maintenance)	534,054	537,716
Other notes and mortgages payable	37,454	37,789
Newkirk MLP (22.5% interest):		
Portion of first mortgages and contract rights, collateralized by the partnership's real estate, due from 2003 to 2024, with a weighted average interest rate of 10.41% at March 31, 2003 (various prepayment terms)	1,262,592	1,432,438
Prime Group Realty L.P. (14.9% interest)(1):		
25 mortgages payable	904,439	868,374
Partially Owned Office Buildings:		
330 Madison Avenue (25% interest) mortgage note payable, due in April 2008, with interest at 6.52% (prepayable with yield maintenance)	60,000	60,000
Fairfax Square (20% interest) mortgage note payable due in August 2009, with interest at 7.50%	68,765	68,900
825 Seventh Avenue (50% interest) mortgage payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	23,253	23,295
Orleans Hubbard (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,922	9,961

Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,798	15,860
Monmouth Mall (50% interest):		
Mortgage note payable, due in November 2005, with interest at LIBOR + 2.05% (3.43% at March 31, 2003)	135,000	135,000

(1) Balance as of December 31, 2002, as Prime Group's quarterly report on Form 10-Q for the quarter ended March 31, 2003, has not been filed prior to the filing of this quarterly report on Form 10-Q.

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 \$1,032,403,000 and \$1,048,108,000 as of March 31, 2003 and December 31, 2002.

Temperature Controlled Logistics

Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$3,376,000 and \$1,808,000 of rent it was due for the three months ended March 31, 2003 and 2002, which together with previously deferred rent is \$27,726,000.

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

On March 28, 2003, a joint venture in which the Company has a 44% interest acquired \$6,640,000 of trade receivables from AmeriCold Logistics for \$6,500,000 in cash (a 2% discount).

Alexander's

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. As of March 31, 2003, the Company has a receivable from Alexander's of \$13,097,000 under the management and development agreement.

At March 31, 2003, the Company had loans receivable from Alexander's of \$119,000,000, including \$24,000,000 drawn under the \$50,000,000 line of credit the Company granted to Alexander's on August 1, 2000. The maturity date of the loan and the line of credit is the earlier of January 3, 2006 or the date the Alexander's Lexington Avenue construction loan is repaid. The interest rate on the loan and line of credit, which resets quarterly using the same spread to treasuries as presently exists with a 3% floor for treasuries, is 12.48% at March 31, 2003. The Company believes that although Alexander's has disclosed that it does not have positive cash flow sufficient to repay this loan to the Company currently, Alexander's will be able to repay the loan upon the successful development and permanent financing of its Lexington Avenue development project or through asset sales.

5. Other Related Party Transactions

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were \$176,000 and \$203,000 for the three months ended March 31, 2003 and 2002.

6. Debt

Following is a summary of the Company's debt:

(Amounts in thousands)

	<u>Maturity</u>	<u>Interest Rate as at March 31, 2003</u>	<u>Balance as of</u>	
			<u>March 31, 2003</u>	<u>December 31, 2002</u>
Notes and Mortgages Payable:				
Fixed Interest:				
Office:				
NYC Office:				
Two Penn Plaza	03/04	7.08%	\$ 153,878	\$ 154,669
888 Seventh Avenue	02/06	6.63%	105,000	105,000
Eleven Penn Plaza	05/07	8.39%	50,121	50,383
866 UN Plaza	04/04	7.79%	33,000	33,000
CESCR Office:				
Crystal Park 1-5	07/06-08/13	6.66-8.39%	263,620	264,441
Crystal Gateway 1-4 Crystal Square 5	07/12-01/25	6.75-7.09%	215,577	215,978

Crystal Square 2, 3 and 4	10/10-11/14	6.82-7.08%	145,653	146,081
Skyline Place	08/06-12/09	6.60-6.93%	138,545	139,212
1101 17 th , 1140 Connecticut, 1730 M & 1150 17 th	08/10	6.74%	96,949	97,318
Courthouse Plaza 1 and 2	01/08	7.05%	79,849	80,062
Crystal Gateway N., Arlington Plaza and 1919 S. Eads	11/07	6.77%	72,425	72,721
Reston Executive I, II & III	01/06	6.75%	73,631	73,844
Crystal Plaza 1-6	10/04	6.65%	70,073	70,356
One Skyline Tower	06/08	7.12%	65,518	65,764
Crystal Malls 1-4	12/11	6.91%	64,638	65,877
1750 Pennsylvania Avenue	06/12	7.26%	49,672	49,794
One Democracy Plaza	02/05	6.75%	27,492	27,640
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	485,945	487,246
Green Acres Mall	02/08	6.75%	150,114	150,717
Montehiedra Town Center	05/07	8.23%	59,432	59,638
Las Catalinas Mall	11/13	6.97%	67,458	67,692
Merchandise Mart:				
Market Square Complex	07/11	7.95%	47,969	48,213
Washington Design Center	10/11	6.95%	48,371	48,542
Washington Office Center	02/04	6.80%	44,495	44,924
Furniture Plaza	02/13	5.23%	46,770	—
Other	10/10-06/13	7.52-7.71%	18,631	18,703
Other:				
Industrial Warehouses	10/11	6.95%	49,288	49,423
Student Housing Complex	11/07	7.45%	18,956	19,019
Other	08/21	9.90%	6,934	6,937
Total Fixed Interest Notes and Mortgages Payable		7.17%	<u>2,750,004</u>	<u>2,713,194</u>

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(Amounts in thousands)	Maturity	Spread over LIBOR	Interest Rate as at March 31, 2003	Balance as of	
				March 31, 2003	December 31, 2002
Notes and Mortgages Payable:					
Variable Interest:					
Office:					
NYC Office:					
One Penn Plaza	06/05	L+125	2.67%	\$ 275,000	\$ 275,000
770 Broadway/595 Madison Avenue cross-collateralized mortgage	04/03	L+40	1.71%	153,659	153,659
909 Third Avenue	08/03	L+165	2.99%	105,545	105,837
CESCR Office:					
Tyson Dulles Plaza	06/03	L+130	2.61%	69,366	69,507
Commerce Executive III, IV & V	07/03	L+150	2.81%	53,126	53,307
Merchandise Mart:					
Furniture Plaza	02/03	L+200	—	—	48,290
33 North Dearborn Street	09/03	L+175	3.13%	18,889	18,926
Other:					
Palisades construction loan	12/03	L+185	3.17%	99,689	100,000
Total Variable Interest Notes and Mortgages Payable			2.99%	<u>775,274</u>	<u>824,526</u>
Total Notes and Mortgages Payable			5.77%	<u>\$ 3,525,278</u>	<u>\$ 3,537,720</u>
Senior unsecured notes due 2007 at fair value (accreted face amount of \$499,391 and \$499,355)					
	06/07	L+77	2.18%	<u>\$ 534,607</u>	<u>\$ 533,600</u>
Unsecured revolving credit facility	07/03	L+90	—	<u>\$ —</u>	<u>\$ —</u>

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7. Fee Income

The following table set forth the details of fee income:

(Amounts in thousands)	For The Three Months Ended March 31,	
	2003	2002
Tenant cleaning fees	\$ 7,698	\$ —
Management and leasing fees	2,278	3,973
Other income	2,206	2,787
	<u>\$ 12,182</u>	<u>\$ 6,760</u>

The above table excludes fee income from partially-owned entities which is included in income from partially-owned entities (see Note 4.)

8. Income Per Share

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

(Amounts in thousands except per share amounts)	For The Three Months Ended March 31,	
	2003	2002
Numerator:		
Income before gain on sale of real estate and cumulative effect of change in accounting principle	\$ 89,098	\$ 81,656
Gain on sale of real estate	2,644	—
Cumulative effect of change in accounting principle	—	(30,129)
Net income	91,742	51,527
Preferred share dividends	(5,425)	(6,131)
Numerator for basic and diluted income per share – net income applicable to common shares	<u>\$ 86,317</u>	<u>\$ 45,396</u>
Denominator:		
Denominator for basic income per share – weighted average shares	109,103	103,053
Effect of dilutive securities:		
Series A Convertible Preferred Shares	2,004	—
Employee stock options	1,946	3,987
Deferred compensation shares issued but not yet earned	125	177
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	<u>113,178</u>	<u>107,217</u>
INCOME PER COMMON SHARE – BASIC:		
Income before gain on sale of real estate and cumulative effect of change in accounting principle	\$.77	\$.73
Gain on sale of real estate	.02	—
Cumulative effect of change in accounting principle	—	(.29)
Net income per common share	<u>\$.79</u>	<u>\$.44</u>
INCOME PER COMMON SHARE – DILUTED:		
Income before gain on sale of real estate and cumulative effect of change in accounting principle	\$.75	\$.70
Gain on sale of real estate	.02	—
Cumulative effect of change in accounting principle	—	(.28)
Net income per common share	<u>\$.77</u>	<u>\$.42</u>

9. Comprehensive Income

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

(Amounts in thousands)	For The Three Months Ended March 31,	
	2003	2002
Net income applicable to common shares	\$ 86,317	\$ 45,396
Other comprehensive income	91	2,925
Comprehensive income	<u>\$ 86,408</u>	<u>\$ 48,321</u>

10. Stock-Based Compensation

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the first quarter of 2003, the Company recognized compensation expense of \$687,000, of which \$188,000 related to the January 2003 awards.

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

(Amounts in thousands, except share and per share amounts)	For The Three Months Ended March 31,	
	2003	2002
Net income applicable to common shares:		
As reported	\$ 86,317	\$ 45,396
Stock-based compensation cost, net of minority interest	1,094	2,023
Pro-forma	\$ 85,223	\$ 43,373
Net income per share applicable to common shares:		
Basic:		
As reported	\$.79	\$.44
Pro-forma	\$.78	\$.42
Diluted:		
As reported	\$.77	\$.42
Pro-forma	\$.76	\$.40

11. Commitments and Contingencies

At March 31, 2003, the Company's revolving credit facility had a zero balance, and the Company utilized \$9,112,000 of availability under the facility for letters of credit and guarantees.

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

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

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

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

12. Segment Information

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

(Amounts in thousands)	For The Three Months Ended March 31, 2003					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 307,528	\$ 210,366	\$ 35,016	\$ 48,645	\$ —	\$ 13,501
Straight-line rents:						
Contractual rent increases	8,878	7,701	400	796	—	(19)
Amortization of free rent	2,405	606	1,767	117	—	(85)
Amortization of acquired below market leases, net	1,445	1,278	167	—	—	—
Total rentals	320,256	219,951	37,350	49,558	—	13,397
Expense reimbursements	44,567	24,979	13,961	4,782	—	845
Fee income:						
Tenant cleaning fees	7,698	7,698	—	—	—	—
Management and leasing fees	2,278	2,090	176	—	—	12
Other	2,206	1,373	9	740	—	84
Total revenues	377,005	256,091	51,496	55,080	—	14,338
Operating expenses	151,965	95,338	19,191	24,869	—	12,567
Depreciation and amortization	52,583	36,981	4,259	7,103	—	4,240

General and administrative	27,474	8,396	2,375	4,785	—	11,918
Amortization of officer's deferred compensation expense	—	—	—	—	—	—
Total expenses	232,022	140,715	25,825	36,757	—	28,725
Operating income	144,983	115,376	25,671	18,323	—	(14,387)
Income applicable to Alexander's	7,254	—	—	—	—	7,254
Income from partially-owned entities	23,234	618	(468)	6	5,852(3)	17,226
Interest and other investment income	9,796	884	47	30	—	8,835
Interest and debt expense	(57,753)	(33,804)	(14,782)	(3,211)	—	(5,956)
Net gain on disposition of wholly - owned and partially-owned assets	188	—	—	188	—	—
Minority interest	(38,604)	(818)	—	(450)	—	(37,336)
Income before gain on sale of real estate and cumulative effect of change in accounting principle	89,098	82,256	10,468	14,886	5,852	(24,364)
Gain on sale of real estate	2,644	—	2,644	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—	—
Net income	91,742	82,256	13,112	14,886	5,852	(24,364)
Cumulative effect of change in accounting principle	—	—	—	—	—	—
Interest and debt expense(2)	74,190	34,306	15,530	3,328	6,146	14,880
Depreciation and amortization(2)	66,110	37,637	5,011	7,191	8,749	7,522
EBITDA(1)	\$ 232,042	\$ 154,199	\$ 33,653	\$ 25,405	\$ 20,747	\$ (1,962)

**For The Three Months Ended March 31,
2002**

(Amounts in thousands)	For The Three Months Ended March 31, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 293,156	\$ 205,859	\$ 29,989	\$ 45,445	\$ —	\$ 11,863
Straight-line rents:						
Contractual rent increases	8,677	7,243	380	1,049	—	5
Amortization of free rent	(73)	(589)	—	516	—	—
Amortization of acquired below market leases, net	3,117	3,117	—	—	—	—
Total rentals	304,877	215,630	30,369	47,010	—	11,868
Expense reimbursements	37,804	21,351	12,073	3,343	—	1,037
Fee income:						
Tenant cleaning fees	—	—	—	—	—	—
Management and leasing fees	3,973	3,721	203	—	—	49
Other	2,787	1,262	11	1,417	—	97
Total revenues	349,441	241,964	42,656	51,770	—	13,051
Operating expenses	127,446	82,387	14,527	21,227	—	9,305
Depreciation and amortization	48,149	34,561	3,510	6,480	—	3,598
General and administrative	23,467	8,368	1,312	4,811	—	8,976
Amortization of officer's deferred compensation expense	6,875	—	—	—	—	6,875
Total expenses	205,937	125,316	19,349	32,518	—	28,754
Operating income	143,504	116,648	23,307	19,252	—	(15,703)
Income applicable to Alexander's	5,568	—	—	—	—	5,568
Income from partially-owned entities	13,786	550	229	2	5,305(3)	7,700
Interest and other investment income	9,643	1,111	79	135	—	8,318
Interest and debt expense	(58,018)	(34,979)	(13,476)	(7,183)	—	(2,380)
Net gain on disposition of wholly - owned and partially-owned assets	1,531	—	—	1,531	—	—
Minority interest	(34,358)	(1,312)	—	(549)	—	(32,497)
Income before gain on sale of real estate and cumulative effect of change in accounting principle	81,656	82,018	10,139	13,188	5,305	(28,994)
Gain on sale of real estate	—	—	—	—	—	—
Cumulative effect of change in accounting principle	(30,129)	—	—	—	(15,490)	(14,639)
Net income	51,527	82,018	10,139	13,188	(10,185)	(43,633)
Cumulative effect of change in accounting principle	30,129	—	—	—	15,490	14,639
Interest and debt expense(2)	74,293	35,483	14,111	7,183	6,559	10,957
Depreciation and amortization(2)	61,136	35,025	3,780	6,480	9,373	6,478
EBITDA(1)	\$ 217,085	\$ 152,526	\$ 28,030	\$ 26,851	\$ 21,237	\$ (11,559)

See footnotes 1-5 on the following page.

Notes to segment information:

- (1) Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$3,376 and \$1,808 for the three months ended March 31, 2003 and 2002.
- (4) Other EBITDA is comprised of:

<u>(Amounts in thousands)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2003</u>	<u>2002</u>
Newkirk MLP:		
Equity in income of limited partnership	\$ 23,515(A)	\$ 15,029
Interest and other income	2,106	2,271
Alexander's	8,995	8,006
Industrial warehouses	1,542	1,738
Palisades	638	—
Student Housing	628	654
Hotel Pennsylvania(B)	(905)	753
Other investments	36,519	28,451
Minority interest expense	(37,336)	(32,328)
Unallocated general and administrative expenses	(10,813)	(7,720)
Investment income and other	9,668(C)	6,913
Amortization of Officer's deferred compensation expense	—	(6,875)
Total	<u>\$ (1,962)</u>	<u>\$ (11,559)</u>

(A) Includes a net gain of \$6,400 on sales of real estate and a net gain of \$1,600 from the early extinguishment of debt.

(B) Average occupancy and REVPAR for the Hotel Pennsylvania were 53.4% and \$45.38 for the three months ended March 31, 2003 compared to 49.6% and \$45.54 for the prior year's quarter.

(C) On March 19, 2003, the Company received \$29,401,000 from Dearborn Center representing repayment of the outstanding balance of \$23,392,000 on its mezzanine construction loan receivable and \$5,655 of contingent interest income representing a 23.0% yield.

INDEPENDENT ACCOUNTANTS' REPORT

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have reviewed the accompanying condensed consolidated balance sheet of Vornado Realty Trust as of March 31, 2003, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

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

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

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

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 "believes," "expects," "anticipates," "intends," "plans" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K for the year ended December 31, 2002 under "Forward-Looking Statements" and "Item 1. Business – Certain Factors That May Adversely Affect the Company's Business and Operations." For these statements, we claim protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of the Company's consolidated financial statements for the three months ended March 31, 2003 and 2002. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

A summary of the Company's critical accounting policies is included in the Company's annual report on Form 10-K for the year ended December 31, 2002 in Management's Discussion and Analysis of Financial Condition and Results of Operations and in the footnotes to the consolidated financial statements, Note 2 – Summary of Significant Accounting Policies.

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

Below is a summary of net income and EBITDA(1) by segment for the three months ended March 31, 2003 and 2002.

(Amounts in thousands)	Three Months Ended March 31, 2003					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 307,528	\$ 210,366	\$ 35,016	\$ 48,645	\$ —	\$ 13,501
Straight-line rents:						
Contractual rent increases	8,878	7,701	400	796	—	(19)
Amortization of free rent	2,405	606	1,767	117	—	(85)
Amortization of acquired below market leases, net	1,445	1,278	167	—	—	—
Total Rentals	320,256	219,951	37,350	49,558	—	13,397
Expense Reimbursements	44,567	24,979	13,961	4,782	—	845
Fee income:						
Tenant cleaning fees	7,698	7,698	—	—	—	—
Management and leasing fees	2,278	2,090	176	—	—	12
Other	2,206	1,373	9	740	—	84
Total revenues	377,005	256,091	51,496	55,080	—	14,338
Operating expenses	151,965	95,338	19,191	24,869	—	12,567
Depreciation and amortization	52,583	36,981	4,259	7,103	—	4,240
General and administrative	27,474	8,396	2,375	4,785	—	11,918
Amortization of officer's deferred compensation expense	—	—	—	—	—	—
Total expenses	232,022	140,715	25,825	36,757	—	28,725
Operating income	144,983	115,376	25,671	18,323	—	(14,387)
Income applicable to Alexander's	7,254	—	—	—	—	7,254
Income from partially-owned entities	23,234	618	(468)	6	5,852(3)	17,226
Interest and other investment income	9,796	884	47	30	—	8,835

Interest and debt expense	(57,753)	(33,804)	(14,782)	(3,211)	—	(5,956)
Net gain on disposition of wholly-owned and partially-owned assets	188	—	—	188	—	—
Minority interest	(38,604)	(818)	—	(450)	—	(37,336)
Income before gain on sale of real estate and cumulative effect of change in accounting principle	89,098	82,256	10,468	14,886	5,852	(24,364)
Gain on sale of real estate	2,644	—	2,644	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—	—
Net income	91,742	82,256	13,112	14,886	5,852	(24,364)
Cumulative effect of change in accounting principle	—	—	—	—	—	—
Interest and debt expense(2)	74,190	34,306	15,530	3,328	6,146	14,880
Depreciation and amortization(2)	66,110	37,637	5,011	7,191	8,749	7,522
EBITDA(1)	\$ 232,042	\$ 154,199	\$ 33,653	\$ 25,405	\$ 20,747	\$ (1,962)

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Three Months Ended March 31, 2002

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 293,156	\$ 205,859	\$ 29,989	\$ 45,445	\$ —	\$ 11,863
Straight-line rents:						
Contractual rent increases	8,677	7,243	380	1,049	—	5
Amortization of free rent	(73)	(589)	—	516	—	—
Amortization of acquired below market leases, net	3,117	3,117	—	—	—	—
Total rentals	304,877	215,630	30,369	47,010	—	11,868
Expense reimbursements	37,804	21,351	12,073	3,343	—	1,037
Fee income	6,760	4,983	214	1,417	—	146
Total revenues	349,441	241,964	42,656	51,770	—	13,051
Operating expenses	127,446	82,387	14,527	21,227	—	9,305
Depreciation and amortization	48,149	34,561	3,510	6,480	—	3,598
General and administrative	23,467	8,368	1,312	4,811	—	8,976
Amount of officer's deferred compensation expense	6,875	—	—	—	—	6,875
Total expenses	205,937	125,316	19,349	32,518	—	28,754
Operating income	143,504	116,648	23,307	19,252	—	(15,703)
Income applicable to Alexander's	5,568	—	—	—	—	5,568
Income from partially-owned entities	13,786	550	229	2	5,305(3)	7,700
Interest and other investment income	9,643	1,111	79	135	—	8,318
Interest and debt expense	(58,018)	(34,979)	(13,476)	(7,183)	—	(2,380)
Net gain on disposition of wholly-owned and partially-owned assets	1,531	—	—	1,531	—	—
Minority interest	(34,358)	(1,312)	—	(549)	—	(32,497)
Income before gain on sale of real estate and cumulative effect of change in accounting principle	81,656	82,018	10,139	13,188	5,305	(28,994)
Gain on sale of real estate	—	—	—	—	—	—
Cumulative effect of change in accounting principle	(30,129)	—	—	—	(15,490)	(14,639)
Net income	51,527	82,018	10,139	13,188	(10,185)	(43,633)
Cumulative effect of change in accounting principle	30,129	—	—	—	15,490	14,639
Interest and debt expense(2)	74,293	35,483	14,111	7,183	6,559	10,957
Depreciation and amortization(2)	61,136	35,025	3,780	6,480	9,373	6,478
EBITDA(1)	\$ 217,085	\$ 152,526	\$ 28,030	\$ 26,851	\$ 21,237	\$ (11,559)

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

(2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

(3) Net of rent not recognized of \$3,376 and \$1,808 for the three months ended March 31, 2003 and 2002.

(4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended March 31,	
	2003	2002
Newkirk MLP:		
Equity in income of limited partnership	\$ 23,515(A)	\$ 15,029
Interest and other income	2,106	2,271
Alexander's	8,995	8,006
Industrial warehouses	1,542	1,738
Palisades	638	—
Student Housing	628	654
Hotel Pennsylvania(B)	(905)	753
Other investments	36,519	28,451
Minority interest expense	(37,336)	(32,328)
Unallocated general and administrative expenses	(10,813)	(7,720)
Investment income and other	9,668(C)	6,913
Amortization of Officer's deferred compensation expense	—	(6,875)
Total	\$ (1,962)	\$ (11,559)

- (A) Includes a net gain of \$6,400 on sales of real estate and a net gain of \$1,600 from the early extinguishment of debt.
- (B) Average occupancy and REVPAR for the Hotel Pennsylvania were 53.4% and \$45.38 for the three months ended March 31, 2003 compared to 49.6% and \$45.54 for the prior year's quarter.
- (C) Includes \$5,655 of contingent interest income from the repayment of the Dearborn Center loans receivable on March 19, 2003.

Results of Operations

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141, and fee income, were \$377,005,000 for the quarter ended March 31, 2003, compared to \$349,441,000 in the prior year's quarter, an increase of \$27,564,000. Below are the details of the increase by segment:

(Amounts in thousands)

	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Rentals:						
Acquisitions:						
Palisades	March 2002	\$ 2,427	\$ —	\$ —	\$ —	\$ 2,427
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	September 2002	3,842	—	3,842	—	—
435 Seventh Avenue (placed in service)	August 2002	1,920	—	1,920	—	—
424 Sixth Avenue	July 2002	60	—	60	—	—
Crystal Gateway One	July 2002	3,226	3,226	—	—	—
(Decrease) increase in amortization of acquired below market leases, net		(1,672)	(1,839)	167	—	—
Same store:						
Hotel activity		(610)	—	—	—	(610)(1)
Trade Shows activity		3,483	—	—	3,483(3)	—
Leasing activity		2,703	2,934	992(2)	(935)(4)	(288)
Total increase in property rentals		15,379	4,321	6,981	2,548	1,529
Tenant expense reimbursements:						
Increase due to acquisitions/dispositions		1,267	33	1,234	—	—
Same store		5,496	3,595(5)	654	1,439	(192)
Total increase (decrease) in tenant expense reimbursements		6,763	3,628	1,888	1,439	(192)
Fee Income:						
Tenant cleaning fees (BMS)		7,698	7,698	—	—	—
Management and leasing fees		(1,695)	(1,631)	(27)	—	(37)

Other	(581)	111	(2)	(677)	(13)
Total increase (decrease) in fee income	5,422	6,178	(29)	(677)	(50)
Total increase in revenues	\$ 27,564	\$ 14,127	\$ 8,840	\$ 3,310	\$ 1,287

- (1) Average occupancy and REVPAR for the Hotel Pennsylvania were 53.4% and \$45.38 for the three months ended March 31, 2003 compared to 49.6% and \$45.54 for the prior year's quarter.
- (2) Includes \$1,000 for lease termination fees received in the three months ended March 31, 2003.
- (3) Reflects an increase of \$2,841 resulting from the rescheduling of two trade shows from the fourth quarter in which they were previously held to the first quarter of 2003.
- (4) Includes \$800 for lease termination fees received in the three months ended March 31, 2002.
- (5) Reflects increase in reimbursements of \$4,569, partially offset by accrual adjustments.
- (6) Primarily represents a decrease in CESC third party leasing revenue.

See supplemental information - page 32 for further details of leasing activity and corresponding changes in occupancy.

Expenses

The Company's expenses were \$232,022,000 for the three months ended March 31, 2003, compared to \$205,937,000 in the prior year's quarter, an increase of \$26,085,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
Palisades	\$ 1,789	\$ —	\$ —	\$ —	\$ 1,789
435 Seventh Avenue	186	—	186	—	—
424 Sixth Avenue	34	—	34	—	—
Crystal Gateway One	681	681	—	—	—
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	901	—	901	—	—
BMS	6,068	6,068	—	—	—
Hotel activity	1,263	—	—	—	1,263
Trade Shows activity	2,570	—	—	2,570(3)	—
Same store operations	11,027	6,202(1)	3,543(2)	1,072	210
	24,519	12,951	4,664	3,642	3,262
Depreciation and amortization:					
Acquisitions	1,987	383	719	—	885
Same store operations	2,317	1,907	30	623	(243)
	4,434	2,420	749	623	642
General and administrative:					
Acquisitions	544	284	260	—	—
Same store operations	3,463	(256)	803	(26)	2,942(4)
Total increase (decrease) in general and administrative	4,007	28	1,063	(26)	2,942
Amortization of officer's deferred compensation expense	(6,875)	—	—	—	(6,875)
	\$ 26,085	\$ 15,399	\$ 6,476	\$ 4,239	\$ (29)

- (1) Results primarily from (i) an increase in insurance, utility and real estate taxes of \$5,559, a substantial portion of which is reimbursed by tenants, and (ii) an increase in ground rent expense, bad debt expense and other non-reimbursable expenses of \$643.
- (2) Includes \$1,788 of bad debt allowances in the three months ended March 31, 2003 recorded in connection with prior year's common area maintenance and tax billings in connection with former Bradlees leases.
- (3) Reflects an increase of \$2,526 resulting from the rescheduling of two trade shows from the fourth quarter of 2002 to the first quarter of 2003.
- (4) Results from (i) a \$450 decrease in capitalized payroll, (ii) a \$1,000 increase in professional fees primarily in connection with corporate governance, insurance and other projects and (iii) \$550 for costs of developments not consummated.

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the first quarter of 2003, the Company recognized compensation expense of \$687,000, of which \$188,000 related to the January 2003 awards.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$7,254,000 in the quarter ended March 31, 2003, compared to \$5,568,000 in the prior year's quarter, an increase of \$1,686,000. This resulted primarily from increased development and guarantee fees in connection with Alexander's Lexington Avenue development project.

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Income from Partially-Owned Entities

In accordance with accounting principles generally accepted in the United States of America, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who has shared board and management representation and authority and substantive participating rights on all significant business decisions, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income from partially-owned entities for the quarters ended March 31, 2003 and 2002:

(Amounts in thousands)

	Total	Monmouth Mall(1)	Temperature Controlled Logistics	Newkirk MLP	Las Catalinas Mall(3)	Starwood Ceruzzi Joint Venture	Partially Owned Office Buildings	Other
March 31, 2003:								
Revenues	\$ 132,034	\$ 6,021	\$ 32,915	\$ 79,637		\$ 327	\$ 13,134	
Expenses:								
Operating, general and administrative	(14,032)	(2,937)	(1,794)	(2,830)		(702)	(5,769)	
Depreciation	(25,537)	(998)	(14,244)	(7,698)		(316)	(2,281)	
Interest expense	(42,049)	(1,497)	(10,244)	(27,487)		—	(2,821)	
Other, net	24,605	(821)	636	25,758		(1,095)	127	
Net income (loss)	\$ 75,021	\$ (232)	\$ 7,269	\$ 67,380		\$ (1,786)	\$ 2,390	
Vornado's interest		50%	60%	22.5%		80%		26%
Equity in net income	\$ 18,847	\$ (116)	\$ 4,361	15,181		\$ (1,429)	\$ 618	\$ 232
Interest and other income	2,641	822	—	1,819		—	—	—
Fee income	1,746	255	1,491	—		—	—	—
Income from partially-owned entities	\$ 23,234	\$ 961	\$ 5,852	\$ 17,000	N/A(3)	\$ (1,429)	\$ 618	\$ 232
March 31, 2002:								
Revenues	\$ 121,024		\$ 33,566	\$ 74,857	\$ 3,392	\$ —	\$ 9,209	
Expenses:								
Operating, general and administrative	(12,533)		(1,915)	(5,180)	(909)	(550)	(3,979)	
Depreciation	(30,915)		(14,816)	(13,982)	(531)	(262)	(1,324)	
Interest expense	(43,467)		(10,932)	(29,965)	(1,043)	—	(1,527)	
Other, net	1,115		182	—	—	462	471	
Net income (loss)	\$ 35,224		\$ 6,085	\$ 25,730	\$ 909	\$ (350)	\$ 2,850	
Vornado's interest			60%	21.1%	50%	80%		19%
Equity in net income	\$ 9,861		\$ 3,651	\$ 5,429	\$ 455	\$ (280)	\$ 550	\$ 56
Interest and other income	2,427		156	2,271	—	—	—	—
Fee income	1,498		1,498	—	—	—	—	—
Income from partially-owned entities	\$ 13,786	N/A(1)	\$ 5,305	\$ 7,700	\$ 455	\$ (280)	\$ 550	\$ 56
Increase (Decrease) in Income of partially-owned entities								
	\$ 9,448	\$ 961	\$ 547	\$ 9,300(2)	\$ (455)	\$ (1,149(4))	\$ 68	\$ 176

- (1) The Company acquired a 50% interest in the Monmouth Mall on October 19, 2002.
- (2) Increase reflects (i) a net gain in the first quarter of 2003 on the sale of properties and the early extinguishment of debt, of which the Company's share was \$8,000 and (ii) a change in the estimate of depreciation in the first quarter of 2002, which was adjusted during the remainder of that year, of which the Company's share was \$1,300.
- (3) On September 23, 2002, the Company acquired the remaining 50% of the Mall and 25% of the Kmart anchor store it did not previously own. Accordingly, the operations of Las Catalinas are consolidated into the accounts of the Company subsequent to September 23, 2002.
- (4) Reflects a \$1,095 net loss on dispositions of leasehold improvements in the first quarter of 2003, of which the Company's share is \$876.

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Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$9,796,000 for the quarter ended March 31, 2003, compared to \$9,643,000 in the prior year's quarter, an increase of \$153,000. This increase resulted primarily from \$5,655,000 of contingent interest income received in the first quarter of 2003 in connection with the Dearborn Center loan receivable repayment (23.0% effective yield), partially offset by (i) \$3,198,000 due to a lower yield on the investment of the proceeds received from the May 2002 repayment of the Company's loan to NorthStar Partnership L.P. and (ii) lower average investments and yields.

Interest and Debt Expense

Interest and debt expense was \$57,753,000 for the three months ended March 31, 2003, compared to \$58,018,000 in the prior year's quarter, a decrease of \$265,000. This decrease was primarily comprised of a \$2,200,000 savings from a 55 basis point reduction in weighted average interest rates of the Company's variable rate debt, partially offset by (i) the consolidation as of September 2002 of the Las Catalinas operations which were previously included in Income from partially-owned entities and (ii) a reduction in interest capitalized in connection with development projects.

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

Net gain on disposition of wholly-owned and partially-owned assets of \$188,000 and \$1,531,000 for the three months ended March 31, 2003 and 2002, represents gains from the sale of residential condominiums in Chicago, Illinois.

Gain on Sale of Real Estate

On January 9, 2003, the Company sold its Baltimore, Maryland shopping center for \$4,753,000, resulting in a net gain of \$2,644,000.

Cumulative Effect of Change in Accounting Principle

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

Three Months Ended March 31, 2003 and March 31, 2002

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

<u>(Amounts in thousands)</u>	<u>Total</u>	<u>Office</u>	<u>Retail</u>	<u>Merchandise Mart</u>	<u>Temperature Controlled Logistics</u>	<u>Other</u>
Three months ended March 31, 2002	\$ 217,085	\$ 152,526	\$ 28,030	\$ 26,851	\$ 21,237	\$ (11,559)
2002 Operations:						
Same store operations(1)	(3,143)	734	775	354	(26)(3)	(4,980)(4)
Acquisitions, dispositions and non- same store income and expenses	18,100	939	4,848	(1,800)	(464)	14,577(5)
Three months ended March 31, 2003	\$ 232,042	\$ 154,199(2)	\$ 33,653	\$ 25,405	\$ 20,747	\$ (1,962)
% increase (decrease) in same store operations		0.5%(2)	2.8%	1.4%	(0.1)%(3)	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) EBITDA and the same store percentage increase (decrease) were \$83,889 and 1.7% for the New York office portfolio and \$70,310 and (1.0%) for the CESCRR portfolio. The CESCRR same store decrease of \$679 reflects a reduction in third party net leasing fees of \$581 (the effect of which will be partially offset by planned overhead reductions).
- (3) The Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$3,376 of rent it was due for the three months ended March 31, 2003, which together with previously deferred rent is \$27,726. The tenant has advised the Landlord that (i) its revenue for the current quarter ended March 31, 2003 from the warehouses it leases from the Landlord, is lower than last year by 0.6%, and (ii) its gross profit before rent at these warehouses for the corresponding period is lower than last year by \$492 (a 1.2% decrease).
- (4) The decrease in same store operations was primarily due to (i) a \$2,942 increase in general and administrative expenses resulting primarily from higher professional fees and a reduction in capitalized payroll and (ii) a \$1,658 reduction in operating results at the Hotel Pennsylvania.
- (5) Primarily reflects \$6,400 for the Company's share of Newkirk's gain on sale of real estate in the three months ended March 31, 2003, and a charge of \$6,875 for the amortization of an Officer's compensation arrangement in the three months ended March 31, 2002.

Liquidity And Capital Resources

Three Months Ended March 31, 2003

Cash flows provided by operating activities of \$120,255,000 was primarily comprised of (i) income of \$91,742,000 and (ii) adjustments for non-cash items of \$47,905,000 partially offset by (iii) the net change in operating assets and liabilities of \$16,560,000. The adjustments for non-cash items are primarily comprised of (iv) depreciation and amortization of \$52,583,000 and (v) minority interest of \$38,604,000, partially offset by (vi) the effect of straight-lining of rental income of \$11,349,000, (vii) equity in net income of partially-owned entities and income applicable to Alexander's of \$30,488,000 and (viii) amortization of acquired below market leases net of above market leases of \$1,445,000.

Net cash used in investing activities of \$21,221,000 was primarily comprised of (i) recurring capital expenditures of \$16,872,000, (ii) non-recurring capital expenditures of \$732,000, (iii) development and redevelopment expenditures of \$12,942,000 (see table below), (iv) investments in partially-owned entities of \$15,592,000, (v) the acquisition of Building Maintenance Service Company of \$13,000,000, partially offset by, (vi) distributions from partially-owned entities of \$8,284,000, (vii) proceeds from the sale of real estate of \$4,752,000, (viii) repayments on notes and mortgages receivable of \$23,392,000, and (ix) a decrease in restricted cash of \$2,562,000.

Net cash used in financing activities of \$130,343,000 was primarily comprised of (i) dividends paid on common shares of \$74,225,000 (ii) repayments of borrowings of \$59,442,000, (iii) dividends paid on preferred shares of \$5,425,000, and (iv) distributions to minority partners of \$39,041,000, partially offset by, (v) proceeds from borrowings of \$47,000,000.

Capital expenditures are categorized as follows:

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

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, 2003. See page 32 for per square foot data.

(Amounts in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures (Accrual basis):						
Expenditures to maintain the assets:						
Recurring	\$ 7,964	\$ 3,765	\$ 470	\$ 100	\$ 2,261	\$ 1,368
Non-recurring	218	—	218	—	—	—
	<u>8,182</u>	<u>3,765</u>	<u>688</u>	<u>100</u>	<u>2,261</u>	<u>1,368</u>
Tenant improvements:						
Recurring	21,985	5,817	3,112	74	12,982	—
Non-recurring	514	—	514	—	—	—
	<u>22,499</u>	<u>5,817</u>	<u>3,626</u>	<u>74</u>	<u>12,982</u>	<u>—</u>
Total	\$ 30,681	\$ 9,582	\$ 4,314	\$ 174	\$ 15,243	\$ 1,368
Leasing Commissions:						
Recurring	\$ 4,784	\$ 2,716	\$ 287	\$ 167	\$ 1,614	\$ —
Non-recurring	401	—	401	—	—	—
	<u>\$ 5,185</u>	<u>\$ 2,716</u>	<u>\$ 688</u>	<u>\$ 167</u>	<u>\$ 1,614</u>	<u>\$ —</u>
Total Capital Expenditures and Leasing Commissions (Accrual basis)	\$ 35,866	\$ 12,298	\$ 5,002	\$ 341	\$ 16,857	\$ 1,368
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	12,153	2,734	6,702	—	2,717	—
Expenditures to be made in future periods for the current period	(26,775)	(8,287)	(3,767)	—	(14,721)	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$ 21,244	\$ 6,745	\$ 7,937	\$ 341	\$ 4,853	\$ 1,368
Development and Redevelopment:						

Expenditures:												
640 Fifth Avenue	\$	4,890	\$	4,890	\$	—	\$	—	\$	—	\$	—
Other		8,052		5,227		1,169		1,831		116		(291)
	\$	12,942	\$	10,117	\$	1,169	\$	1,831	\$	116	\$	(291)

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The Company has lowered its estimate of 2003 capital expenditures and leasing commissions to \$168,000,000 from the \$197,000,000 reported in the Company's Form 10-K for last year. Below are the details of the revised estimate by segment:

(Amounts and square feet in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Capital Expenditures:							
Expenditures to maintain the assets	\$ 64,000	\$ 21,000	\$ 22,000	\$ —	\$ 13,500	\$ 5,700 ⁽¹⁾	\$ 1,800 ⁽²⁾
Tenant improvements	\$ 80,500	\$ 23,000	\$ 32,000	\$ 5,000	\$ 20,500	\$ —	\$ —
Per square foot		\$ 27.00	\$ 13.00	\$ 7.00	\$ 15.00		
Leasing Commissions	\$ 23,500	\$ 12,500	\$ 7,500	\$ 1,000	\$ 2,500		
Per square foot		\$ 15.00	\$ 3.00	\$ —	\$ 5.00		
Total Capital Expenditures and Leasing Commissions							
Square feet leased	\$ 168,000	\$ 56,500	\$ 61,500	\$ 6,000	\$ 36,500	\$ 5,700	\$ 1,800
		850	2,500	700	1,300		

- (1) Represents the Company's 60% share of the Vornado Crescent Portland Partnership's obligation to fund \$9,500 of capital expenditures per annum.
(2) Primarily for the Hotel Pennsylvania.

In addition to the capital expenditures shown above, the Company is currently engaged in certain development and redevelopment projects, as described on page 7 of the Company's 2002 Form 10-K, for which it has budgeted approximately \$240 million.

During the year ended December 31, 2002, actual cash basis capital expenditures and leasing commissions were \$119,205,000 as compared to a budget of \$172,600,000. During the year ended December 31, 2001 (pro forma for the CESCR acquisition) actual cash basis capital expenditures and leasing commissions were \$150,635,000 as compared to a budget of \$164,320,000.

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Three Months Ended March 31, 2002

Cash flow provided by operating activities of \$94,862,000 was primarily comprised of (i) income of \$51,527,000, (ii) adjustments for non-cash items of \$89,096,000, partially offset by (iii) the net change in operating assets and liabilities of \$42,106,000. The adjustments for non-cash items were primarily comprised of (i) a cumulative effect of change in accounting principle of \$30,129,000, (ii) amortization of Officer's deferred compensation expense of \$6,875,000, (iii) depreciation and amortization of \$48,149,000, (iv) minority interest of \$34,358,000, partially offset by (v) the effect of straight-lining of rental income of \$10,068,000, and (vi) equity in net income of partially-owned entities and income applicable to Alexander's of \$19,354,000.

Net cash used in investing activities of \$61,595,000 was primarily comprised of (i) recurring capital expenditures of \$11,303,000, (ii) non-recurring capital expenditures of \$5,370,000, (iii) development and redevelopment expenditures of \$22,622,000, (iv) investment in notes and mortgages receivable of \$55,236,000, (v) investments in partially-owned entities of \$5,352,000, partially offset by (v) distributions from partially-owned entities of \$44,219,000 and (vi) repayments on notes receivable of \$2,500,000.

Net cash used in financing activities of \$127,651,000 was primarily comprised of (i) dividends paid on common shares of \$99,084,000, (ii) dividends paid on preferred shares of \$6,131,000, (iii) distributions to minority partners of \$42,945,000, (iv) repayments of borrowings of \$45,090,000, partially offset by (v) proceeds from the issuance of common shares of \$56,658,000, and (vi) proceeds from the exercise of employee share options of \$8,941,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures. Effective January 1, 2003, the Company is presenting capital expenditures on an accrual basis and reconciling same to cash basis amounts. The amounts in this table for the year ended December 31, 2002 are on a cash basis.

(Amounts in thousands)

	Total	New York City Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures:						

Expenditures to maintain the assets:						
Recurring	\$ 2,128	\$ 1,262	\$ 159	\$ 35	\$ 672	\$ —
Non-recurring	4,387	2,032	1,925	—	430	—
	<u>6,515</u>	<u>3,294</u>	<u>2,084</u>	<u>35</u>	<u>1,102</u>	<u>—</u>
Tenant improvements:						
Recurring	9,175	2,017	5,799	773	586	—
Non-recurring	983	983	—	—	—	—
	<u>10,158</u>	<u>3,000</u>	<u>5,799</u>	<u>773</u>	<u>586</u>	<u>—</u>
Total	<u>\$ 16,673</u>	<u>\$ 6,294</u>	<u>\$ 7,883</u>	<u>\$ 808</u>	<u>\$ 1,688</u>	<u>\$ —</u>
Leasing Commissions:						
Recurring	\$ 4,826	\$ 2,997	\$ 1,066	\$ 119	\$ 644	\$ —
Non-recurring	1,415	1,382	—	33	—	—
	<u>\$ 6,241</u>	<u>\$ 4,379</u>	<u>\$ 1,066</u>	<u>\$ 152</u>	<u>\$ 644</u>	<u>\$ —</u>
Total Capital Expenditures and Leasing Commissions	<u>\$ 22,914</u>	<u>\$ 10,673</u>	<u>\$ 8,949</u>	<u>\$ 960</u>	<u>\$ 2,332</u>	<u>\$ —</u>
Development and Redevelopment Expenditures:						
Palisades-Fort Lee, NJ	\$ 2,603	\$ —	\$ —	\$ —	\$ —	\$ 2,603(1)
Other	20,019	16,612	—	1,761	609	1,037
	<u>\$ 22,622</u>	<u>\$ 16,612</u>	<u>\$ —</u>	<u>\$ 1,761</u>	<u>\$ 609</u>	<u>\$ 3,640</u>

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

SUPPLEMENTAL INFORMATION

Three Months Ended March 31, 2003 vs. Three Months Ended December 31, 2002

Below are the details of the changes by segment in EBITDA for the three months ended March 31, 2003 from the three months ended December 31, 2002.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended December 31, 2002	\$ 190,990	\$ 150,312	\$ 29,914	\$ 26,024	\$ 18,975	\$ (34,235)
2003 Operations:						
Same store operations(1)	6,563	2,073	(384)	(419)(3)	1,772	3,521(4)
Acquisitions, dispositions and other non-same store income and expenses	34,489	1,814	4,123	(200)	—	28,752(5)
Three months ended March 31, 2003	<u>\$ 232,042</u>	<u>\$ 154,199(2)</u>	<u>\$ 33,653</u>	<u>\$ 25,405</u>	<u>\$ 20,747</u>	<u>\$ (1,962)</u>
% increase (decrease) in same store operations		1.4%(2)	(1.2)%	(1.7)%	9.3%	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) Same store percentage increase (decrease) was 5.6% for the New York office portfolio, and (3.1)% for the CESCER portfolio. Of the increase in New York Office EBITDA, \$941 results from lower bad debt allowances in the current quarter as compared to the quarter ended December 31, 2002. The New York Office same store increase excluding this item would have been 4.3%. The CESCER same store decrease of \$2,282 reflects a reduction in third party net leasing fees of \$855 (the effect of which will be partially offset by planned overhead reductions).
- (3) Primarily seasonality of operations.
- (4) The increase in same store EBITDA is primarily due to \$5,600 of look-back interest that was paid at the time of the repayment of the Dearborn Center loan receivable on March 19, 2003, partially offset by (ii) a \$3,920 reduction in operating results at the Hotel Pennsylvania.
- (5) Primarily reflects income in the three months ended March 31, 2003 of \$6,400 for the Company's share of Newkirk's gain on sale of real estate and \$1,600 for the Company's share of Newkirk's gain on early extinguishment of debt as compared to charges in the three months ended March 31, 2002 of \$15,857 for impairment losses on Primestone, \$6,875 for the amortization of an Officer's compensation arrangement, and \$6,874 for the write-off of 20 Times Square pre-development costs.

Below is a reconciliation of net income and EBITDA for the three months ended December 31, 2002.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Net income for the three months ended December 31, 2002	\$ 44,879	\$ 74,213	\$ 9,213	\$ 15,277	\$ 3,920	\$ (57,744)
Interest and debt expense	76,861	35,079	15,499	4,022	6,223	16,038
Depreciation and amortization	69,250	41,020	5,202	6,725	8,832	7,471
EBITDA for the three months ended December 31, 2002	<u>\$ 190,990</u>	<u>\$ 150,312</u>	<u>\$ 29,914</u>	<u>\$ 26,024</u>	<u>\$ 18,975</u>	<u>\$ (34,235)</u>

Senior Unsecured Debt Covenant Compliance Ratios

The following ratios as of and for the three months ended March 31, 2003, are computed pursuant to the covenants and definitions of the Company's senior unsecured notes due 2007.

	<u>Actual</u>	<u>Required</u>
Total Outstanding Debt/Total Assets	47%	Less than 60%
Secured Debt/Total Assets	43%	Less than 55%
Interest coverage (Annualized Combined EBITDA to Annualized Interest Expense)	3.09	Greater than 1.50
Unencumbered Assets/Unsecured Debt	573%	Greater than 150%

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

Leasing Activity

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

(Square feet and cubic feet in thousands)	<u>Office</u>			<u>Merchandise Mart</u>		<u>Temperature Controlled Logistics</u>
	<u>New York</u>	<u>CESCR</u>	<u>Retail</u>	<u>Office</u>	<u>Showroom</u>	
As of March 31, 2003:						
Square feet	14,312	13,387	12,514	2,798	5,601	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	55	62	9	9	88
Occupancy rate	95.9%	93.2%	87.5%	92.7%	95.3%	73.1%
Leasing Activity:						
Quarter ended March 31, 2003:						
Square feet	235	563	110	101	436	—
Initial rent(1)	\$ 44.35	\$ 31.05	\$ 27.03	\$ 23.15	\$ 22.62	—
Rent per square foot on relet space:						
Square feet	174	506	110	101	436	—
Initial rent(1)	\$ 43.86	\$ 31.27	\$ 27.03	\$ 23.15	\$ 22.62	—
Prior escalated rent	\$ 33.62	\$ 29.61	\$ 22.99	\$ 21.88	\$ 18.63	—
Percentage increase (decrease)	30.5%	5.6%	17.6%	5.8%	21.4%	—
Rent per square foot on space previously vacant:						
Square feet	61	57	—	—	—	—
Initial rent(1)	\$ 45.76	\$ 29.10	—	—	—	—
Tenant improvements per square foot(2)	\$ 25.15	\$ 6.44	\$ 0.67	\$ 56.66	\$ 16.65	—
Leasing commissions per square foot(2)	\$ 11.70	\$ 1.22	\$ 1.52	\$ 15.98	—	—
As of December 31, 2002:						
Square feet	14,304	13,395	12,528	2,838	5,528	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	55	62	9	9	88
Occupancy rate	95.9%	93.6%	88.3%	91.7%	95.2%	78.5%
As of March 31, 2002:						
Square feet	14,317	13,008	11,301	2,822	5,490	17,695
Cubic feet	—	—	—	—	—	445,200
Number of properties	22	54	55	9	9	89
Occupancy rate	97.0%	94.0%	91.0%	90.4%	95.3%	75.3%

- (1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
- (2) May not be indicative of the amounts for the full year.

In addition to the above, 9,000 square feet of retail space included in the NYC office properties was leased for the quarter ended March 31, 2003 at an initial rent of \$274.00 per square foot.

Funds From Operations (FFO) for the Three Months Ended March 31, 2003 and 2002

FFO was \$130,105,000, or \$1.15 per diluted share in the three months ended March 31, 2003, compared to \$118,448,000, or \$1.06 per diluted share in the prior year's quarter, an increase of \$11,657,000. Effective with the filing of the Company's first quarter 2003 Form 10-Q, in order to report FFO in accordance with the Securities and Exchange Commission's recent Regulation G concerning non-GAAP financial measures, adhere to NAREIT's definition of FFO and to disclose FFO on a comparable basis with the vast majority of other companies in the industry, the Company has revised its definition of funds from operations to include both the effect of income arising from the straight-lining of rents and income from the amortization of acquired below market leases net of above market leases. Income from the straight-lining of rents amounted to \$8,878,000, or \$.06 per diluted share for the quarter ended March 31, 2003, and \$8,578,000, or \$.06 per diluted share for the quarter ended March 31, 2002. Income from the amortization of acquired below market leases net of above market leases amounted to \$1,445,000, or \$.01 per diluted share in the three months ended March 31, 2003 and \$3,117,000, or \$.02 per diluted share in the three months ended March 31, 2002. Such amounts are included in reported FFO above.

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

(Amounts in thousands, except per share amounts)	For the Three Months Ended			
	March 31, 2003		March 31, 2002	
	Amount	Per Share	Amount	Per Share
FFO as shown above	\$ 130,105	\$ 1.15	\$ 118,448	\$ 1.06
Items that affect comparability of FFO:				
Gain on early extinguishment of debt of a partially-owned entity (Newkirk MLP)	\$ (1,600)	\$ (.01)	\$ —	\$ —
Amortization of Officer's employment arrangement	—	—	6,875	.06
Gain on sale of Chicago condominiums	(188)	(.00)	(1,531)	(.01)
Minority Interest	357	.00	(1,108)	(.01)
	\$ (1,431)	\$ (.01)	\$ 4,236	\$.04

The following table reconciles FFO and net income:

(Amounts in thousands)	For the Three Months Ended	
	March 31,	
	2003	2002
Net income applicable to common shares	\$ 86,317	\$ 45,396
Cumulative effect of change in accounting principle	—	30,129
Depreciation and amortization of real property	49,507	46,048
Net gain on sale of real estate	(2,644)	—
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:		
Depreciation and amortization of real property	13,248	12,881
Net gain on sale of real estate	(6,400)	—
Other	893	(191)
Minority interest in excess of preferential distributions	(11,991)	(17,696)
	128,930	116,567
Series A preferred shares	1,175	1,881
FFO-diluted(1)	\$ 130,105	\$ 118,448

- (1) Assuming all of the convertible units of the Operating Partnership were converted to shares, the minority interest in partnership earnings would not be deducted in calculating FFO and the shares used in calculating FFO per share would be increased to reflect the conversion. The following table reconciles FFO as shown above, to the Operating Partnership's FFO for the three months ended March 31, 2003 and 2002:

	For the Three Months Ended March 31,	
	2003	2002
FFO, as shown above	\$ 130,105	\$ 118,448
Addback of minority interest reflected as equity in the Operating Partnership	32,420	30,967
Operating Partnership FFO	\$ 162,525	\$ 149,415

The number of shares that should be used for determining Operating Partnership FFO per share is as follows:

Shares used for determining diluted FFO per share, as above	113,178	111,520
Convertible units:		
Non-Vornado owned Class A units	20,434	21,388
B-1 units	822	822
B-2 units	411	411
C-1 units	855	855
E-1 units	5,680	5,680
Shares used for determining Operating Partnership diluted FFO per share	<u>141,380</u>	<u>140,676</u>

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FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers FFO a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs. Funds from operations is computed in accordance with NAREIT's definition, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with NAREIT's definition.

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

(Amounts in thousands)	For the Three Months Ended March 31,	
	2003	2002
Operating activities	\$ 120,255	\$ 94,862
Investing activities	\$ (21,221)	\$ (61,595)
Financing activities	\$ (130,343)	\$ (127,651)

Financings

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

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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, beyond the control of the Company. Various financial vehicles exist which would allow management to mitigate the impact of interest rate fluctuations on the Company's cash flows and earnings.

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

(Amounts in thousands, except per share amounts)	As at March 31, 2003			As at December 31, 2002	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	Balance	Weighted Average Interest Rate
Wholly-owned debt:					
Variable rate	\$ 1,309,881(1)	2.63%	\$ 11,562(2)	\$ 1,358,126	2.69%
Fixed rate	2,750,004	7.36%	—	2,713,194	7.17%
	<u>\$ 4,059,885</u>	<u>5.77%</u>	<u>11,562</u>	<u>\$ 4,071,320</u>	<u>5.61%</u>
Partially-owned debt:					
Variable rate	\$ 139,686	5.02%	1,397(3)	\$ 131,100	4.54%
Fixed rate	892,717	8.17%	—	917,008	8.41%
	<u>\$ 1,032,403</u>	<u>7.74%</u>	<u>1,397</u>	<u>\$ 1,048,108</u>	<u>7.92%</u>
Minority interest			(2,462)		
Total decrease in the Company's annual net income			\$ 10,497		
Per share-diluted			<u>\$.09</u>		

- (1) Includes \$534,607 for the Company's senior unsecured notes due 2007, as the Company entered into interest rate swap agreements that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing 3 month LIBOR rate (2.15% if set on March 31, 2003). In accordance with SFAS 133, as amended, accounting for these swaps requires the Company to fair value the debt at each reporting period. At March 31, 2003, the fair value adjustment was \$35,216, and is included in the balance of the senior unsecured notes above.
- (2) The effect of a 1% change in wholly-owned debt base rates shown above excludes \$153,659 of variable rate mortgage financing, cross-collateralized by the Company's 770 Broadway and 595 Madison Avenue office properties, as the proceeds are held in a restricted mortgage escrow account which bears interest at the same rate as the loans.
- (3) The effect of a 1% change in partially-owned debt base rates shown above is calculated after including \$45,700 representing the Company's 14.9% share of Prime Group Realty L.P.'s ("PGE") outstanding variable rate debt as at December 31, 2002. PGE has not filed its quarterly report on Form 10-Q for the quarter ended March 31, 2003, prior to the filing of this quarterly report on Form 10-Q.

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 \$144,442,000 at March 31, 2003.

Item 4. Controls and Procedures

Within the 90-day period prior to the filing of this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of Vornado Realty Trust's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Primestone

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

Stop & Shop

As previously disclosed, on January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey claiming the Company has no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, terminated the Company's right to reallocate. On March 3, 2003, after the Company moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its withdrawn District of New Jersey complaint. On April 9, 2003, the Company removed the New York Supreme Court complaint to the United States District Court for the Southern District of New York. The Company believes that the additional rent provision of the guaranty expires at the earliest in 2012 and will vigorously oppose Stop & Shop's complaint.

Item 2. Changes in Securities and Use of Proceeds

During the three months ended March 31, 2003, the Company issued 2,164 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units in private placements in earlier periods in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are

listed in the attached Exhibit Index.

(b) Reports on Form 8-K

During the quarter ended March 31, 2003, the Company did not file any reports on Form 8-K.

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SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: May 8, 2003

By: /s/ Joseph Macnow

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

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CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vornado Realty Trust;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Steven Roth
Steven Roth
Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vornado Realty Trust;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 8, 2003

/s/ Joseph Macnow
Joseph Macnow,
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.			
3.1	—	Amended and Restated Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) of Vornado's Registration	*

- 3.2 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 - Incorporated by reference to Exhibit 3.2 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002 *
- 3.3 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 - Incorporated by reference to Exhibit 3.3 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-11954), filed on March 11, 2002 *
- 3.4 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000 *
- 3.5 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 *
- 3.6 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000 *
- 3.7 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000 *
- 3.8 — Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 of Vornado's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001 *
- 3.9 — Articles of Amendment of Declaration of Trust of Vornado dated May 31, 2002, as filed with the Department of Assessments and Taxation of the State of Maryland on June 13, 2002 - incorporated by reference to Exhibit 3.9 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954) *
- 3.10 — Articles of Amendment of Declaration of Trust of Vornado dated June 6, 2002, as filed with the Department of Assessments and Taxation of the State of Maryland on June 13, 2002 - incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954) *

* Incorporated by reference

**Exhibit
No.**

- 3.11 — Articles Supplementary Classifying Vornado's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share
- 3.12 — Articles Supplementary Classifying Vornado's \$3.25 Series A Convertible Preferred Shares of Beneficial Interest, as filed with the State Department of Assessments and Taxation of Maryland on December 15, 1997 - Incorporated by reference to Exhibit 3.10 to Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002 *
- 3.13 — Articles Supplementary Classifying Vornado's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the "Series D-1 Preferred Shares") - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 *
- 3.14 — Articles Supplementary Classifying Additional Series D-1 8.5% Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999 *
- 3.15 — Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999 *
- 3.16 — Articles Supplementary Classifying Vornado's Series C 8.5% Cumulative Redeemable Preferred Shares of *

Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.7 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999

- 3.17 — Articles Supplementary Classifying Vornado Realty Trust's Series D-2 8.375% Cumulative Redeemable Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999 *
- 3.18 — Articles Supplementary Classifying Vornado's Series D-3 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 *
- 3.19 — Articles Supplementary Classifying Vornado's Series D-4 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999 *

* Incorporated by reference

**Exhibit
No.**

- 3.20 — Articles Supplementary Classifying Vornado's Series D-5 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999 *
- 3.21 — Articles Supplementary Classifying Vornado's Series D-6 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000 *
- 3.22 — Articles Supplementary Classifying Vornado's Series D-7 8.25% Cumulative Redeemable Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000 *
- 3.23 — Articles Supplementary Classifying Vornado's Series D-8 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000 *
- 3.24 — Articles Supplementary Classifying Vornado's Series D-9 8.75% Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.25 — Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
- 3.26 — Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 (the "Partnership Agreement")
- 3.27 — Amendment to the Partnership Agreement, dated as of December 16, 1997
- 3.28 — Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 *
- 3.29 — Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998 *
- 3.30 — Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999 *
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<u>Exhibit No.</u>			
3.31	—	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999	*
3.32	—	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999	*
3.33	—	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999	*
3.34	—	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999	*
3.35	—	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*
3.36	—	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999	*
3.37	—	Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999	*
3.38	—	Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000	*
3.39	—	Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000	*
3.40	—	Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000	*
3.41	—	Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*

<u>Exhibit No.</u>			
3.42	—	Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.43	—	Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.44	—	Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*

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

* Incorporated by reference

**Exhibit
No.**

4.7	—	Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.'s Current Report on Form 8-K dated June 19, 2002 (File No. 000-22685), filed on June 24, 2002	*
4.8	—	Officer's Certificate pursuant to Sections 102 and 301 of the Indenture, dated June 24, 2002 - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*
10.1**	—	Amendment No. 1 to Deferred Stock Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003 - Incorporated by reference to Exhibit 10.62 to Vornado's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.2**	—	Amendment to Employment Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003 - Incorporated by reference to Exhibit 10.61 to Vornado's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
15.1	—	Letter regarding Unaudited Interim Financial Information	

* Incorporated by reference

** Management contract or compensatory plan.

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Section 2: EX-3.5 (EX-3.5)

ARTICLES OF AMENDMENT OF DECLARATION OF TRUST

THIS IS TO CERTIFY THAT:

FIRST: The Amended and Restated Declaration of Trust, as amended (the "Declaration of Trust"), of Vornado Realty Trust, a Maryland real estate investment trust (the "Trust"), is hereby amended by deleting Article VI, Section 6.1 of the Declaration of Trust in its entirety and replacing it with the following:

"SECTION 6.1 Authorized Shares. The total number of shares of beneficial interest which the Trust is authorized to issue is 290,000,000 shares, of which 20,000,000 shall be preferred shares of beneficial interest, no par value per share ("Preferred Stock") (including 5,800,000 Series A Convertible Preferred Shares of Beneficial Interest), 125,000,000 shares shall be common shares of beneficial interest, \$.04 par value per share ("Common Stock"), and 145,000,000 shares shall be excess shares of beneficial interest, \$.04 par value per share ("Excess Stock")."

SECOND: The foregoing amendment has been approved by the Board of Trustees of the Trust as required by Section B-203(a)(7) of the Corporations and Associations Article of the Annotated Code of Maryland and Article IX, Section 9.1(b) of the Declaration of Trust.

THIRD: The total number of shares of beneficial interest which the Trust had authority to issue immediately prior to this amendment was 240,000,000, consisting of 100,000,000 common shares of beneficial interest, \$.04 par value per share, 20,000,000 preferred shares of beneficial interest, no par value, per share, and 120,000,000 excess shares of beneficial interest, \$.04 par value per share. The aggregate par value of all authorized shares of beneficial interest having par value is \$8,800,000.

FOURTH: The number of shares of beneficial interest which the Trust has authority of issue pursuant to the foregoing amendment is 290,000,000, consisting of 125,000,000 common shares of beneficial interest, \$.04 par value per share, 20,000,000 preferred shares of beneficial interest, no par value per share, and 145,000,000 excess shares of beneficial interest, \$.04 par value per share. The aggregate par value of all authorized shares of beneficial interest having par value is \$10,800,000.

FIFTH: The undersigned Chairman of the Board acknowledges this amendment to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned Chairman of the Board acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this Statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Trust has caused this amendment to be signed in its name and on its behalf by its Chairman of the Board and attested to by its Assistant Secretary on this 21st day of April, 1998.

ATTEST:

/s/ Lee D. Ratner

Lee D. Ratner
Assistant Secretary

VORNADO REALTY TRUST

/s/ Steven Roth

Steven Roth (SEAL)
Chairman of the Board

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Section 3: EX-3.11 (EX-3.11)

Exhibit 3.11

VORNADO REALTY TRUST

ARTICLES SUPPLEMENTARY

\$3.25 SERIES A CONVERTIBLE PREFERRED SHARES
(liquidation preference \$50.00 per share)

Vornado Realty Trust, a Maryland real estate investment trust (the "Trust"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Under a power contained in Article VI of the Amended and Restated Declaration of Trust of the Trust (the "Declaration"), the Board of Trustees of the Trust (the "Board of Trustees"), by informal action in lieu of a special meeting, dated April 3, 1997, classified and designated 5,750,000 shares (the "Shares") of the Preferred Stock, no par value per share (as defined in the Declaration), as shares of Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share ("Series A Preferred Shares"), with the

following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption, which upon any restatement of the Declaration, shall be deemed to be part of Article VI of the Declaration:

Section 1. Number of Shares and Designation. This series of Preferred Stock shall be designated as Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share (the "Series A Preferred Shares"), and 5,750,000 shall be the number of shares of Preferred Stock constituting such series.

Section 2. Definitions. For purposes of the Series A Preferred Shares, the following terms shall have the meanings indicated:

"*Act*" shall have the meaning set forth in paragraph (g) of Section 5 hereof.

"*Board of Trustees*" shall mean the Board of Trustees of the Trust or any committee authorized by such Board of Trustees to perform any of its responsibilities with respect to the Series A Preferred Shares.

"*Business Day*" shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

"*Redemption Date*" shall have the meaning set forth in paragraph (b) of Section 5 hereof.

"*Common Shares*" shall mean the common shares of beneficial interest of the Trust, par value \$.04 per share.

"*Constituent Person*" shall have the meaning set forth in paragraph (e) of Section 7 hereof.

"*Conversion Price*" shall mean the conversion price per Common Share for which the Series A Preferred Shares are convertible, as such Conversion Price may be adjusted pursuant to Section 7 hereof. The initial conversion price shall be \$72.75 (equivalent to a conversion rate of 0.68728 Common Shares for each Series A Preferred Share).

"*Current Market Price*" of publicly traded Common Shares or any other class of shares of beneficial interest or other security of the Trust or any other issuer for any day shall mean the last reported sales price, regular way, on such day, or, if no sale takes place on such day, the average of the reported closing bid and asked prices on such day, regular way, in either case as reported on the New York Stock Exchange ("NYSE") or, if such security is not listed or admitted for trading on the NYSE, on the principal national securities exchange on which such security is listed or admitted for trading or, if not listed or admitted for trading on any national securities exchange, on the NASDAQ National Market or, if such security is not quoted on such NASDAQ National Market, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on such day shall not have been reported through NASDAQ, the average of the bid and asked prices on such day as furnished by any NYSE member firm regularly making a market in such security selected for such purpose by the Chief Executive Officer of the Trust or the Board of Trustees.

"*Dividend Payment Date*" shall mean the first calendar day of January, April, July and October, in each year, commencing on July 1, 1997; *provided, however*, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall be paid on the first Business Day immediately following such Dividend Payment Date.

"*Dividend Periods*" shall mean quarterly dividend periods commencing on January 1, April 1, July 1 and October 1 of each year and ending on and including the day preceding the first day of the next succeeding

Dividend Period (other than the initial Dividend Period, which shall commence on the Issue Date and end on and include June 30, 1997).

"*Fair Market Value*" shall mean the average of the daily Current Market Prices per Common Share during the five (5) consecutive Trading Days selected by the Trust commencing not more than 20 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. The term "ex" date," when used with respect to any issuance or distribution, means the first day on which the Common Shares trade regular way, without the right to receive such issuance or distribution, on the exchange or in the market, as the case may be, used to determine that day's Current Market Price.

"*Issue Date*" shall mean the first date on which any Series A Preferred Shares are issued and sold.

"*Junior Shares*" shall mean the Common Shares and any other class or series of shares of beneficial interest of the Trust constituting junior stock within the meaning set forth in paragraph (c) of Section 9 hereof.

"*Liquidation Preference*" shall have the meaning set forth in paragraph (a) of Section 4 hereof.

"*Non-Electing Share*" shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“Parity Shares” shall have the meaning set forth in paragraph (b) of Section 9 hereof.

“Person” shall mean any individual, firm, partnership, corporation, limited liability company or other entity, and shall include any successor (by merger or otherwise) of such entity.

“Press Release” shall have the meaning set forth in paragraph (b) of Section 5 hereof.

“Securities” shall have the meaning set forth in paragraph (d)(iii) of Section 7 hereof.

“Series A Preferred Shares” shall have the meaning set forth in Section 1 hereof.

“Set apart for payment” shall be deemed to include, without any action other than the following, the recording by the Trust in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant

to a declaration of a dividend or other distribution by the Board of Trustees, the allocation of funds to be so paid on any series or class of shares of beneficial interest of the Trust; *provided, however*, that if any funds for any class or series of Junior Shares or any class or series of shares of beneficial interest ranking on a parity with the Series A Preferred Shares as to the payment of dividends are placed in a separate account of the Trust or delivered to a disbursing, paying or other similar agent, then “set apart for payment” with respect to the Series A Preferred Shares shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

“Trading Day” shall mean any day on which the securities in question are traded on the NYSE, or if such securities are not listed or admitted for trading on the NYSE, on the principal national securities exchange on which such securities are listed or admitted, or if not listed or admitted for trading on any national securities exchange, on the NASDAQ National Market, or if such securities are not quoted on such NASDAQ National Market, in the applicable securities market in which the securities are traded.

“Transaction” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“Transfer Agent” means First Union National Bank of North Carolina, Charlotte, North Carolina, or such other agent or agents of the Trust as may be designated by the Board of Trustees or its designee as the transfer agent for the Series A Preferred Shares.

“Voting Preferred Shares” shall have the meaning set forth in Section 10 hereof.

Section 3. Dividends. (a) The holders of Series A Preferred Shares shall be entitled to receive, when, as and if authorized and declared by the Board of Trustees out of assets legally available for that purpose, dividends payable in cash at the rate per annum of \$3.25 per Series A Preferred Share (the “Annual Dividend Rate”). Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Periods there shall be assets of the Trust legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized and declared by the Board of Trustees, in arrears on Dividend Payment Dates, commencing on the first Dividend Payment Date after the Issue Date. Dividends are cumulative from the most recent Dividend Payment Date to which dividends have been paid, whether or not in any Dividend Period or Periods there shall be assets legally available therefor. Each such dividend shall be

payable in arrears to the holders of record of the Series A Preferred Shares, as they appear on the stock records of the Trust at the close of business on such record dates, not more than 30 days preceding the applicable Dividend Payment Date (the “Dividend Payment Record Date”), as shall be fixed by the Board of Trustees. Accrued and unpaid dividends for any past Dividend Periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Trustees.

(b) The amount of dividends payable for each full Dividend Period for the Series A Preferred Shares shall be computed by dividing the Annual Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series A Preferred Shares shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of Series A Preferred Shares shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series A Preferred Shares. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Shares that may be in arrears.

(c) So long as any Series A Preferred Shares are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of Parity Shares for any period unless full cumulative dividends have been or contemporaneously are authorized and declared and paid or authorized and declared and a sum sufficient for the payment thereof set apart for such payment on the Series A Preferred Shares for all Dividend Periods terminating on or prior to the Dividend Payment Date on such class or series of Parity Shares. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon Series A Preferred Shares and all dividends authorized and declared upon any other series or class or classes of Parity Shares shall be authorized and declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series A Preferred Shares and such Parity Shares.

(d) So long as any Series A Preferred Shares are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Shares) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or

made upon Junior Shares, nor shall any Junior Shares be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Shares made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Trust or any subsidiary, or as permitted under Article VI of the Declaration), for any consideration (or any moneys to be paid to or made available for a sinking fund for the redemption of any shares of such stock) by the Trust, directly or indirectly (except by conversion into or exchange for Junior Shares), unless in each case (i) the full cumulative dividends on all outstanding Series A Preferred Shares and any other Parity Shares of the Trust shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series A Preferred Shares and all past dividend periods with respect to such Parity Shares and (ii) sufficient funds shall have been paid or set apart for the payment of the dividend for the current Dividend Period with respect to the Series A Preferred Shares and any Parity Shares.

Section 4. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Trust, whether voluntary or involuntary, before any payment or distribution of the assets of the Trust (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of Series A Preferred Shares shall be entitled to receive Fifty Dollars (\$50.00) per Series A Preferred Share (the "Liquidation Preference") plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holder; but such holders of Series A Preferred Shares shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Trust, the assets of the Trust, or proceeds thereof, distributable among the holders of Series A Preferred Shares shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Parity Shares, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series A Preferred Shares and any such other Parity Shares ratably in accordance with the respective amounts that would be payable on such Series A Preferred Shares and any such other Parity Shares if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Trust with one or more entities, (ii) a statutory share exchange and (iii) a sale or transfer of all or substantially all of the Trust's assets (including, without limitation, the conversion of the Trust into an Umbrella Partnership REIT), shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Trust.

(b) Subject to the rights of the holders of shares of any series or class or classes of shares of beneficial

interest ranking on a parity with or prior to the Series A Preferred Shares upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Trust, after payment shall have been made in full to the holders of the Series A Preferred Shares, as provided in this Section 4, any series or class or classes of Junior Shares shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series A Preferred Shares shall not be entitled to share therein.

Section 5. Redemption at the Option of the Trust. (a) Except as otherwise permitted by Article VI of the Declaration, the Series A Preferred Shares shall not be redeemable by the Trust prior to April 1, 2001. On and after April 1, 2001, the Trust, at its option, may redeem the shares of Series A Preferred Shares, in whole or in part, as set forth herein, subject to the provisions described below.

(b) The Series A Preferred Shares may be redeemed, in whole or in part, at the option of the Trust, at any time, only if for 20 Trading Days within any period of 30 consecutive Trading Days, including the last Trading Day of such period, the Current Market Price of the Common Shares on each of such 20 Trading Days exceeds \$87.30. In order to exercise its redemption option, the Trust shall issue a press release announcing the redemption (the "Press Release") prior to the opening of business on the second Trading Day after the condition in the preceding sentence has, from time to time, been met. The Trust shall not issue a Press Release prior to February 1, 2001. The Press Release shall announce the redemption and set forth the number of Series A Preferred Shares that the Trust intends to redeem. The Redemption Date (which may not be before April 1, 2001) shall be selected by the Trust, shall be specified in the notice of redemption and shall be not less than 30 days or more than 60 days after the date on which the Trust issues the Press Release (the "Redemption Date").

(c) Upon redemption of Series A Preferred Shares by the Trust on the Redemption Date, each Series A Preferred Share so redeemed shall be converted into a number of Common Shares equal to the aggregate Liquidation Preference of the shares of Series A Preferred Shares being redeemed divided by the Conversion Price as of the opening of business on the Redemption Date.

Upon any redemption of Series A Preferred Shares, the Trust shall pay any accrued and unpaid dividends in arrears for any Dividend Period ending on or prior to the Redemption Date. If the Redemption Date falls after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, then each holder of Series A Preferred

Shares at the close of business on such Dividend Payment Record Date shall be entitled to the dividend payable on such Series A Preferred Shares on the corresponding dividend payment date notwithstanding the redemption of such Series A Preferred Shares before such Dividend Payment Date. Except as provided above, the Trust shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Shares called for redemption or on the Common Shares issued upon such redemption.

(d) If full cumulative dividends on the Series A Preferred Shares and any other series or class or classes of Parity Shares of the Trust have not been paid or declared and set apart for payment, except as otherwise permitted under Article VI of the Declaration, the Series A Preferred Shares may not be redeemed in part and the Trust may not purchase, redeem or otherwise acquire Series A Preferred Shares or any Parity Shares other than in exchange for Junior Shares.

(e) If the Trust shall redeem shares of Series A Preferred Shares pursuant to paragraph (a) of this Section 5, notice of such redemption shall be given not more than four Business Days after the date on which the Trust issues the Press Release to each holder of record of the Series A Preferred Shares to be redeemed. Such notice shall be provided by first class mail, postage prepaid, at such holder's address as the same appears on the stock records of the Trust, or by publication in The Wall Street Journal or The New York Times, or if neither such newspaper is then being published, any other daily newspaper of national circulation. If the Trust elects to provide such notice by publication, it shall also promptly mail notice of such redemption to the holders of the Series A Preferred Shares to be redeemed. Neither the failure to mail any notice required by this paragraph (e), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice that was mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed or published notice shall state, as appropriate: (1) the Redemption Date; (2) the number of Series A Preferred Shares to be redeemed and, if fewer than all the Series A Preferred Shares held by such holder are to be redeemed, the number of such Series A Preferred Shares to be redeemed from such holder; (3) the number of Common Shares to be issued with respect to each Series A Preferred Share; (4) the place or places at which certificates for such Series A Preferred Shares are to be surrendered for certificates representing Common Shares; (5) the then-current Conversion Price; and (6) that dividends on the shares to be redeemed shall cease to accrue on such Redemption Date except as otherwise provided

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herein. Notice having been published or mailed as aforesaid, from and after the Redemption Date (unless the Trust shall fail to make available a number of Common Shares or amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the Series A Preferred Shares so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series A Preferred Shares of the Trust shall cease (except the rights to receive the Common Shares and cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Trust's obligation to provide Common Shares and cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Trust shall deposit with a bank or trust company (which may be an affiliate of the Trust) that has an office in the Borough of Manhattan, City of New York, or in Baltimore, Maryland and that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, Common Shares and any cash necessary for such redemption, in trust, with irrevocable instructions that such Common Shares and cash be applied to the redemption of the Series A Preferred Shares so called for redemption. At the close of business on the Redemption Date, each holder of Series A Preferred Shares to be redeemed (unless the Trust defaults in the delivery of the Common Shares or cash payable on such Redemption Date) shall be deemed to be the record holder of the number of Common Shares into which such Series A Preferred Shares is to be redeemed, regardless of whether such holder has surrendered the certificates representing the Series A Preferred Shares. No interest shall accrue for the benefit of the holder of Series A Preferred Shares to be redeemed on any cash so set aside by the Trust. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Trust, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Trust for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such Series A Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and if the notice shall so state), such Series A Preferred Shares shall be exchanged for certificates of Common Shares and any cash (without interest thereon) for which such Series A Preferred Shares have been redeemed. If fewer than all of the outstanding Series A Preferred Shares are to be redeemed, the Series A Preferred Shares to be redeemed shall be selected by the Trust from the outstanding Series A Preferred Shares not previously called for redemption by lot or pro rata (as

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as may be) or by any other method determined by the Trust in its sole discretion to be equitable. If fewer than all the Series A Preferred Shares represented by any certificate are redeemed, then new certificates representing the unredeemed Series A Preferred Shares shall be issued without cost to the holder thereof.

(f) No fractional shares or scrip representing fractions of Common Shares shall be issued upon redemption of a Series A Preferred Share. Instead of any fractional interest in a Common Share that would otherwise be deliverable upon the redemption of a share of Series A Preferred Shares, the Trust shall pay to the holder of such Series A Preferred Share an amount in cash (computed to the nearest cent) based upon the Current Market Price of Common Shares on the Trading Day immediately preceding the Redemption Date. If more than one Series A Preferred Share shall be surrendered for redemption at one time by the same holder, the number of full Common Shares issuable upon redemption thereof shall be computed on the basis of the aggregate number of Series A Preferred Shares so surrendered.

(g) The Trust covenants that any Common Shares issued upon redemption of the Series A Preferred Shares shall be validly issued, fully paid and non-assessable. The Trust shall endeavor to list the Common Shares required to be delivered upon redemption of the Series A Preferred Shares, prior to such redemption, upon each national securities exchange, if any, upon which the outstanding Common Shares are listed at the time of such delivery.

The Trust shall endeavor to take any action necessary to ensure that any Common Shares issued upon the redemption of Series

A Preferred Shares are freely transferable and not subject to any resale restrictions under the Securities Act of 1933, as amended (the "Act"), or any applicable state securities or blue sky laws (other than any Common Shares issued upon redemption of any Series A Preferred Shares that are held by an "affiliate" (as defined in Rule 144 under the Act) of the Trust).

Section 6. Reacquired Shares to Be Retired.

All Series A Preferred Shares which shall have been issued and reacquired in any manner by the Trust shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. Conversion.

Holders of Series A Preferred Shares shall have the right to convert all or a portion of such shares into Common Shares, as follows:

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(a) Subject to and upon compliance with the provisions of this Section 7, a holder of Series A Preferred Shares shall have the right, at his or her option, at any time to convert such shares into the number of fully paid and non-assessable Common Shares obtained by dividing the aggregate Liquidation Preference of such Series A Preferred Shares by the Conversion Price (as in effect at the time and on the date provided for in the last paragraph of paragraph (b) of this Section 7) by surrendering such Series A Preferred Shares to be converted, such surrender to be made in the manner provided in paragraph (b) of this Section 7; *provided, however*, that the right to convert Series A Preferred Shares called for redemption pursuant to Section 5 hereof shall terminate at the close of business on the Redemption Date fixed for such redemption, unless the Trust shall default in making payment of the Common Shares and any cash payable upon such redemption under Section 5 hereof.

(b) In order to exercise the conversion right, the holder of each Series A Preferred Share to be converted shall surrender the certificate representing such Series A Preferred Share, duly endorsed or assigned to the Trust or in blank, at the office of the Transfer Agent, accompanied by written notice to the Trust that the holder thereof elects to convert such Series A Preferred Shares. Unless the Common Shares issuable on conversion are to be issued in the same name as the name in which such Series A Preferred Shares are registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Trust, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Trust demonstrating that such taxes have been paid).

Holders of Series A Preferred Shares at the close of business on a Dividend Payment Record Date shall be entitled to receive the dividend payable on such Series A Preferred Shares on the corresponding Dividend Payment Date notwithstanding the conversion thereof following such Dividend Payment Record Date and prior to such Dividend Payment Date. However, Series A Preferred Shares surrendered for conversion during the period between the close of business on any Dividend Payment Record Date and the opening of business on the corresponding Dividend Payment Date (except Series A Preferred Shares converted after the issuance of a notice of redemption with respect to a Redemption Date during such period or coinciding with such Dividend Payment Date, such Series A Preferred Shares being entitled to such dividend on the Dividend Payment Date) must be accompanied by payment of an amount equal to the dividend payable on such Series A Preferred Shares on such Dividend Payment Date. A holder of Series A Preferred Shares on a Dividend Payment Record Date who (or whose transferees) tenders any such Series A Preferred

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Shares for conversion into Common Shares on such Dividend Payment Date will receive the dividend payable by the Trust on such Series A Preferred Shares on such date, and the converting holder need not include payment of the amount of such dividend upon surrender of Series A Preferred Shares for conversion. Except as provided above, the Trust shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted Series A Preferred Shares or for dividends on the Common Shares issued upon such conversion.

As promptly as practicable after the surrender of certificates for Series A Preferred Shares as aforesaid, the Trust shall issue and shall deliver at such office to such holder, or on his or her written order, a certificate or certificates for the number of full Common Shares issuable upon the conversion of such shares in accordance with the provisions of this Section 7, and any fractional interest in respect of a Common Share arising upon such conversion shall be settled as provided in paragraph (c) of this Section 7.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for Series A Preferred Shares shall have been surrendered and such notice (and if applicable, payment of an amount equal to the dividend payable on such Series A Preferred Shares) received by the Trust as aforesaid, and the person or persons in whose name or names any certificate or certificates for Common Shares shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the Common Shares represented thereby at such time on such date, and such conversion shall be at the Conversion Price in effect at such time and on such date unless the stock transfer books of the Trust shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date on which such Series A Preferred Shares shall have been surrendered and such notice received by the Trust.

(c) No fractional shares or scrip representing fractions of Common Shares shall be issued upon conversion of the Series A Preferred Shares. Instead of any fractional interest in a Common Share that would otherwise be deliverable upon the conversion of a Series A

Preferred Share, the Trust shall pay to the holder of such Series A Preferred Share an amount in cash based upon the Current Market Price of Common Shares on the Trading Day immediately preceding the date of conversion. If more than one Series A Preferred Share shall be surrendered for conversion at one time by the same holder, the number of full Common Shares issuable upon conversion

thereof shall be computed on the basis of the aggregate number of Series A Preferred Shares so surrendered.

(d) The Conversion Price shall be adjusted from time to time as follows:

(i) If the Trust shall after the Issue Date (A) pay a dividend or make a distribution on its shares of beneficial interest in Common Shares, (B) subdivide its outstanding Common Shares into a greater number of shares, (C) combine its outstanding Common Shares into a smaller number of shares or (D) issue any shares of beneficial interest by reclassification of its Common Shares, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or distribution or at the opening of business on the day following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any Series A Preferred Share thereafter surrendered for conversion shall be entitled to receive the number of Common Shares that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such Series A Preferred Shares been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this subparagraph (i) shall become effective immediately upon the opening of business on the day next following the record date (subject to paragraph (h) below) in the case of a dividend or distribution and shall become effective immediately upon the opening of business on the day next following the effective date in the case of a subdivision, combination or reclassification.

(ii) If the Trust shall issue after the Issue Date rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Shares at a price per share less than the Fair Market Value per Common Share on the record date for the determination of shareholders entitled to receive such rights, options or warrants, then the Conversion Price in effect at the opening of business on the day next following such record date shall be adjusted to equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the opening of business on the day following the date fixed for such determination by (II) a fraction, the numerator of which shall be the sum of (A) the number of Common Shares outstanding on the close of business on the date

fixed for such determination and (B) the number of shares that the aggregate proceeds to the Trust from the exercise of such rights, options or warrants for Common Shares would purchase at such Fair Market Value, and the denominator of which shall be the sum of (A) the number of Common Shares outstanding on the close of business on the date fixed for such determination and (B) the number of additional Common Shares offered for subscription or purchase pursuant to such rights, options or warrants. Such adjustment shall become effective immediately upon the opening of business on the day next following such record date (subject to paragraph (h) below). In determining whether any rights, options or warrants entitle the holders of Common Shares to subscribe for or purchase Common Shares at less than such Fair Market Value, there shall be taken into account any consideration received by the Trust upon issuance and upon exercise of such rights, options or warrants, the value of such consideration, if other than cash, to be determined by the Chief Executive Officer or the Board of Trustees, whose determination shall be conclusive.

(iii) If the Trust shall distribute to all holders of its Common Shares any shares of beneficial interest of the Trust (other than Common Shares) or evidence of its indebtedness or assets (excluding cash dividends or distributions paid out of assets based upon a fair valuation of the assets, in excess of the sum of the liabilities of the trust and the amount of stated capital attributable to Common Shares, determined on the basis of the most recent annual consolidated cost basis and current value basis and quarterly consolidated balance sheets of the Trust and its consolidated subsidiaries available at the time of the declaration of the dividend or distribution) or rights or warrants to subscribe for or purchase any of its securities (excluding those rights and warrants issued to all holders of Common Shares entitling them for a period expiring within 45 days after the record date referred to in subparagraph (ii) above to subscribe for or purchase Common Shares, which rights and warrants are referred to in and treated under subparagraph (ii) above) (any of the foregoing being hereinafter in this subparagraph (iii) called the "Securities"), then in each case the Conversion Price shall be adjusted so that it shall equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution by (II) a fraction, the numerator of which shall be the Fair Market Value per share of the Common Shares on the record date mentioned below less the then fair market value (as determined by the Chief Executive Officer or the Board of Trustees,

whose determination shall be conclusive) of the portion of the shares of beneficial interest or assets or evidences of indebtedness so distributed or of such rights or warrants applicable to one Common Share, and the denominator of which shall be the Fair Market Value per share of the Common Shares on the record date mentioned below. Such adjustment shall become effective immediately upon the opening of business on the day next following (subject to paragraph (h) below) the record date for the determination of shareholders entitled to receive such distribution. For the purposes of this subparagraph (iii), the distribution of a Security, which is distributed not

only to the holders of the Common Shares on the date fixed for the determination of shareholders entitled to such distribution of such Security, but also is required to be distributed with each Common Share delivered to a Person converting a Series A Preferred Share after such determination date, shall not require an adjustment of the Conversion Price pursuant to this subparagraph (iii); provided that on the date, if any, on which a person converting a Series A Preferred Share would no longer be entitled to receive such Security with a Common Share (other than as a result of the termination of all such Securities), a distribution of such Securities shall be deemed to have occurred, and the Conversion Price shall be adjusted as provided in this subparagraph (ii) (and such day shall be deemed to be “the date fixed for the determination of the shareholders entitled to receive such distribution” and “the record date” within the meaning of the two preceding sentences).

The occurrence of a distribution or the occurrence of any other event as a result of which holders of Series A Preferred Shares shall not be entitled to receive rights, including exchange rights (the “Rights”), pursuant to any shareholders protective rights agreement (the “Agreement”) that may be adopted by the Trust as if such holders had converted such shares into Common Shares immediately prior to the occurrence of such distribution or event shall not be deemed a distribution of Securities for the purposes of any Conversion Price adjustment pursuant to this subparagraph (iii) or otherwise give rise to any Conversion Price adjustment pursuant to this Section 7; *provided, however*, that in lieu of any adjustment to the Conversion Price as a result of any such a distribution or occurrence, the Trust shall make provision so that Rights, to the extent issuable at the time of conversion of any Series A Preferred Shares into Common Shares, shall issue and attach to such Common Shares then issued upon conversion in the amount and manner and to the extent and as provided in the Agreement

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in respect of issuances at the time of Common Shares other than upon conversion.

(iv) No adjustment in the Conversion Price shall be required unless such adjustment would require a cumulative increase or decrease of at least 1% in such price; *provided, however*, that any adjustments that by reason of this subparagraph (iv) are not required to be made shall be carried forward and taken into account in any subsequent adjustment until made; and *provided, further*, that any adjustment shall be required and made in accordance with the provisions of this Section 7 (other than this subparagraph (iv)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of Common Shares. Notwithstanding any other provisions of this Section 7, the Trust shall not be required to make any adjustment of the Conversion Price for the issuance of any Common Shares pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Trust and the investment of additional optional amounts in Common Shares under such plan. All calculations under this Section 7 shall be made to the nearest cent with \$.005 being rounded upward) or to the nearest one-tenth of a share (with .05 of a share being rounded upward), as the case may be. Anything in this paragraph (d) to the contrary notwithstanding, the Trust shall be entitled, to the extent permitted by law, to make such reductions in the Conversion Price, in addition to those required by this paragraph (d), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, reclassification or combination of shares, distribution of rights, options or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Trust to its shareholders shall not be taxable.

(e) If the Trust shall be a party to any transaction (including without limitation a merger, consolidation, statutory share exchange, self tender offer for all or substantially all Common Shares, sale of all or substantially all of the Trust’s assets or recapitalization of the Common Shares and excluding any transaction as to which subparagraph (d)(i) of this Section 7 applies) (each of the foregoing being referred to herein as a “Transaction”), in each case as a result of which Common Shares shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each Series A Preferred Share that is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereafter be convertible into the kind and amount of shares of stock, securities and other

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property (including cash or any combination thereof) receivable upon the consummation of such Transaction by a holder of that number of Common Shares into which one Series A Preferred Share was convertible immediately prior to such Transaction, assuming such holder of Common Shares (i) is not a Person with which the Trust consolidated or into which the Trust merged or which merged into the Trust or to which such sale or transfer was made, as the case may be (a “Constituent Person”), or an affiliate of a Constituent Person and (ii) failed to exercise his or her rights of the election, if any, as to the kind or amount of stock, securities and other property (including cash) receivable upon such Transaction (provided that if the kind or amount of stock, securities and other property (including cash) receivable upon such Transaction is not the same for each Common Share of the Trust held immediately prior to such Transaction by other than a Constituent Person or an affiliate thereof and in respect of which such rights of election shall not have been exercised (“Non-Electing Share”), then for the purpose of this paragraph (e) the kind and amount of stock, securities and other property (including cash) receivable upon such Transaction by each Non-Electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-Electing Shares). The Trust shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (e), and it shall not consent or agree to the occurrence of any Transaction until the Trust has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Series A Preferred Shares that will contain provisions enabling the holders of the Series A Preferred Shares that remain outstanding after such Transaction to convert their Series A Preferred Shares into the consideration received by holders of Common Shares at the Conversion Price in effect immediately prior to such Transaction. The provisions of this paragraph (e) shall similarly apply to successive Transactions.

(f) If:

(i) the Trust shall declare a dividend (or any other distribution) on the Common Shares (other than in cash out of assets, based on a fair valuation of assets, in excess of the sum of the liabilities of the trust and the amount of stated capital attributable to Common Shares, determined on the basis of the most recent annual consolidated cost basis and current value basis and quarterly consolidated balance sheets of the Trust and its consolidated subsidiaries available at the time of the declaration of the dividend or distribution); or

(ii) the Trust shall authorize the granting to the holders of the Common Shares of rights or warrants to

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subscribe for or purchase any shares of any class or any other rights or warrants (other than Rights to which the second paragraph of subparagraph (d)(iii) of this Section 7 applies); or

(iii) there shall be any reclassification of the Common Shares (other than an event to which subparagraph (d) (i) of this Section 7 applies) or any consolidation or merger to which the Trust is a party and for which approval of any shareholders of the Trust is required, or a statutory share exchange involving the conversion or exchange of Common Shares into securities or other property, or a self tender offer by the Trust for all or substantially all of its outstanding Common Shares, or the sale or transfer of all or substantially all of the assets of the Trust as an entirety and for which approval of any shareholders of the Trust is required; or

(iv) there shall occur the voluntary or involuntary liquidation, dissolution or winding up of the Trust,

then the Trust shall cause to be filed with the Transfer Agent and shall cause to be mailed to the holders of the Series A Preferred Shares at their addresses as shown on the stock records of the Trust, as promptly as possible, but at least 15 days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Shares of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up is expected to become effective, and the date as of which it is expected that holders of Common Shares of record shall be entitled to exchange their Common Shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up. Failure to give or receive such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section 7.

(g) Whenever the Conversion Price is adjusted as herein provided, the Trust shall promptly file with the Transfer Agent an officer's certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after delivery of such certificate, the Trust shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the effective date of such

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adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the holders of each Series A Preferred Share at such holder's last address as shown on the stock records of the Trust.

(h) In any case in which paragraph (d) of this Section 7 provides that an adjustment shall become effective on the day next following the record date for an event, the Trust may defer until the occurrence of such event (A) issuing to the holder of any Series A Preferred Share converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Common Shares issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of cash in lieu of any fraction pursuant to paragraph (c) of this Section 7.

(i) There shall be no adjustment of the Conversion Price in case of the issuance of any shares of beneficial interest of the Trust in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section 7. If any action or transaction would require adjustment of the Conversion Price pursuant to more than one paragraph of this Section 7, only one adjustment shall be made, and such adjustment shall be the amount of adjustment that has the highest absolute value.

(j) If the Trust shall take any action affecting the Common Shares, other than action described in this Section 7, that in the opinion of the Board of Trustees would materially adversely affect the conversion rights of the holders of the Series A Preferred Shares, the Conversion Price for the Series A Preferred Shares may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Trustees, in its sole discretion, may determine to be equitable in the circumstances.

(k) The Trust covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Shares, for the purpose of effecting conversion of the Series A Preferred Shares, the full number of Common Shares deliverable upon the conversion of all outstanding Series A Preferred Shares not theretofore converted. For purposes of this paragraph (k), the number of Common Shares that shall be deliverable upon the conversion of all outstanding shares of Series A Preferred Shares shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

The Trust further covenants that any Common Shares issued upon conversion of the Series A Preferred Shares shall

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be validly issued, fully paid and non-assessable. Before taking any action that would cause an adjustment reducing the Conversion Price below the then-par value of the Common Shares deliverable upon conversion of the Series A Preferred Shares, the Trust shall take any corporate action that, in the opinion of its counsel, may be necessary in order that the Trust may validly and legally issue fully paid and non-assessable Common Shares at such adjusted Conversion Price.

The Trust shall endeavor to list the Common Shares required to be delivered upon conversion of the Series A Preferred Shares, prior to such delivery, upon each national securities exchange, if any, upon which the outstanding Common Shares are listed at the time of such delivery.

Prior to the delivery of any securities that the Trust shall be obligated to deliver upon conversion of the Series A Preferred Shares, the Trust shall endeavor to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof, by any governmental authority.

(l) The Trust shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of Common Shares or other securities or property on conversion of the Series A Preferred Shares pursuant hereto; *provided, however*, that the Trust shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of any Common Shares or other securities or property in a name other than that of the holder of the Series A Preferred Shares to be converted, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Trust the amount of any such tax or established, to the reasonable satisfaction of the Trust, that such tax has been paid.

Section 8. Permissible Distributions. In determining whether a distribution (other than upon liquidation, dissolution or winding up), whether by dividend, or upon redemption or other acquisition of shares or otherwise, is permitted under Maryland law, amounts that would be needed, if the Trust were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of any class or series of beneficial interest whose preferential rights upon dissolution are superior or prior to those receiving the distribution shall not be added to the Trust's total liabilities.

Section 9. Ranking. Any class or series of shares of beneficial interest of the Trust shall be deemed to rank:

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(a) prior to the Series A Preferred Shares, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series A Preferred Shares;

(b) on a parity with the Series A Preferred Shares, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series A Preferred Shares, if the holders of such class of stock or series and the Series A Preferred Shares shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other ("Parity Shares"); and

(c) junior to the Series A Preferred Shares, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock or series shall be Common Shares or if the holders of Series A Preferred Shares shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such stock or series, and such stock or series shall not in either case rank prior to the Series A Preferred Shares.

Section 10. Voting. Except as otherwise set forth herein, the Series A Preferred Shares shall not have any relative, participating, optional or other special voting rights and powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Shares or any series or class of Parity Shares shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of trustees then constituting the Board of Trustees shall be increased by two and the holders of Series A Preferred Shares, together with the holders of shares of every other series or class of Parity Shares having like voting rights (shares of any such other series, the "Voting Preferred Shares"), voting as a single class regardless of series, shall be entitled to elect the two additional trustees to serve on the Board of Trustees at any annual meeting of shareholders or special meeting held in

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place thereof, or at a special meeting of the holders of Series A Preferred Shares and the Voting Preferred Shares called as hereinafter provided. Whenever all arrears in dividends on the Series A Preferred Shares and the Voting Preferred Shares then outstanding shall have been paid and full dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series A Preferred Shares and the Voting Preferred Shares to elect such additional two trustees shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends), and the terms of office of all persons elected as trustees by the holders of the Series A Preferred Shares and the Voting Preferred Shares shall forthwith terminate

and the number trustees constituting the Board of Trustees shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series A Preferred Shares and the Voting Preferred Shares, the Secretary of the Trust may, and upon the written request of any holder of Series A Preferred Shares (addressed to the Secretary at the principal office of the Trust) shall, call a special meeting of the holders of the Series A Preferred Shares and of the Voting Preferred Shares for the election of the two trustees to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Trust for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of such request, then any holder of Series A Preferred Shares may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Trust. The trustees elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the trustees elected by the holders of the Series A Preferred Shares and the Voting Preferred Shares, a successor shall be elected by the Board of Trustees, upon the nomination of the then-remaining trustee elected by the holders of the Series A Preferred Shares and the Voting Preferred Shares or the successor of such remaining trustee, to serve until the next annual meeting of the shareholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

So long as any Series A Preferred Shares are outstanding, in addition to any other vote or consent of shareholders required by the Declaration, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of Series A Preferred Shares and the Voting Preferred Shares, at the time outstanding, voting as a single class

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regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Declaration or these Articles Supplementary that materially adversely affects the voting powers, rights or preferences of the holders of the Series A Preferred Shares or the Voting Preferred Shares; *provided, however*, that (i) the amendment of the provisions of the Declaration so as to authorize or create or to increase the authorized amount of, any Junior Shares or any shares of any class or series ranking on a parity with the Series A Preferred Shares or the Voting Preferred Shares shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series A Preferred Shares and (ii) any filing with the State Department of Assessments and Taxation of Maryland by the Trust in connection with a merger, consolidation or sale of all or substantially all of the assets of the Trust shall not be deemed to be an amendment, alteration or repeal of any of the provisions of the Declaration or these Articles Supplementary; and *provided further*, that if any such amendment, alteration or repeal would materially adversely affect any voting powers, rights or preferences of the Series A Preferred Shares or one or more but not all series of Voting Preferred Shares at the time outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, similarly given, shall be required in lieu of the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series A Preferred Shares and the Voting Preferred Shares otherwise entitled to vote in accordance herewith; or

(b) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or series or any security convertible into shares of any class or series ranking prior to the Series A Preferred Shares in the distribution of assets on any liquidation, dissolution or winding up of the Trust or in the payment of dividends;

provided, however, that, in the case of each of subparagraphs (a) and (b), no such vote of the holders of Series A Preferred Shares or Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Series A Preferred Shares or Voting Preferred Shares,

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as the case may be, at the time outstanding in accordance with Section 5 hereof.

For purposes of the foregoing provisions of this Section 10, each Series A Preferred Share shall have one (1) vote per share, except that when any other series of Preferred Stock shall have the right to vote with the Series A Preferred Shares as a single class on any matter, then the Series A Preferred Shares and such other series shall have with respect to such matters one (1) vote per \$50.00 of stated liquidation preference.

Section 11. Record Holders. The Trust and the Transfer Agent may deem and treat the record holder of any Series A Preferred Shares as the true and lawful owner thereof for all purposes, and neither the Trust nor the Transfer Agent shall be affected by any notice to the contrary.

Section 12. Restrictions on Ownership and Transfer. The Series A Preferred Shares constitute Preferred Stock, and Preferred Stock constitutes Equity Stock of the Trust. Therefore, the Series A Preferred Shares, being Equity Stock, are governed by and issued subject to all the limitations, terms and conditions of the Declaration applicable to Equity Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VI of the Declaration applicable to Equity Stock. The foregoing sentence shall not be construed to limit the applicability to the Series A Preferred Shares of any other term or provision of the Declaration.

SECOND: The Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

THIRD: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FOURTH: Each of the undersigned acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned acknowledges that to the best of his or her knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

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IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed by a majority of its entire Board of Trustees on this 5th day of April, 1997.

/s/ Steven Roth
Steven Roth, Trustee

/s/ Michael D. Fascitelli
Michael D. Fascitelli, Trustee

/s/ David Mandelbaum
David Mandelbaum, Trustee

/s/ Stanley Simon
Stanley Simon, Trustee

/s/ Richard R. West
Richard R. West, Trustee

/s/ Ronald G. Targan
Ronald G. Targan, Trustee

/s/ Russell B. Wight, Jr.
Russell B. Wight, Jr., Trustee

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Section 4: EX-3.26 (EX-3.26)

Exhibit 3.26

SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.

Dated as of: October 20, 1997

IN RELIANCE UPON CERTAIN EXEMPTIONS FROM REGISTRATION, THE PARTNERSHIP INTERESTS BEING OFFERED HEREBY HAVE

NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. ACCORDINGLY, NO PARTNERSHIP INTEREST MAY BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE, AND UNLESS THE OTHER TRANSFER RESTRICTIONS CONTAINED HEREIN HAVE BEEN SATISFIED. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF Vornado Realty L.P., dated as of October 20, 1997, is entered into by and among Vornado Realty Trust, a Maryland real estate investment trust (defined herein as the “General Partner”), as the general partner of and a limited partner in the Partnership, and the General Partner, on behalf of and as attorney in fact for each of the persons and entities identified on Exhibit A hereto as a Limited Partner in the Partnership, together with any other Persons who become Partners in the Partnership as provided herein.

WHEREAS, the Partnership was formed under the name “Mendik Real Estate Group, L.P.” on October 2, 1996, and, on October 2, 1996, the Partnership adopted an Agreement of Limited Partnership;

WHEREAS, on November 7, 1996, the general partner of the Partnership changed the Partnership’s name to “The Mendik Company, L.P.” and, in connection therewith, caused a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership to be filed in the office of the Delaware Secretary of State on November 8, 1996;

WHEREAS, as of April 15, 1997, the General Partner and certain of its affiliates, FW/Mendik REIT, L.L.C., a Delaware limited liability company, and The Mendik Company, Inc., a Maryland corporation, recapitalized the Partnership and, in connection therewith, entered into a First Amended and Restated Agreement of Limited Partnership, dated as of April 15, 1997 (the “Prior Agreement”), and in connection therewith filed a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership in the office of the Delaware Secretary of State, which filing was made on April 15, 1997;

WHEREAS, Vornado Realty Trust, as the sole general partner of the Partnership, has determined that it is in the best interest of the Partnership and its partners to amend and, in connection therewith, to restate the Prior Agreement to reflect the fact that as of October 20, 1997 the Partnership issued and distributed to each Person who was a Limited Partner on October 15, 1997, an additional Common Partnership Unit for each Common Partnership Unit (and in the same Class) that was owned by such Person on October 15, 1997.

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

WHEREAS, the amendments affected hereby do not adversely affect or eliminate any of the limited partner rights specified in Section 14.1.C or Section 14.1.D of the Prior Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, General Partner hereby amends and restates the Prior Agreement in its entirety as follows:

ARTICLE I
DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

“Act” means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

“Additional Limited Partner” means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

“Adjusted Capital Account” means the Capital Account maintained for each Partner as of the end of each Partnership Year (i) increased by any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

“Adjusted Capital Account Deficit” means, with respect to any Partner, the deficit balance, if any, in such Partner’s Adjusted Capital Account as of the end of the relevant Partnership Year.

“Adjusted Property” means any property the Carrying Value of which has been adjusted pursuant to Exhibit B hereto.

“Adjustment Date” has the meaning set forth in Section 4.2.B hereof.

“Affiliate” means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any Person of which such Person owns or controls ten percent (10%) or more of the voting interests or (iv) any officer, director, general partner or trustee of such Person or any Person referred to in clauses (i), (ii), and (iii) above. For purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Affiliated Transferee” means, with respect to any Limited Partner, a member of such Limited Partner’s Immediate Family, a trust formed solely for the benefit of such Limited Partner and/or members of such Limited Partner’s Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity all of the interests in which are, and remain, directly or indirectly owned and controlled solely by such Limited Partner and/or members of such Limited Partner’s Immediate Family, and if the Limited Partner is an entity and owned Partnership Units on April 15, 1997, Persons who, as of that date, directly or indirectly owned interests in or were beneficiaries of such Limited Partner and continue to own such interests (or be beneficiaries) at the time of the proposed transfers or any Affiliated Transferee of such Persons.

“Agreed Value” means (i) in the case of any Contributed Property contributed to the Partnership as part of or in connection with the Consolidation, the amount set forth on Exhibit E attached hereto as the Agreed Value of such Property; (ii) in the case of any other Contributed Property, the 704(c)

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Value of such property as of the time of its contribution to the Partnership, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property distributed to a Partner by the Partnership, the Partnership’s Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the regulations thereunder.

“Agreement” means this Second Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

“Assignee” means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

“Bankruptcy” with respect to any Person shall be deemed to have occurred when (a) the Person commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Person is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Person, (c) the Person executes and delivers a general assignment for the benefit of the Person’s creditors, (d) the Person files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Person in any proceeding of the nature described in clause (b) above, (e) the Person seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Person or for all or any substantial part of the Person’s properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the appointment without the Person’s consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety (90) days of such appointment or (h) an appointment referred to in clause (g) is not vacated within ninety (90) days after the expiration of any such stay.

“Book-Tax Disparities” means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner’s share of the Partnership’s Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner’s Capital Account balance as maintained pursuant to Exhibit B hereto and the hypothetical balance of such Partner’s Capital Account computed as if it had been maintained, with respect to each such Contributed Property or Adjusted Property, strictly in accordance with federal income tax accounting principles.

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

“Capital Account” means the Capital Account maintained for a Partner pursuant to Exhibit B hereto.

“Capital Contribution” means, with respect to any Partner, any cash, cash equivalents or the Agreed Value of Contributed Property which such Partner contributes or is deemed to contribute to the Partnership pursuant to Section 4.1 or 4.2 hereof.

“Carrying Value” means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property reduced (but not below zero) by all Depreciation with respect to such Contributed Property or Adjusted Property, as the case may be, charged to the Partners’ Capital Accounts and

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(ii) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Exhibit B hereto, and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

“Cash Amount” means an amount of cash equal to the Value on the Valuation Date of the Shares Amount, subject to Section 8.6.A(iv).

“Certificate” means the Certificate of Limited Partnership of the Partnership filed in the office of the Delaware Secretary of State on October 2, 1996, as amended by a Certificate of Amendment filed in Delaware on November 8, 1996, as further amended by a Certificate of Amendment filed in Delaware on April 14, 1997, as further amended by a Certificate of Amendment filed in Delaware on April 15, 1997, and as further amended from time to time in accordance with the terms hereof and the Act.

“Charter Documents” has the meaning set forth in Section 7.11.D hereof.

“Class A Unit” means any Partnership Unit that is not specifically designated by the General Partner as being of another specified class of Partnership Units.

“Class B Unit” means a Partnership Unit that is specifically designated by the General Partner as being a Class B Unit.

“Class C Accumulated Amount” has the meaning set forth in Section 4.2.D(i).

“Class C Minimum Amount” has the meaning set forth in Section 4.2.D(i).

“Class C Preferential Distribution” has the meaning set forth in Section 5.1.B.

“Class C Unit” means any Partnership Unit that is specifically designated by the General Partner as being a Class C Unit.

“Class D/E Accumulated Amount” has the meaning set forth in Section 4.2.D(ii).

“Class D/E Minimum Amount” has the meaning set forth in Section 4.2.D(ii).

“Class D/E Preferential Distribution” has the meaning set forth in Section 5.1.B.

“Class D Unit” means a Partnership Unit that is specifically designated by the General Partner as being a Class D Unit.

“Class E Unit” means any Partnership Unit that is specifically designated by the General Partner as being a Class E Unit.

“Code” means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

“Common Partnership Unit” means any Class A, Class B, Class C, Class D and Class E Unit and any other Partnership Unit that is not a Preference Unit.

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“Consent” means the consent or approval of a proposed action by a Partner given in accordance with Section 14.2 hereof.

“Consent of Certain Limited Partners” means Consent of the holders of 75% in the aggregate of the Two Penn Plaza Units, the Eleven Penn Plaza Units, and the 866 U.N. Plaza Units, collectively considered as one group, provided that:

(A) if:

(i) there has been a prior transaction involving the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as the case may be, that has been approved by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, or the 866 U.N. Plaza Units, as the case may be, pursuant to Section 7.11.C(1), 7.11.C(2) or 7.11.C(3), as applicable, and

(ii) no holder of Two Penn Plaza Units, Eleven Penn Plaza Units, or 866 U.N. Plaza Units, as applicable with respect to a transaction involving Two Penn Plaza, Eleven Penn Plaza or 866 U.N. Plaza, respectively, would recognize gain for federal income tax purposes with respect to (but only with respect to) such Partnership Units in excess of \$1.00 as a result of the sale or other disposition of all such Partnership Units for \$1.00 (that is, no Limited Partner has a “negative capital account” with respect to such Partnership Units),

then the “Certain Limited Partners” shall not be considered to include the holders of such Partnership Units; and

(B) if any holder of Two Penn Plaza Units, Eleven Penn Plaza Units or 866 U.N. Plaza Units, as applicable, has received from the

Partnership the payment described in Section 7.11.C(7) in respect of such Partnership Units, and the amount of such payment is, at the time that it is made, equal to the full amount that would be payable under Section 7.11.C(7) with respect to such Partnership Units if the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as applicable, were to have been sold on such date for its market value, then the “Certain Limited Partners” shall not include such holder.

“Consent of the Outside Limited Partners” means the Consent of Limited Partners (excluding for this purpose any Limited Partnership Interests held by the General Partner, any Person of which the General Partner owns or controls more than fifty percent (50%) of the voting interests and any Person owning or controlling, directly or indirectly, more than fifty percent (50%) of the outstanding voting interests of the General Partner) holding Percentage Interests regardless of class that are greater than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners of all classes taken together who are not excluded for the purposes hereof.

“Consolidation” means the transactions whereby the Partnership acquired all or substantially all of the interests in the assets previously owned by the General Partner, interests in certain office properties located in midtown Manhattan, and certain property management businesses that provide services to those office properties and to other properties in the New York metropolitan area, in exchange for Partnership Units, all as described in a Master Consolidation Agreement dated as of March 12, 1997 among the General Partner, Vornado Sub, the Partnership and the other entities named therein.

“Consolidation Transaction” has the meaning set forth in Section 7.11.C(6) hereof.

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“Contributed Property” means each property or other asset contributed to the Partnership, in such form as may be permitted by the Act, but excluding cash contributed or deemed contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Exhibit B hereto, such property shall no longer constitute a Contributed Property for purposes of Exhibit B hereto, but shall be deemed an Adjusted Property for such purposes.

“Conversion Factor” means, as of the date of this Agreement, 1.0; provided that in the event that (x) the General Partner Entity (i) declares (and the applicable record date has passed or will have passed before a redeeming Partner would receive cash or Common Shares in respect of the Partnership Units being redeemed) or pays a dividend on its outstanding Shares in Shares or makes a distribution to all holders of its outstanding Shares in Shares, (ii) subdivides its outstanding Shares or (iii) combines its outstanding Shares into a smaller number of Shares, and (y) in connection with any such event described in clauses (i), (ii) or (iii) above *does not* cause the Partnership to make a comparable distribution of additional Units to all holders of the Partnership’s outstanding Class A Units, Class C Units, Class D Units and Class E Units (and to all holders of Units of any other class issued by the Partnership after the date hereof which are, by their terms, redeemable for cash or, at the General Partner’s election, Common Shares as set forth in Section 8.6), or a subdivision or combination of the Partnership’s outstanding Class A Units, Class C Units, Class D Units and Class E Units (and of all Units of any other class issued by the Partnership after the date hereof which are, by their terms, redeemable for cash or, at the General Partner’s election, Common Shares as set forth in Section 8.6) in any such case so that the number of Class A Units held by the General Partner after such distribution, subdivision or combination is equal to the number of the General Partner’s then-outstanding Shares, then upon completion of such declaration, subdivision or combination the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purposes that such dividend, distribution, subdivision or combination has occurred as of such time) and the denominator of which shall be the actual number of Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination; and provided further that in the event that an entity shall cease to be the General Partner Entity (the “Predecessor Entity”) and another entity shall become the General Partner Entity (the “Successor Entity”), the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which is the Value of one Share of the Predecessor Entity, determined as of the time immediately prior to when the Successor Entity becomes the General Partner Entity, and the denominator of which is the Value of one Share of the Successor Entity, determined as of that same date. (For purposes of the second proviso in the preceding sentence, in the event that any shareholders of the Predecessor Entity will receive consideration in connection with the transaction in which the Successor Entity becomes the General Partner Entity, the numerator in the fraction described above for determining the adjustment to the Conversion Factor (that is, the Value of one Share of the Predecessor Entity) shall be the sum of the greatest amount of cash and the fair market value of any securities and other consideration that the holder of one Share in the Predecessor Entity could have received in such transaction (determined without regard to any provisions governing fractional shares).) Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for the event giving rise thereto; it being intended that (x) adjustments to the Conversion Factor are to be made in order to avoid unintended dilution or anti-dilution as a result of transactions in which Shares are issued, redeemed or exchanged without a corresponding issuance, redemption or exchange of Partnership Units and (y) if a Specified Redemption Date shall fall between the record date and the effective date of any event of the type described above, that the Conversion Factor applicable to such redemption shall be adjusted to take into account such event.

“Convertible Funding Debt” has the meaning set forth in Section 7.5.F hereof.

“Debt” means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all amounts owed

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by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person, (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such

Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, and (iv) obligations of such Person incurred in connection with entering into a lease which, in accordance with generally accepted accounting principles, should be capitalized.

“Declaration of Trust” means the Declaration of Trust or other similar organizational document governing the General Partner, as amended, supplemented or restated from time to time.

“Deemed Partnership Interest Value” means, as of any date with respect to any class of Partnership Interests, the Deemed Value of the Partnership Interest of such class multiplied by the applicable Partner's Percentage Interest of such class.

“Deemed Value of the Partnership Interest” means, as of any date with respect to any class of Partnership Interests, (a) if the common shares of beneficial interest (or other comparable equity interests) of the General Partner are Publicly Traded (i) the total number of shares of beneficial interest (or other comparable equity interest) of the General Partner corresponding to such class of Partnership Interest (as provided for in Section 4.2.B hereof) issued and outstanding as of the close of business on such date (excluding any treasury shares) multiplied by the Value of a share of such beneficial interest (or other comparable equity interest) on such date divided by (ii) the Percentage Interest of the General Partner in such class of Partnership Interests on such date, and (b) otherwise, the aggregate Value of such class of Partnership Interests determined as set forth in the fourth and fifth sentences of the definition of Value.

“Depreciation” means, for each fiscal year, an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner.

“866 U.N. Plaza Associates” means 866 United Nations Plaza Associates LLC, a New York limited liability company.

“866 U.N. Plaza Property” has the meaning set forth in Section 7.11.C hereof.

“866 U.N. Plaza Units” has the meaning set forth in Section 7.11.C hereof.

“Eleven Penn Partnerships” means M/F Associates, a New York limited partnership, M/F Eleven Associates, a New York limited partnership, M/S Associates, a New York limited partnership, and M/S Eleven Associates, a New York limited partnership.

“Eleven Penn Plaza Property” has the meaning set forth in Section 7.11.C hereof.

“Eleven Penn Plaza Units” has the meaning set forth in Section 7.11.C hereof.

“Equity Merger” has the meaning set forth in Section 7.11.D hereof.

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“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

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

“Exchanged Property” has the meaning set forth in Section 7.11.C hereof.

“Funding Debt” means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

“Funds From Operations” shall mean, with respect to any period, the General Partner's “funds from operations,” calculated in a manner consistent with the calculation of such measure as it is used in the General Partner's consolidated financial statements appearing in its most recent public filing on Form 10-K or Form 10-Q (whichever is more recent).

“FW/Mendik LLC” means FW/Mendik REIT, L.L.C., a Delaware limited liability company.

“General Partner” means Vornado Realty Trust, a Maryland real estate investment trust, or its successors as general partner of the Partnership.

“General Partner Entity” means the General Partner; provided, however, that if (i) the common shares of beneficial interest (or other comparable equity interests) of the General Partner are at any time not Publicly Traded and (ii) the shares of common stock (or other comparable equity interests) of an entity that owns, directly or indirectly, fifty percent (50%) or more of the common shares of beneficial interest (or other comparable equity interests) of the General Partner are Publicly Traded, the term “General Partner Entity” shall refer to such entity whose shares of common stock (or other comparable equity securities) are Publicly Traded. If both requirements set forth in clauses (i) and (ii) above are not satisfied, then the term “General Partner Entity” shall mean the General Partner.

“General Partner Payment” has the meaning set forth in Section 15.14 hereof.

“General Partnership Interest” means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partnership Interest may be expressed as a number of Partnership Units.

“Immediate Family” means, with respect to any natural Person, such natural Person’s spouse, parents, descendants, nephews, nieces, brothers and sisters.

“Incapacity” or “Incapacitated” means, (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her Person or estate, (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter, (iii) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership, (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate’s entire interest in the Partnership, (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee) or (vi) as to any Partner, the Bankruptcy of such Partner.

“Indemnitee” means (i) any Person made a party to a proceeding or threatened with being made a party to a proceeding by reason of its status as (A) the General Partner, (B) a Limited Partner or (C) an officer of the Partnership (or any Subsidiary or other entity in which the Partnership owns an equity interest) or a trustee/director, officer or shareholder of the General Partner or the General Partner Entity (or any Subsidiary or other entity in which the General Partner owns an equity interest (so long as the General Partner’s

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ownership of an interest in such entity is not prohibited by Section 7.5.A) or for which the General Partner, acting on behalf of the Partnership, requests the trustee/director, officer or shareholder to serve as a director, officer, trustee or agent, including serving as a trustee of an employee benefit plan) and (ii) such other Persons (including Affiliates of the General Partner, a Limited Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

“IRS” means the Internal Revenue Service, which administers the internal revenue laws of the United States.

“Limited Partner” means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended and restated from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person’s capacity as a Limited Partner in the Partnership.

“Limited Partnership Interest” means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

“Liquidating Event” has the meaning set forth in Section 13.1 hereof.

“Liquidating Transaction” has the meaning set forth in Section 7.11.C hereof.

“Liquidator” has the meaning set forth in Section 13.2.A hereof.

“Majority in Interest” means Partners (excluding the General Partner) who hold more than fifty percent (50%) of the outstanding Percentage Interests not held by the General Partner.

“Mendik Owner” means, with respect to Bernard H. Mendik or David R. Greenbaum, as applicable, any member of his Immediate Family and any trust formed solely for the benefit of him and/or members of his Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity all of the interests in which are, and remain, owned and controlled solely by him and/or members of his Immediate Family.

“Net Income” means, for any taxable period, the excess, if any, of the Partnership’s items of income and gain for such taxable period over the Partnership’s items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Exhibit B hereto. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to the special allocation rules in Exhibit C hereto, Net Income or the resulting Net Loss, whichever the case may be, shall be recomputed without regard to such item.

“Net Loss” means, for any taxable period, the excess, if any, of the Partnership’s items of loss and deduction for such taxable period over the Partnership’s items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to the special allocation rules in Exhibit C hereto, Net Loss or the resulting Net Income, whichever the case may be, shall be recomputed without regard to such item.

“New Securities” means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase shares of beneficial interest (or other comparable equity

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interest) of the General Partner, excluding grants under any Stock Option Plan, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

“Non-Class D/E Units” has the meaning set forth in Section 5.1(B)(vii).

“Nonrecourse Built-in Gain” means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 2.B of Exhibit C hereto if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

“Nonrecourse Deductions” has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

“Nonrecourse Liability” has the meaning set forth in Regulations Section 1.752-1(a)(2).

“Notice of Redemption” means a Notice of Redemption substantially in the form of Exhibit D attached hereto.

“Partner” means the General Partner or a Limited Partner, and “Partners” means the General Partner and the Limited Partners.

“Partner Minimum Gain” means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

“Partner Nonrecourse Debt” has the meaning set forth in Regulations Section 1.704-2(b)(4).

“Partner Nonrecourse Deductions” has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

“Partnership” means the limited partnership formed under the Act and continued upon the terms and conditions set forth in this Agreement, and any successor thereto.

“Partnership Interest” means a Limited Partnership Interest or the General Partnership Interest, as the context requires, and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

“Partnership Minimum Gain” has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

“Partnership Record Date” means the record date established by the General Partner either (i) for the making of any distribution pursuant to Section 5.1 hereof, which record date shall be the same as the record date established by the General Partner Entity for a distribution to its shareholders of some or all

of its portion of such distribution received by the General Partner if the shares of common stock (or comparable equity interests) of the General Partner Entity are Publicly Traded, or (ii) if applicable, for determining the Partners entitled to vote on or consent to any proposed action for which the consent or approval of the Partners is sought pursuant to Section 14.2 hereof.

“Partnership Unit” means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, and includes Class A Units, Class B Units, Class C Units, Class D Units, Class E Units and any other classes or series of Partnership Units established after the date hereof. The number of Partnership Units outstanding and the Percentage Interests in the Partnership represented by such Partnership Units are set forth in Exhibit A hereto, as such Exhibit may be amended and restated from time to time. The ownership of Partnership Units may be evidenced by a certificate in a form approved by the General Partner.

“Partnership Year” means the fiscal year of the Partnership.

“Percentage Interest” means, as to a Partner holding a Partnership Interest of any class issued hereunder, its interest in such class, determined by dividing the Partnership Units of such class owned by such Partner by the total number of Partnership Units of such class then outstanding as specified in Exhibit A attached hereto, as such exhibit may be amended and restated from time to time, multiplied by the aggregate Percentage Interest allocable to such class of Partnership Interests. For such time or times as the Partnership shall at any time have outstanding more than one class of Partnership Interests, the Percentage Interest attributable to each class of Partnership Interests shall be determined as set forth in Section 4.2.B hereof.

“Person” means a natural person, partnership (whether general or limited), trust, estate, association, corporation, limited liability company, unincorporated organization, custodian, nominee or any other individual or entity in its own or any representative capacity.

“Predecessor Entity” has the meaning set forth in the definition of “Conversion Factor” herein.

“Preference Units” has the meaning set forth in Section 4.2.E.

“Publicly Traded” means listed or admitted to trading on the New York Stock Exchange, the American Stock Exchange or another national securities exchange or designated for quotation on the NASDAQ National Market, or any successor to any of the foregoing.

“Qualified REIT Subsidiary” means any Subsidiary of the General Partner that is a “qualified REIT subsidiary” within the meaning Section 856(i) of the Code. Except as otherwise specifically provided herein, a Qualified REIT Subsidiary of the General Partner that holds as its only assets direct and/or indirect interests in the Partnership will not be treated as an entity separate from the General Partner.

“Recapture Income” means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

“Redeeming Partner” has the meaning set forth in Section 8.6.A hereof.

“Redemption Amount” means either the Cash Amount or the Shares Amount, as determined by the General Partner in its sole and absolute discretion; provided that in the event that the Shares are not Publicly Traded at the time a Redeeming Partner exercises its Redemption Right, the Redemption Amount shall

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be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount; provided further, the foregoing is subject to Section 8.6.A(iv). A Redeeming Partner shall have no right, without the General Partner’s consent, in its sole and absolute discretion, to receive the Redemption Amount in the form of the Shares Amount.

“Redemption Right” has the meaning set forth in Section 8.6.A hereof.

“Regulations” means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

“REIT” means a real estate investment trust under Section 856 of the Code.

“REIT Expenses” shall mean (i) costs and expenses relating to the continuity of existence of the General Partner and any Person in which the General Partner owns an equity interest, to the extent not prohibited by Section 7.5.A (and excluding expenses relating to any Person in which the General Partner acquired an interest with the Consent of the Outside Limited Partners, unless the Consent of the Outside Limited Partners has been obtained to include such expenses within the definition of “REIT Expenses”), other than the Partnership (which Persons shall, for purposes of this definition, be included within the definition of “General Partner”), including taxes, fees and assessments associated therewith (other than federal, state or local income taxes imposed upon the General Partner as a result of the General Partner’s failure to distribute to its shareholders an amount equal to its taxable income), any and all costs, expenses or fees payable to any trustee or director of the General Partner or such Persons, (ii) costs and expenses relating to any offer or registration of securities by the General Partner (the proceeds of which will be contributed or advanced to the Partnership) and all statements, reports, fees and expenses incidental thereto, including underwriting discounts and selling commissions applicable to any such offer of securities, (iii) costs and expenses associated with the preparation and filing of any periodic reports by the General Partner under federal, state or local laws or regulations, including filings with the SEC, (iv) costs and expenses associated with compliance by the General Partner with laws, rules and regulations promulgated by any regulatory body, including the Securities and Exchange Commission, and (v) all other operating or administrative costs of the General Partner incurred in the ordinary course of its business; provided, however, that any of the foregoing expenses that are determined by the General Partner to be expenses relating to the ownership and operation of, or for the benefit of, the Partnership shall be treated, subject to Section 7.4.E hereof, as reimbursable expenses under Section 7.4.B hereof rather than as “REIT Expenses”.

“REIT Requirements” has the meaning set forth in Section 5.1.A hereof.

“Replacement Property” has the meaning set forth in Section 7.11.C hereof.

“Residual Gain” or “Residual Loss” means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 2.B.1(a) or 2.B.2(a) of Exhibit C hereto to eliminate Book-Tax Disparities.

“Restricted Partner” means any of FW/Mendik LLC, Bernard H. Mendik, David R. Greenbaum, any Mendik Owner and any other Person identified on Exhibit F hereto.

“Safe Harbors” has the meaning set forth in Section 11.6.F hereof.

“704(c) Value” of any Contributed Property means the fair market value of such property at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. Subject to Exhibit B hereto, the General Partner shall, in its sole and absolute discretion, use such method as it deems reasonable and appropriate to allocate the aggregate of the 704(c) Values of Contributed Properties in a single or integrated transaction among each separate property on a basis proportional to their fair market values. The 704(c) Values of the Contributed Properties contributed to the Partnership as part of or in connection with the Consolidation are set forth on Exhibit E attached hereto.

“Share” means a share of beneficial interest (or other comparable equity interest) of the General Partner Entity. Shares may be issued in one or more classes or series in accordance with the terms of the Declaration of Trust (or, if the General Partner is not the General Partner Entity, the organizational documents of the General Partner Entity). In the event that there is more than one class or series of Shares, the term “Shares” shall, as the context requires, be deemed to refer to the class or series of Shares that correspond to the class or series of Partnership Interests for which the reference to Shares is made. When used with reference to Class A Units, Class C Units, Class D Units or Class E Units, the term “Shares” refers to common shares of beneficial interest (or other comparable equity interest) of the General Partner Entity.

“Shares Amount” means a number of Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Partner times the Conversion Factor; provided, that in the event the General Partner Entity issues to all holders of Shares rights, options, warrants or convertible or exchangeable securities entitling such holders to subscribe for or purchase Shares or any other securities or property (collectively, the “rights”), then the Shares Amount shall also include such rights that a holder of that number of Shares would be entitled to receive; and provided, further, that the Shares Amount shall be adjusted pursuant to Section 7.5 hereof in the event that the General Partner acquires material assets other than on behalf of the Partnership.

“Specified Redemption Date” means the tenth Business Day after receipt by the General Partner of a Notice of Redemption; provided, that if the Shares are not Publicly Traded, the Specified Redemption Date means the thirtieth Business Day after receipt by the General Partner of a Notice of Redemption.

“Stock Option Plan” means any share or stock incentive plan or similar compensation arrangement (including, without limitation, any arrangement whereby the Partnership or the General Partner delivers Units or shares of capital stock of the General Partner into a “rabbi trust”) of the General Partner, the Partnership or any Affiliate of the Partnership or the General Partner, as the context may require.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership or joint venture, or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

“Substituted Limited Partner” means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4 hereof.

“Successor Entity” has the meaning set forth in the definition of “Conversion Factor” herein.

“Successor Partnership” has the meaning set forth in Section 7.11.C hereof.

“Tenant” means any tenant from which the General Partner derives rent, either directly or indirectly through limited liability companies or partnerships, including the Partnership, or through any Qualified REIT Subsidiary.

“Terminating Capital Transaction” means any sale or other disposition of all or substantially all of the assets of the Partnership for cash or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership for cash.

“Termination Transaction” has the meaning set forth in Section 11.2.B hereof.

“Title 8” means Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland.

“Transferred Property” has the meaning set forth in Section 7.11.C. hereof.

“Two Penn Plaza Associates” means Two Penn Plaza Associates, L.P., a New York limited partnership.

“Two Penn Plaza Property” has the meaning set forth in Section 7.11.C hereof.

“Two Penn Plaza Units” has the meaning set forth in Section 7.11.C hereof.

“Unrealized Gain” attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under Exhibit B hereto) as of such date, over (ii) the Carrying Value of such property (prior

to any adjustment to be made pursuant to Exhibit B hereto) as of such date.

“Unrealized Loss” attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereto) as of such date, over (ii) the fair market value of such property (as determined under Exhibit B hereto) as of such date.

“Valuation Date” means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the first Business Day thereafter.

“Value” means, with respect to any outstanding Shares of the General Partner Entity that are Publicly Traded, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date with respect to which value must be determined or, if such day is not a Business Day, the immediately preceding Business Day. The market price for each such trading day shall be the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day. In the event that the outstanding Shares of the General Partner Entity are Publicly Traded and the Shares Amount includes rights that a holder of Shares would be entitled to receive, then the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event that the Shares of the General Partner Entity are not Publicly Traded, the Value of the Shares Amount per Partnership Unit offered for redemption (which will be the Cash Amount per Partnership Unit offered for redemption pursuant to Section 8.6.A hereof) means the amount that a holder of one Partnership Unit would receive if each of the assets of the Partnership were to be sold for its fair market value on the Specified Redemption Date, the Partnership were to pay all of its outstanding liabilities, and the remaining proceeds were to be distributed to the Partners in accordance with the terms of this Agreement. Such Value shall be determined by the General Partner, acting in good faith and based upon a commercially reasonable estimate of the amount that would be realized by the Partnership if each asset of the Partnership (and each asset of each partnership, limited liability company, joint venture or other entity in which the Partnership owns a direct or indirect interest) were sold to an unrelated purchaser in an arms’ length transaction where neither the purchaser nor the seller were under economic compulsion to enter into the transaction (without regard to any discount in value as a result of the

Partnership’s minority interest in any property or any illiquidity of the Partnership’s interest in any property). In connection with determining the Deemed Value of the Partnership Interest for purposes of determining the number of additional Partnership Units issuable upon a Capital Contribution funded by an underwritten public offering of shares of beneficial interest (or other comparable equity interest) of the General Partner, the Value of such shares shall be the public offering price per share of such class of beneficial interest (or other comparable equity interest) sold.

“Vornado Sub” means Vornado/Saddle Brook L.L.C., a Delaware limited liability company and a wholly-owned subsidiary of the General Partner.

ARTICLE II ORGANIZATIONAL MATTERS

Section 2.1 Organization

The Partnership is a limited partnership organized pursuant to the provisions of the Act and upon the terms and conditions set forth in the Prior Agreement. The General Partner hereby amends and restates the Prior Agreement in its entirety. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 Name

The name of the Partnership is Vornado Realty L.P. The Partnership’s business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words “Limited Partnership,” “L.P.,” “Ltd.” or similar words or letters shall be included in the Partnership’s name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware shall be located at Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Trust Company. The principal office of the Partnership shall be Vornado Realty L.P., Park 80 West, Plaza II, Saddle Brook, New Jersey 07663, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 Term

The term of the Partnership commenced on October 2, 1996, the date on which the Certificate was filed in the office of the Secretary of State of the State of Delaware in accordance with the Act, and shall continue until December 31, 2095 (as such date may be extended by the General Partner in its sole discretion), unless it is dissolved sooner pursuant to the provisions of Article XIII hereof or as otherwise

ARTICLE III
PURPOSE

Section 3.1 Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such business shall be limited to and conducted in such a manner as to permit the General Partner Entity (or the General Partner, as applicable) at all times to be classified as a REIT and avoid the imposition of federal income and excise taxes on the General Partner Entity (or the General Partner, as applicable), unless the General Partner Entity (or the General Partner, as applicable) ceases to qualify, or is not qualified, as a REIT for any reason or reasons; (ii) to enter into any partnership, joint venture, limited liability company or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged, directly or indirectly, in any of the foregoing; and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, the Limited Partners acknowledge that the status of the General Partner Entity (or the General Partner, as applicable) as a REIT and the avoidance of federal income and excise taxes on the General Partner Entity (or the General Partner, as applicable) inures to the benefit of all the Partners and not solely the General Partner or its Affiliates. Notwithstanding the foregoing, the Limited Partners acknowledge and agree that the General Partner Entity (or the General Partner, as applicable) may terminate its status as a REIT under the Code at any time to the full extent permitted under the Declaration of Trust.

Section 3.2 Powers

The Partnership shall have full power and authority to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness whether or not secured by mortgage, deed of trust, pledge or other lien, acquire, own, manage, improve and develop real property, and lease, sell, transfer and dispose of real property; provided, however, that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner Entity (or the General Partner, as applicable) to continue to qualify as a REIT, (ii) could subject the General Partner Entity (or the General Partner, as applicable) to any additional taxes under Section 857 or Section 4981 of the Code or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner Entity (or the General Partner, if different) or its securities, unless such action (or inaction) shall have been specifically consented to by the General Partner in writing.

Section 3.3 Partnership Only for Purposes Specified

The Partnership shall be a partnership only for the purposes specified in Section 3.1 above, and this Agreement shall not be deemed to create a partnership among the Partners with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 above.

ARTICLE IV
CAPITAL CONTRIBUTIONS AND ISSUANCES
OF PARTNERSHIP INTERESTS

Section 4.1 Capital Contributions of the Partners

A. Capital Contributions. Prior to the effective date of this Agreement, the General Partner and the Limited Partners have made such capital contributions as are reflected on Exhibit A hereto. The Capital Accounts and the Carrying Values set forth on Exhibit A were determined pursuant to Section I.D of Exhibit B hereto.

B. General Partnership Interest. A number of Partnership Units held by the General Partner equal to one percent (1%) of all outstanding Partnership Units shall be deemed to be the General Partner Partnership Units and shall be the General Partnership Interest. All other Partnership Units held by the General Partner shall be Limited Partnership Interests and shall be held by the General Partner in its capacity as a Limited Partner in the Partnership.

C. Capital Contributions By Merger. To the extent the Partnership acquires any property by the merger of any other Person into the Partnership, Persons who receive Partnership Interests in exchange for their interests in the Person merging into the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement and as set forth in Exhibit A hereto.

D. No Obligation to Make Additional Capital Contributions. Except as provided in Sections 7.5 and 10.5 hereof, the Partners shall have no obligation to make any additional Capital Contributions or provide any additional funding to the Partnership (whether in the form of loans, repayments of loans or otherwise). No Partner shall have any obligation to restore any deficit that may exist in its Capital Account, either upon a liquidation of the Partnership or otherwise.

A. General. The General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners (including the General Partner and its Affiliates) or other Persons (including, without limitation, in connection with the contribution of property to the Partnership) Partnership Units or other Partnership Interests in one or more classes, or in one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partnership Interests, all as shall be determined, subject to applicable Delaware law, by the General Partner in its sole and absolute discretion, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests, (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions and (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; provided that, no such Partnership Units or other Partnership Interests shall be issued (x) to the General Partner unless either (a) the Partnership Interests are issued in connection with the grant, award or issuance of Shares or other equity interests in the General Partner having designations, preferences and other rights such that the economic interests attributable to such Shares or other equity interests are substantially similar to the designations, preferences and other rights (except voting rights) of the additional Partnership Interests issued to the General Partner in accordance with this Section 4.2.A, or (b) the Partnership Interests are issued to all Partners holding Partnership Interests in the same class in proportion to their respective Percentage Interests in such class or (c) the Partnership Interests are issued in connection with a Termination Transaction or a transaction in which another person is merged, combined or consolidated with or into the General Partner and in exchange for the transfer or contribution of all or

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substantially all of the assets of such other person by the General Partner to the Partnership, or (y) to any Person in violation of Section 4.2.E. In the event that the Partnership issues Partnership Interests pursuant to this Section 4.2.A, the General Partner shall make such revisions to this Agreement (including but not limited to the revisions described in Section 5.4, Section 6.2 and Section 8.6 hereof) as it deems necessary to reflect the issuance of such additional Partnership Interests.

B. Percentage Interest Adjustments in the Case of Capital Contributions for Partnership Units. Upon the acceptance of additional Capital Contributions in exchange for Partnership Units, the Percentage Interest related thereto shall be equal to a fraction, the numerator of which is equal to the amount of cash, if any, plus the Agreed Value of Contributed Property, if any, contributed with respect to such additional Partnership Units and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests for all outstanding classes (computed as of the Business Day immediately preceding the date on which the additional Capital Contributions are made (such contribution date being referred to as an "Adjustment Date")) plus (ii) the aggregate amount of additional Capital Contributions contributed to the Partnership on such Adjustment Date in respect of such additional Partnership Units. The Percentage Interest of each other Partner holding Partnership Interests not making a full pro rata Capital Contribution shall be adjusted to a fraction the numerator of which is equal to the sum of (i) the Deemed Partnership Interest Value of such Limited Partner (computed as of the Business Day immediately preceding the Adjustment Date) plus (ii) the amount of additional Capital Contributions (such amount being equal to the amount of cash, if any, plus the Agreed Value of Contributed Property, if any, so contributed), if any, made by such Partner to the Partnership in respect of such Partnership Interest as of such Adjustment Date and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests of all outstanding classes (computed as of the Business Day immediately preceding such Adjustment Date) plus (ii) the aggregate amount of the additional Capital Contributions contributed to the Partnership on such Adjustment Date in respect of such additional Partnership Interests. For purposes of calculating a Partner's Percentage Interest pursuant to this Section 4.2.B, cash Capital Contributions by the General Partner will be deemed to equal the cash contributed by the General Partner plus (a) in the case of cash contributions funded by an offering of any equity interests in or other securities of the General Partner, the offering costs attributable to the cash contributed to the Partnership, and (b) in the case of Partnership Units issued pursuant to Section 7.5.E hereof, an amount equal to the difference between the Value of the Shares sold pursuant to any Stock Option Plan and the net proceeds of such sale.

C. Classes of Partnership Units. From and after April 15, 1997, subject to Section 4.2.A above, the Partnership shall have five classes of Common Partnership Units entitled "Class A Units", "Class B Units", "Class C Units", "Class D Units" and "Class E Units" and one class of Preference Units entitled "Series A Preferred Units" which shall be issued to the Partners in connection with set forth below:

- (i) the General Partner will receive Class A Units in respect of its General Partnership Interest and will receive Class A Units and Series A Preferred Units in respect of its Limited Partnership Interest;
- (ii) initially, no Class B Units will be issued to any Partner;
- (iii) as specified on Exhibit A, certain Persons will receive Class C Units, certain Persons will receive Class D Units and certain Persons will receive Class E Units in respect of their Limited Partnership Interests.

The General Partner may, in its sole and absolute discretion but subject to Section 4.2.E, issue to newly admitted Partners Class A Units, Class B Units, Class C Units, Class D Units, Class E Units or Partnership Units of any other class established by the Partnership in accordance with Section 4.2.A (subject to Section 4.2.E below) in exchange for the contribution by such Partners of cash, real estate partnership interests, stock,

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notes or any other assets or consideration; provided that any Partnership Unit that is not specifically designated by the General Partner as being of a particular class shall be deemed to be a Class A Unit unless the context clearly requires otherwise.

D. Conversion of Class C Units, Class D Units and Class E Units.

(i) At such time as all holders of Class A Units have received quarterly distributions in accordance with Article V equal to the per quarter amount set forth in Section 5.1.B(v) of this Agreement (or, if the Prior Agreement was in effect for any portion of the period of four consecutive quarters, the per quarter amount set forth in Section 5.1.B(v) of the Prior Agreement for so much of the period as the Prior Agreement was in effect) per Partnership Unit for each of four consecutive quarters (without including for these purposes distributions, if any, made to holders of Class A Units pursuant to Subsections 4.2.D(i) and 4.2.D(ii)) (such amount, the “Class C Minimum Amount”), the Class C Units will be converted automatically into Class A Units and thereafter will have the same distribution rights as all other Class A Units. The foregoing conversion will be deemed to have occurred as of the first day of the quarter immediately succeeding the fourth consecutive quarter with respect to which the distributions described in the preceding sentence are made.

At any time prior to the first distribution made in respect of Partnership Units that were converted from Class C Units to Class A Units pursuant to this Subsection 4.2.D(i), the General Partner may, in its sole discretion but subject to Section 5.2.B, elect to make a one-time distribution of the Class C Accumulated Amount, calculated as of the date of such distribution, pro rata among those Persons who hold Class A Units; provided, however, that the foregoing distribution right shall only be available if during each of the preceding four (4) consecutive fiscal quarters the Partnership has earned Funds From Operations sufficient to enable the Partnership to distribute to holders of Class A Units on a per Partnership Unit basis (assuming a 100% payout of Funds From Operations) at least the applicable Class C Minimum Amount per Partnership Unit (which payment must be made in a quarter prior to the quarter in which Class C Units are converted to Class A Units pursuant to the preceding paragraph). For purposes hereof, the “Class C Accumulated Amount” means, as of any date the lesser of (A) \$1,500,000.00 and (B)(x)the sum of all amounts previously distributed to holders of Class C Units pursuant to Subsections 5.1.B(iv) and 5.1.B(v) during the most recently completed twelve (12) consecutive fiscal quarters less (y) the sum of all amounts previously distributed to holders of Class A Units (excluding Class A Units that were converted from Class C Units prior to such distribution) during such period pursuant to Subsection 5.1.B(vi) but not Subsection 5.1.B (vii); provided that the Class C Accumulated Amount shall not exceed the Partnership’s aggregate Funds From Operations for such twelve quarter period less (without duplication) the distributions pursuant to Subsections 5.1(B)(i) through (vi).

(ii) At such time as all holders of Class A Units have received quarterly distributions in accordance with Article V in an amount at least equal to the per quarter amount set forth in Section 5.1.B(iii) of this Agreement (or, if the Prior Agreement was in effect for any portion of the period of four consecutive quarters, the per quarter amount set forth in Section 5.1.B(iii) of the Prior Agreement for so much of the period as the Prior Agreement was in effect) per Partnership Unit for each of four consecutive quarters (without including for these purposes distributions, if any, made to holders of Class A Units pursuant to Subsections 4.2.D(i) and 4.2.D(ii)) (such amount, the “Class D/E Minimum Amount”), the Class D Units and the Class E Units, if any, will be converted automatically into Class A Units and thereafter will have the same distribution rights as all other Class A Units. The foregoing conversion will be deemed to have occurred as of the first day of the quarter immediately succeeding the fourth consecutive quarter with respect to which the distributions described in the preceding sentence are made.

At any time prior to the first distribution made in respect of Partnership Units that were converted from Class D Units or Class E Units to Class A Units pursuant to this Subsection 5.1.D(ii), the General Partner may, in its sole discretion but subject to Section 5.2.B, elect to make a one time distribution

of the Class D/E Accumulated Amount, calculated as of the date of such distribution, pro rata among those Persons who hold Class A Units; provided, however, that the foregoing distribution right shall only be available if during each of the preceding four (4) consecutive fiscal quarters the Partnership has earned Funds From Operations sufficient to enable the Partnership to distribute to holders of Class A Units on a per Partnership Unit basis (assuming a 100% payout of Funds From Operations) at least the applicable Class D/E Minimum Amount per Partnership Unit. For purposes hereof, the “Class D/E Accumulated Amount” means, as of any date the lesser of (A) \$1,500,000 less any amount distributed pursuant to Subsection 4.2.D(i) above and (B) (x) the sum of all amounts previously distributed to holders of Class D Units and Class E Units pursuant to Subsections 5.1.B(ii) and (iii) during the most recently completed twelve (12) consecutive fiscal quarters less (y) the sum of all amounts previously distributed to holders of Class A Units (excluding Class A Units that were converted from Class D Units or Class E Units prior to or during such period, if any) during such period pursuant to Subsections 5.1.B(vi) and (vii) during such period and less the Class C Accumulated Amount distributed previously or contemporaneously therewith, provided that the maximum amount of the Class D/E Accumulated Amount shall not exceed the Partnership’s Funds From Operations less (without duplication) distributions pursuant to Subsections 5.1.B(i) through (vii).

(iii) Immediately after the time at which the Prior Agreement became effective, every Class D Unit held by any of Mendik/FW, Christopher G. Bonk, Michael M. Downey, James D. Kuhn, John J. Silberstein, David L. Sims, Kevin R. Wang, Mr. Mendik, Mr. Greenbaum or any Mendik Owner with respect to either of Mr. Mendik or Mr. Greenbaum automatically, and without any further payment or action of any kind by any Person, was converted into a Class C Unit and thereafter became entitled to all of the same distribution rights as any other Class C Unit, and the General Partner has reflected said conversion on Exhibit A.

E. Limitation on the Issuance of Partnership Units. The General Partner may not, without the Consent of the Outside Limited Partners (taking into account, for these purposes, only those Limited Partnership Interests issued in connection with the Consolidation), cause the Partnership to issue any Limited Partnership Interests of any class ranking senior (as to preferential distributions or redemption or voting rights) to the Class C Units, the Class D Units or the Class E Units (any such senior Partnership Units, “Preference Units”) unless the distribution and redemption (but not voting) rights of such Partnership Units are substantially similar to the terms of securities issued by the General Partner and the proceeds or other consideration from the issuance of such securities have been contributed to the Partnership. The foregoing limitation will expire with respect to the Partnership Units of any such class at such time as the Partnership Units of that class issued in connection with the Consolidation are no longer outstanding, whether as a result of redemption, conversion to another class or otherwise.

F. Issuance of Series A Preferred Units. In consideration of the contribution to the Partnership on the April 15, 1997 of the

entire net proceeds received by the General Partner from the issuance of the Series A Preferred Shares, the General Partner is deemed to have made a Capital Contribution to the Partnership in the amount of the gross proceeds of such issuance, which was \$287,500,000, and the Partnership is deemed simultaneously to have distributed to the General Partner, as REIT Expenses, the amount of the underwriters' discount and other costs incurred by the General Partner in connection with such issuance. On April 15, 1997, in consideration of the contribution to the Partnership described in this Section 4.2.F, the Partnership issued to the General Partner, in respect of its Limited Partnership Interest and in addition to the Class A Units issued to the General Partner pursuant to this Section 4.2, 5,750,000 of a series of Preference Units designated as the "Series A Preferred Units" (as defined in Exhibit G hereto). The terms of the Series A Preferred Units are set forth in Exhibit G attached hereto.

Section 4.3 No Preemptive Rights

Except to the extent expressly granted by the General Partner (on behalf of the Partnership) pursuant to another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Partnership Units or other Partnership Interests.

Section 4.4 Other Contribution Provisions

In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such Partner in cash for the fair market value of such services, and the Partner had contributed such cash to the capital of the Partnership.

Section 4.5 No Interest on Capital

No Partner shall be entitled to interest on its Capital Contributions or its Capital Account.

ARTICLE V
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions

A. General. Subject to Section 5.1.C, the General Partner shall have the exclusive right and authority to declare and cause the Partnership to make distributions as and when the General Partner deems appropriate or desirable in its sole discretion. Notwithstanding anything to the contrary contained herein, in no event may a Partner receive a distribution with respect to a Partnership Unit for a quarter or shorter period if such Partner is entitled to receive a distribution for such quarter or shorter period with respect to a Share for which such Partnership Unit has been redeemed or exchanged. Unless otherwise expressly provided for herein or in an agreement at the time a new class of Partnership Interests is created in accordance with Article IV hereof, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership Interest. For so long as the General Partner elects to qualify as a REIT, the General Partner shall make such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the qualification of the General Partner Entity or the General Partner (as applicable) as a REIT, to make distributions to the Partners in amounts such that the General Partner will receive amounts sufficient to enable the General Partner Entity or the General Partner (as applicable) to pay shareholder dividends that will (1) satisfy the requirements for qualification as a REIT under the Code and the Regulations (the "REIT Requirements") and (2) avoid any federal income or excise tax liability for the General Partner Entity or the General Partner (as applicable).

B. Method. When, as and if declared by the General Partner, the Partnership will make distributions to the General Partner in any amount necessary to enable the General Partner to pay REIT Expenses, and thereafter:

- (i) first, to holders of Series A Preferred Units and any other Preference Units in an amount equal to preferential distributions accumulated and unpaid on such Preference Units in accordance with their respective terms;
- (ii) second, to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the Partnership

Record Date) in an amount equal to any accumulated and unpaid Class D/E Preferential Distributions;

- (iii) third, to holders of Class D Units and Class E Units (pro rata based on the ratio of the total number of Class D Units or Class E Units, as applicable, to the aggregate number of Class D Units and Class E Units taken together on the Partnership Record Date) until such holders have received with respect to the period for which such distribution is made an amount per Class D Unit and Class E Unit, respectively, to be determined based on a distribution rate of \$0.50375 per quarter (the "Class D/E Preferential Distribution") pro rated to take into account the actual number of days in such period and the number of days in the period that such Class D Units or Class E Units, as applicable, were outstanding; provided, however, that if the General Partner does not distribute sufficient cash to pay the Class D/E Preferential Distribution, then the Class D/E Preferential Distribution will cumulate, without interest, and be payable by the Partnership in the future pursuant to clause (ii) above;

- (iv) fourth, to holders of Class C Units in an amount equal to any accumulated and unpaid Class C Preferential Distributions;
- (v) fifth, to holders of Class C Units until such holders have received with respect to the period for which such distribution is made an amount per Class C Unit to be determined based on a distribution rate of \$.4225 per quarter (the "Class C Preferential Distribution") pro rated to take into account the actual number of days in such period and the number of days in the period that such Class C Units were outstanding; provided, however, that if the General Partner does not distribute sufficient cash to pay the Class C Preferential Distribution, then the Class C Preferential Distribution will cumulate, without interest, and be payable by the Partnership in the future pursuant to clause (iv) above;
- (vi) sixth, to the holders of Partnership Units other than Class C Units, Class D Units and Class E Units (the "Other Units") until the holders of such Other Units have received with respect to the period for which such distribution is made an amount per Partnership Unit equal to the amount that would have been payable to such holders under clause (v) above if the Partnership Units held by them had been Class C Units (assuming, with respect to Class A Units held directly or indirectly by the General Partner, that such Partnership Units were held for the entire period);
- (vii) seventh, to the holders of Partnership Units other than Class D Units and Class E Units (the "Non-Class D/E Units") until the holders of such Non-Class D/E Units have received with respect to the quarter for which such distribution is made a total amount per Partnership Unit (taking into account distributions made to such holders of Non-Class D/E Units with respect to such quarter under clause (v) or clause (vi) above as applicable) equal to the amount that would have been payable to such holders under clause (iii) above if the Partnership Units held by them had been Class D Units (assuming, with respect to Class A Units held directly or indirectly by the General Partner, that such Partnership Units were held for the entire period);
- (viii) eighth, to holders of Class A Units as described in Subsection 4.2.D(i);
- (ix) ninth, to holders of Class A Units as described in Subsection 4.2.D(ii);

- (x) tenth, to all holders of Partnership Units of all classes (other than Class A Preferred Units and any other Units issued by the Partnership from time that, by their terms, are not entitled to participate in distributions under this clause (x)), pro rata in proportion to their respective Percentage Interests, in an amount sufficient to permit to the General Partner to satisfy the REIT Requirements and to avoid any federal income or excise tax liability for the General Partner Entity (or the General Partner, as applicable);
- (xi) eleventh, to the extent of remaining distribution amount, to holders of Partnership Units of all classes (other than Class A Preferred Units and any other Units issued by the Partnership from time that, by their terms, are not entitled to participate in distributions under this clause (xi)) in proportion to their respective Percentage Interests.

Each holder of Partnership Interests that are entitled to any preference in distribution shall be entitled to a distribution in accordance with the rights of any such class of Partnership Interests (and, within such class, pro rata in proportion to the respective Percentage Interests on such Partnership Record Date). Notwithstanding anything to the contrary contained herein, in no event shall any partner receive a distribution with respect to any Common Partnership Unit with respect to any quarter until such time as the Partnership has distributed to the holders of the Preference Units all distributions payable with respect to such Preference Units through the last day of such quarter, in accordance with the instruments designating such Preference Units.

C. Minimum Distributions if General Partner Not a REIT or Not Publicly Traded. In addition, if the General Partner Entity is not a REIT or the common shares of beneficial interest (or other comparable equity interests) of the General Partner Entity are not Publicly Traded, the General Partner shall use commercially reasonable efforts (including, if appropriate, incurring indebtedness), as determined by the General Partner in its sole discretion exercised in good faith, to make cash distributions pursuant to Section 5.1.B above at least annually for each taxable year of the Partnership beginning prior to the twentieth (20th) anniversary of April 15, 1997 in an aggregate amount with respect to each such taxable year at least equal to 95% of the Partnership's taxable income for such year other than gain subject to Section 704(c) of the Code allocable to the Class A Units, with such distributions to be made not later than 60 days after the end of such year; *provided*, the foregoing shall not create any obligation on the part of the General Partner to contribute or loan funds to the Partnership or dispose of assets. Notwithstanding Section 14.1.D.(iv), this Section 5.1.C may be amended with the Consent of Certain Limited Partners.

Section 5.2 Amounts Withheld

All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 hereof with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners or Assignees pursuant to Section 5.1 above for all purposes under this Agreement.

Section 5.3 Distributions Upon Liquidation

Proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with Section 13.2 hereof.

Section 5.4 Revisions to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article V as it deems necessary to reflect the issuance of such additional Partnership Interests.

ARTICLE VI
ALLOCATIONS

Section 6.1 Allocations For Capital Account Purposes

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Exhibit B hereto) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. Net Income. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E below, Net Income shall be allocated (i) first, to the General Partner to the extent that Net Losses previously allocated to the General Partner pursuant to the last sentence of Section 6.1.B below exceed Net Income previously allocated to the General Partner pursuant to this clause (i) of Section 6.1.A.; (ii) second, to holders of Preference Units until their aggregate allocations of Net Income under this clause (ii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (x) of Section 6.1.B and (y) all distributions made pursuant to clause (i) of Section 5.1.B (provided that the allocation provided for in this clause (ii) shall not apply to the extent that distributions made pursuant to clause (i) of Section 5.1.B are treated as or determined to be guaranteed payments under Section 707(c) of the Code); (iii) third, to holders of Class D Units and Class E Units until their aggregate allocations of Net Income under this clause (iii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (ix) of Section 6.1.B and (y) all distributions made pursuant to clause (ii) of Section 5.1.B; (iv) fourth, to holders of Class D Units and Class E Units until their aggregate allocations of Net Income under this clause (iv) equal the sum of (x) the aggregate Net Losses allocated to them under clause (viii) of Section 6.1.B and (y) all distributions made pursuant to clause (iii) of Section 5.1.B with respect to which there was not a corresponding distribution to holders of Units other than Class D Units and Class E Units pursuant to clauses (vi) or (vii) of Section 5.1.B; (v) fifth, to holders of Class C Units until their aggregate allocations of Net Income under this clause (v) equal the sum of (x) the aggregate Net Losses allocated to them under clause (vii) of Section 6.1.B and (y) all distributions made pursuant to clause (iv) of Section 5.1.B; (vi) sixth, to holders of Class C Units until their aggregate allocations of Net Income under this clause (vi) equal the sum of (x) the aggregate Net Losses allocated to them under clause (vi) of Section 6.1.B and (y) all distributions made pursuant to clause (v) of Section 5.1.B with respect to which there was not a corresponding distribution to holders of Units other than Class C, D or E Units pursuant to clause (vi) of Section 5.1.B; (vii) seventh, to all holders of Units (other than Preference Units) until the aggregate allocations of Net Income under this clause (vii) equal the sum of (x) aggregate Net Losses allocated under clause (v) of Section 6.1.B, (y) all distributions made pursuant to clauses (vi) or (vii) of Section 5.1.B, and (z) all distributions made pursuant to clauses (iii) or (v) of Section 5.1.B that were not taken into account in clauses (iv) or (vi) of this Section 6.1.A as a result of distributions pursuant to clauses (vi) and (vii) of Section 5.1.B; (viii) eighth, to holders of Class A Units until their aggregate allocations of Net Income under this clause (viii) equal the sum of (x) the aggregate Net Losses allocated to them under clause (iv) of Section 6.1.B and (y) all distributions made pursuant to clause (viii) of Section 5.1.B, with such Net Income to be allocated only to those holders of Class A Units who received distributions under said clause (viii); (ix) ninth, to holders of Class A Units until their aggregate allocations of Net Income under this clause (ix) equal the sum of (x) the aggregate Net Losses allocated to them under clause (iii) of Section 6.1.B and (y) all distributions made pursuant to clause (ix) of Section 5.1.B, with such Net Income to be allocated only to those holders of Class A Units who received distributions under said clause (ix) of Section 5.1.B; (x) tenth, to all holders of Units (other than Preference Units) pro rata in accordance with their Percentage Interests until the aggregate allocations of Net Income under this clause (x) equal the sum of (x) aggregate Net Losses allocated under clause (ii) of Section 6.1.B and (y) all distributions made pursuant to clause (xi) of Section 5.1.B.; and (xi) eleventh, to all holders of Units (other than Class A Preferred Units and any other Units issued by the Partnership from time that, by their terms, are not entitled to participate in distributions under Section 5.1.B(x) in proportion to their respective Percentage Interests.

B. Net Losses. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto and Section 6.1.E below, Net Losses shall be allocated (i) first, to all holders of Units (other than Preference Units) in proportion to their respective Percentage Interests until the aggregate allocations of Net Losses pursuant to this clause (i) equal the aggregate amount of allocations of Net Income pursuant to clause (xi) of Section 6.1.A; (ii) second, to all holders of Units (other than Preference Units) pro rata in accordance with their Percentage Interests until the aggregate allocations of Net Losses under this clause (ii) equal the aggregate amount of Net Income allocated pursuant to clause (x) of Section 6.1.A; (iii) third, to holders of Class A Units until the aggregate allocations of Net Losses pursuant to this clause (iii) equal the aggregate amount of allocations of Net Income pursuant to clause (ix) of Section 6.1.A.; (iv) fourth to holders of Class A Units until the aggregate allocations of Net Losses pursuant to this clause (iii) equal the aggregate amount of allocations of Net Income pursuant to clause (viii) of Section 6.1.A.; (v) fifth, to all holders of Units (other than Preference Units) until the aggregate allocation of Net Losses pursuant to this clause (v) equal the aggregate amount of Net Income allocated pursuant to clause (vii) of Section 6.1.A; (vi) sixth, to holders of Class C Units until the aggregate allocations of Net Losses under this clause (vi) equal the aggregate amount of Net Income allocated pursuant to clause (vi) of Section 6.1.A; (vii) seventh, to holders of Class C Units until the aggregate allocations of Net Losses under this clause (vii) equal the aggregate amount of Net Income allocated pursuant to clause (v) of Section 6.1.A; (viii) eighth, to holders of Class D Units and Class E Units until the aggregate allocations of Net Losses under this clause (viii) equal the aggregate amount of Net Income allocated pursuant to clause (iv) of Section 6.1.A; (ix) ninth, to holders of Class D Units and Class E Units until the aggregate allocations of Net Losses under this clause (ix) equal the aggregate amount of Net Income allocated pursuant to clause (iii) of Section 6.1.A; (x) tenth, to holders of the Preference Units until their aggregate allocations of Net Losses pursuant to this clause (x) equal the aggregate amount of allocations of Net Income pursuant to clause (ii) of Section 6.1.A (provided that the

allocation provided for in this clause (x) shall not apply to the extent that distributions made pursuant to clause (i) of Section 5.1.B are treated as or determined to be guaranteed payments for purposes of Section 707(c) of the Code); and (xi) thereafter, to holders of all Units (other than Preference Units) in proportion to their Percentage Interests; provided that, Net Losses shall not be allocated to any Limited Partner pursuant to this Section 6.1.B to the extent that such allocation would cause such Limited Partner to have an Adjusted Capital Account Deficit (or increase any existing Adjusted Capital Account Deficit) at the end of such taxable year (or portion thereof). All Net Losses in excess of the limitations set forth in this Section 6.1.B shall be allocated to the General Partner.

C. Allocation of Nonrecourse Debt. For purposes of Regulations Section 1.752-3(a), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (i) the amount of Partnership Minimum Gain and (ii) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

D. Recapture Income. Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible after taking into account other required allocations of gain pursuant to Exhibit C hereto, be characterized as Recapture Income in the same proportions and to the same extent as such Partners have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

E. Cancellation of Indebtedness Income. Any cancellation of indebtedness income required to be recognized by the Partnership with respect to the Two Penn Plaza Property in connection with the acquisition of the Two Penn Plaza Property by the Partnership and the restructuring of the outstanding indebtedness with respect thereto shall be allocated solely to holders of Two Penn Plaza Units. In the event that cancellation of indebtedness income is recognized with respect to the property at 330 Madison Avenue as a result of resolving the dispute with the lender under the loan outstanding upon consummation of the Consolidation that is secured by a mortgage on such property, holders of the Partnership Units issued with respect to M 330 Associates, a New York limited partnership, shall be specially allocated cancellation of

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indebtedness income in an amount equal to their proportionate share of the dollar amount of the discount as a result of the settlement resulting in the recognition of such cancellation of indebtedness income.

Section 6.2 Revisions to Allocations to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article VI as it deems necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to classes of Partnership Interests that are entitled thereto.

ARTICLE VII MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 Management

A. Powers of General Partner. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Sections 7.6.A, 7.6.D and 7.11 below, shall have full power and authority to do all things deemed necessary or desirable by it, on such terms and conditions as the General Partner in its sole discretion deems appropriate, to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including, without limitation:

- (1) the making of any expenditures, the lending, subject to Section 7.6.D, or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as are required under Section 5.1.C hereof or will permit the General Partner Entity or the General Partner (as applicable) (as long as the General Partner Entity or the General Partner qualifies as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its shareholders sufficient to permit the General Partner Entity or the General Partner (as applicable) to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations the General Partner deems necessary or desirable for the conduct of the activities of the Partnership;
- (2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;
- (3) the acquisition, disposition, sale, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership (including the exercise or

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grant of any conversion, option, privilege or subscription right or other right available in connection with any assets at any time held by the Partnership) or the merger or other combination of the Partnership with or into another entity, on such terms as the General Partner deems proper in its sole and absolute discretion;

- (4) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement, including, without limitation, the financing of the conduct of the operations of the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons, subject to Section 7.6.D, and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which the Partnership has an equity investment and the making of capital contributions to its Subsidiaries;
- (5) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any other Person in which the Partnership has made a direct or indirect equity investment;
- (6) the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Partnership's assets;
- (7) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;
- (8) the holding, managing, investing and reinvesting of cash and other assets of the Partnership and, in connection therewith, the opening, maintaining and closing of bank and brokerage accounts and the drawing of checks or other orders for the payment of moneys;
- (9) the collection and receipt of revenues and income of the Partnership;
- (10) the selection and dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors of the Partnership, and the determination of their compensation and other terms of employment or hiring;
- (11) the maintenance of such insurance for the benefit of the Partnership and the Partners;
- (12) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures, limited liability companies or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to its Subsidiaries and any other Person in which it has an equity investment from time to time);

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- (13) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution or abandonment of any claim, cause of action, liability, debt or damages due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;
 - (14) the determination of the fair market value of any Partnership property distributed in kind, using such reasonable method of valuation as the General Partner may adopt;
 - (15) the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any assets or investment held by the Partnership;
 - (16) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, individually or jointly with any such Subsidiary or other Person;
 - (17) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have any interest pursuant to contractual or other arrangements with such Person;
 - (18) the making, executing and delivering of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or other legal instruments or agreements in writing necessary or appropriate in the judgment of the General Partner for the accomplishment of any of the powers of the General Partner under this Agreement;

- (19) the distribution of cash to acquire Partnership Units held by a Limited Partner in connection with a Limited Partner's exercise of its Redemption Right under Section 8.6 hereof;
- (20) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment of this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement;
- (21) the approval and/or implementation of any merger (including a triangular merger), consolidation or other combination between the Partnership and another person that is not prohibited under this Agreement, whether with or without Consent, the terms of Section 17-211(g) of the Act shall be applicable such that the General Partner

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shall have the right to effect any amendment to this Agreement or effect the adoption of a new partnership agreement for a limited partnership if it is the surviving or resulting limited partnership on the merger or consolidation (except as may be expressly prohibited under Section 7.11.D., Section 14.1.C, Section 14.1.D or Section 14.1.F); and

- (22) the taking of any and all actions necessary or desirable in furtherance of, in connection with or incidental to the foregoing.

B. No Approval by Limited Partners. Except as provided in Section 7.11 below, each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement, the Act or any applicable law, rule or regulation, to the full extent permitted under the Act or other applicable law. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. Insurance. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership, (ii) liability insurance for the Indemnitees hereunder and (iii) such other insurance as the General Partner, in its sole and absolute discretion, determines to be necessary.

D. Working Capital and Other Reserves. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable (both in purpose and amount) from time to time, including upon liquidation of the Partnership pursuant to Section 13.2 hereof.

E. No Obligations to Consider Tax Consequences of Limited Partners. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions, provided that the General Partner has acted in good faith and not beyond its authority under this Agreement.

Section 7.2 Certificate of Limited Partnership

The Partnership has caused the Certificate to be filed with the Secretary of State of Delaware. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state,

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the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property.

Section 7.3 Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more

nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.4 Reimbursement of the General Partner

A. No Compensation. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles V and VI hereof regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. Responsibility for Partnership Expenses. The Partnership shall be responsible for and shall pay all expenses relating to the Partnership's organization, the ownership of its assets and its operations. The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the ownership and operation of, or for the benefit of, the Partnership (including, without limitation, expenses related to the management and administration of any Subsidiaries of the General Partner or the Partnership or Affiliates of the Partnership such as auditing expenses and filing fees); provided that (x), the amount of any such reimbursement shall be reduced by (i) any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it as permitted in Section 7.5.A below and (ii) any amount derived by the General Partner from any investments permitted in Section 7.5.A below and (y) REIT Expenses shall not be treated as Partnership expenses for purposes of this Section 7.4.B. The General Partner shall determine in good faith the amount of expenses incurred by it related to the ownership and operation of, or for the benefit of, the Partnership. In the event that certain expenses are incurred for the benefit of the Partnership and other entities (including the General Partner), such expenses will be allocated to the Partnership and such other entities in such a manner as the General Partner in its sole and absolute discretion deems fair and reasonable. Such reimbursements shall be in addition to any reimbursement to the General Partner pursuant to Section 10.3.C hereof and as a result of indemnification pursuant to Section 7.7 below. All payments and reimbursements hereunder shall be characterized for federal income tax purposes as expenses of the Partnership incurred on its behalf, and not as expenses of the General Partner.

C. Partnership Interest Issuance Expenses. The General Partner shall also be reimbursed for all expenses it incurs relating to any issuance of additional Partnership Interests, Debt of the Partnership or rights, options, warrants or convertible or exchangeable securities pursuant to Article IV hereof (including, without limitation, all costs, expenses, damages and other payments resulting from or arising in connection with litigation related to any of the foregoing), all of which expenses are considered by the Partners to constitute expenses of, and for the benefit of, the Partnership.

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D. Purchases of Shares by the General Partner. In the event that the General Partner exercises its rights under the Declaration of Trust to purchase shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or share purchase program adopted by the General Partner, any employee share purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, the purchase price paid by the General Partner for such Shares and any other expenses incurred by the General Partner in connection with such purchase shall be considered REIT Expenses, and the Partnership shall distribute cash to the General Partner to offset such expenses pursuant to Section 5.1, subject to the conditions that: (i) if such Shares subsequently are to be sold by the General Partner, the General Partner pays to the Partnership any proceeds received by the General Partner for such Shares (provided that a transfer of Shares for Partnership Units pursuant to Section 8.6 hereof would not be considered a sale for such purposes); and (ii) if such Shares are not retransferred by the General Partner within thirty (30) days after the purchase thereof, the General Partner shall cause the Partnership to cancel a number of Partnership Units of the appropriate class (rounded to the nearest whole Partnership Unit) held by the General Partner equal to the product attained by multiplying the number of such Shares by a fraction, the numerator of which is one and the denominator of which is the Conversion Factor.

E. Tax Treatment of Certain Reimbursements. If and to the extent that any reimbursement made pursuant to this Section 7.4 is determined for federal income tax purposes not to constitute a payment of expenses of the Partnership, then such reimbursement shall be treated as a distribution pursuant to clause (i) of Section 5.1.B. hereof.

Section 7.5 Outside Activities of the General Partner

A. General. Without the Consent of the Outside Limited Partners, except as set forth in this Section 7.5.A, the General Partner shall not, directly or indirectly, enter into or conduct any business other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner or Limited Partner and the management of the business of the Partnership and such activities as are incidental to any of the foregoing. Without the Consent of the Outside Limited Partners, the assets of the General Partner shall be limited to Partnership Interests and permitted debt obligations of the Partnership (as contemplated by Section 7.5.F below), so that Shares and Partnership Units are completely fungible except as otherwise specifically provided herein; provided, that the General Partner shall be permitted to hold (i) interests in entities, including Qualified REIT Subsidiaries, that hold no material assets; (ii) interests in Qualified REIT Subsidiaries (or other entities that are not taxed as corporations for federal income tax purposes) that own only interests in the Partnership and/or interests in other Qualified REIT Subsidiaries (or other entities that are not taxed as corporations for federal income tax purposes) that either hold no assets or hold only interests in the Partnership; (iii) assets and/or interests in entities, including Qualified REIT Subsidiaries, that hold assets, having an aggregate value not greater than five percent (5%) of the total market value of the General Partner Entity (determined by reference to the value of all outstanding equity securities of the General Partner Entity), provided that (X) the General Partner Entity will apply the net income from such assets (other than net income derived as a result of a Qualified REIT Subsidiary's ownership of an interest in the Partnership) to offset REIT

Expenses before utilizing the distribution provisions of Section 5.1.B, (Y) the General Partner will contribute all net income generated by such assets and/or interests (other than net income derived as a result of a Qualified REIT Subsidiary's ownership of an interest in the Partnership) to the Operating Partnership (after taking into account REIT Expenses as described in clause (X) above), and (Z) the General Partner will use commercially reasonable efforts to transfer such assets and interests (other than interests in Qualified REIT Subsidiaries and the Partnership) to the Operating Partnership or an entity controlled by the Operating Partnership as soon as such a transfer can be made without causing the General Partner or the Operating Partnership to incur any material expenses in connection therewith; and (iv) such bank accounts or similar instruments or account in its own name as it deems necessary to carry out its responsibilities and purposes as contemplated under this Agreement and its organizational documents; and, provided, further, that the General Partner shall be permitted

to acquire, directly or through a Qualified REIT Subsidiary (or other entities that are not taxed as corporations for federal income tax purposes), up to a one percent (1%) interest in any partnership or limited liability company at least ninety-nine percent (99%) of the equity of which is owned directly or indirectly by the Partnership. The General Partner and any of its Affiliates may acquire Limited Partnership Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partnership Interests.

B. Repurchase of Shares. In the event the General Partner exercises its rights under the Declaration of Trust to purchase Shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or share purchase program adopted by the General Partner, any employee share purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, and the General Partner does not resell said Shares within thirty (30) days after the purchase thereof as contemplated in Section 7.4.D(i), then the General Partner shall cause the Partnership to purchase from the General Partner (and eliminate) that number of Partnership Units of the appropriate class equal to the product obtained by multiplying the number of Shares purchased by the General Partner times a fraction, the numerator of which is one and the denominator of which is the Conversion Factor, on the same terms and for the same aggregate price that the General Partner purchased such Shares.

C. Forfeiture of Shares. In the event the Partnership or the General Partner acquires Shares as a result of the forfeiture of such Shares under a restricted or similar share plan, then the General Partner shall cause the Partnership to cancel that number of Partnership Units of the appropriate class equal to the number of Shares so acquired, and, if the Partnership acquired such Shares, it shall transfer such Shares to the General Partner for cancellation.

D. Issuances of Shares. The General Partner shall not grant, award, or issue any additional Shares (other than Shares issued pursuant to Section 8.6 hereof or pursuant to a dividend or distribution (including any share split) of Shares to all of its shareholders), other equity securities of the General Partner, New Securities or Convertible Funding Debt unless (i) the General Partner shall cause, pursuant to Section 4.2.A hereof, the Partnership to issue to the General Partner Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially the same as those of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, and (ii) the General Partner transfers to the Partnership, as an additional Capital Contribution, the proceeds from the grant, award, or issuance of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, or from the exercise of rights contained in such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be. Without limiting the foregoing, the General Partner is expressly authorized to issue additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, for less than fair market value, and the General Partner is expressly authorized, pursuant to Section 4.2.A hereof, to cause the Partnership to issue to the General Partner corresponding Partnership Interests, as long as (a) the General Partner concludes in good faith that such issuance is in the interests of the General Partner and the Partnership (for example, and not by way of limitation, the issuance of Shares and corresponding Partnership Units pursuant to a share purchase plan providing for purchases of Shares, either by employees or shareholders, at a discount from fair market value or pursuant to employee share options that have an exercise price that is less than the fair market value of the Shares, either at the time of issuance or at the time of exercise) and (b) the General Partner transfers all proceeds from any such issuance or exercise to the Partnership as an additional Capital Contribution.

E. Stock Option Plan. If at any time or from time to time, the General Partner sells Shares pursuant to any Stock Option Plan, the General Partner shall transfer the net proceeds of the sale of

such Shares to the Partnership as an additional Capital Contribution in exchange for an amount of additional Partnership Units equal to the number of Shares so sold divided by the Conversion Factor.

F. Funding Debt. The General Partner may incur a Funding Debt, including, without limitation, a Funding Debt that is convertible into Shares or otherwise constitutes a class of New Securities ("Convertible Funding Debt"), subject to the condition that the General Partner lends to the Partnership the net proceeds of such Funding Debt; provided, that Convertible Funding Debt shall be issued pursuant to Section 7.5.D above; and, provided, further, that the General Partner shall not be obligated to lend the net proceeds of any Funding Debt to the Partnership in a manner that would be inconsistent with the General Partner's ability to remain qualified as a REIT. If the General Partner enters into any Funding Debt, the loan to the Partnership shall be on comparable terms and conditions, including interest rate, repayment schedule and costs and expenses, as are applicable with respect to or incurred in connection with such Funding Debt.

A. Transactions with Certain Affiliates. Except as expressly permitted by this Agreement (other than Section 7.1.A hereof, which shall not be considered authority for a transaction that otherwise would be prohibited by this Section 7.6.A), the Partnership shall not, directly or indirectly, sell, transfer or convey any property to, or purchase any property from, or borrow funds from, or lend funds to, any Partner or any Affiliate of the Partnership or the General Partner or the General Partner Entity that is not also a Subsidiary of the Partnership, except pursuant to a transaction that has been approved by a majority of the disinterested trustees (or directors) of the General Partner or General Partner Entity (as applicable), taking into account the fiduciary duties of the General Partner or General Partner Entity (as applicable) to the Limited Partners.

B. Benefit Plans. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

C. Conflict Avoidance. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and General Partner on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

D. Limitation on Loans to the General Partner. Except with the Consent of the Outside Limited Partners, the General Partner may not cause the Partnership to loan money to the General Partner or to any Subsidiary or Affiliate of the General Partner which is not also a Subsidiary or an entity in which the Partnership owns an equity interest.

Section 7.7 Indemnification

A. General. To the maximum extent permitted by applicable law at the time, the Partnership, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorneys fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from or in connection with any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative incurred by the Indemnitee and relating to the Partnership or the General Partner or the formation or the current (and, in the case of the General

Partner's right to indemnification from the Partnership, prior) operations of, or the current (and, in the case of the General Partner's right to indemnification from the Partnership, prior) ownership of property by, either of them as set forth in this Agreement in which any such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established by a final determination of a court of competent jurisdiction that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the Indemnitee actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The obligations of the Partnership under this Section 7.7 shall include reimbursement of the General Partner for any indemnification or advance of expenses by the General Partner pursuant to Title 8, the Declaration of Trust or its Bylaws. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guarantee, contractual obligations for any indebtedness or other obligations or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to). The General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements not inconsistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership and any insurance proceeds from the liability policy covering the General Partner and any Indemnitees, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. Advancement of Expenses. Reasonable expenses expected to be incurred by an Indemnitee shall be paid or reimbursed by the Partnership in advance of the final disposition of any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative made or threatened against an Indemnitee, in the case of any trustee/director or officer who is an Indemnitee upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. No Limitation of Rights. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. Insurance. The Partnership may purchase and maintain insurance on behalf of the Indemnitees and such other Persons as the General Partner shall determine against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Benefit Plan Fiduciary. For purposes of this Section 7.7, (i) the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties

on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan, (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of this Section 7.7 and (iii) actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the

performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be related to the Partnership.

F. No Personal Liability for Limited Partners. In no event may an Indemnitee subject any of the Partners to liability by reason of the indemnification provisions set forth in this Agreement.

G. Interested Transactions. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. Benefit. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7, or any provision hereof, shall be prospective only and shall not in any way affect the obligation of the Partnership to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or related to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. Indemnification Payments Not Distributions. If and to the extent any payments to the General Partner pursuant to this Section 7.7 constitute gross income to the General Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 Liability of the General Partner

A. General. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner and its directors and officers shall not be liable for monetary damages to the Partnership, any Partners or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission if the General Partner acted in good faith.

B. No Obligation to Consider Separate Interests of Limited Partners or Shareholders. The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership and the General Partner's shareholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or Assignees or to such shareholders) in deciding whether to cause the Partnership to take (or decline to take) any actions and that the General Partner shall not be liable for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions, provided that the General Partner has acted in good faith.

C. Actions of Agents. Subject to its obligations and duties as General Partner set forth in Section 7.1.A above, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

D. Effect of Amendment. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters

occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Other Matters Concerning the General Partner

A. Reliance on Documents. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

B. Reliance on Advisors. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. Action Through Agents. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which

is permitted or required to be done by the General Partner hereunder.

D. Actions to Maintain REIT Status or Avoid Taxation of the General Partner Entity or the General Partner (as applicable). Notwithstanding any other provisions of this Agreement (other than the limitations on the General Partner's authority set forth in Sections 7.5, 7.6.A, 7.6.D, and 7.11) or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner Entity or the General Partner (as applicable) to continue to satisfy the REIT Requirements or (ii) to allow the General Partner Entity or the General Partner (as applicable) to avoid incurring any liability for taxes under Section 857 or 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement (other than the limitations on the General Partner's authority set forth in Sections 7.5, 7.6.A, 7.6.D, and 7.11), any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without consent or approval of any other Partner or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership, to enter into any contracts on behalf of the Partnership and to take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if the General Partner were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do

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so for and on behalf of the Partnership, and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

Section 7.11 Restrictions on General Partner's Authority

A. Consent Required. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the written Consent of (i) all Partners adversely affected or (ii) such lower percentage of the Limited Partnership Interests as may be specifically provided for under a provision of this Agreement or the Act.

B. Intentionally Omitted.

C. Required Consent of Certain Partners. (i) The General Partner may not, directly or indirectly, cause the Partnership to take any action prohibited by this Section 7.11.C without the requisite approval as provided in this Section 7.11.C.

- (1) For a period of twenty (20) years following April 15, 1997, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange or otherwise dispose of the property located at Two Penn Plaza, New York, New York or any indirect interest (including, without limitation, any interest of the Partnership in Two Penn Plaza REIT, Inc., and any interest of Two Penn Plaza REIT, Inc., in Vornado Two Penn Plaza L.L.C., whether, in either case, by liquidation, merger or otherwise) therein (collectively, the "Two Penn Plaza Property") (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the Two Penn Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the Two Penn Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Two Penn Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to Two Penn Plaza Associates in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including Partnership Units, if any, held by (I) the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity and (II) the estate of Bernard H. Mendik following his death) (referred to as "Two Penn Plaza Units"). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the Two Penn Plaza Property without the Consent of Partners holding seventy-five percent (75%) of the Two Penn Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of

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such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the Two Penn Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Two Penn Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the Two Penn Plaza Units, incur indebtedness secured by the Two Penn Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the Two Penn Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the Two Penn Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, “breakage” payments and similar costs) incurred in connection with such refinancing. All references in this Section 7.11.C to “commercially reasonable terms” shall be as determined by the General Partner in its sole discretion, exercised in good faith.

- (2) For a period of twenty (20) years following April 15, 1997, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange or otherwise dispose of the property located at Eleven Penn Plaza, New York, New York or any indirect interest therein (collectively, the “Eleven Penn Plaza Property”) (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the Eleven Penn Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the Eleven Penn Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure (provided that the General Partner may not execute

any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Eleven Penn Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to the Eleven Penn Partnerships in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including the Partnership Units, if any, held by (I) General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity and (II) the estate of Bernard H. Mendik following his death) (referred to as “Eleven Penn Plaza Units”). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the Eleven Penn Plaza Property without the Consent of Partners who hold seventy-five percent (75%) of the Eleven Penn Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Eleven Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Eleven Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the Eleven Penn Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the Eleven Penn Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such

indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the Eleven Penn Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Eleven Penn Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the Eleven Penn Plaza Units,

incur indebtedness secured by the Eleven Penn Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the Eleven Penn Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the Eleven Penn Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs (including prepayment fees, “breakage” payments and similar costs) incurred in connection with such refinancing.

- (3) For a period of twenty (20) years following April 15, 1997, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange, or otherwise dispose of the property located at 866 U.N. Plaza, New York, New York or any indirect interest therein (collectively, the “866 U.N. Plaza Property”) (other than an involuntary sale pursuant to foreclosure of the mortgage secured by the 866 U.N. Plaza Property or otherwise, including pursuant to (x) an event described in Section 1033 of the Code (as determined without reference to the property, if any, into which the 866 U.N. Plaza Property is converted), other than a disposition resulting from the mere threat or imminence of a requisition or condemnation and (y) a deed in lieu of foreclosure provided that the General Partner may not execute any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the 866 U.N. Plaza Property has occurred, whether by reason of acceleration or otherwise, or a proceeding in connection with a Bankruptcy of the Partnership, the fee-owning entity or any intermediate Person between them) to any Person without the Consent of the Partners at the time of the proposed sale, exchange or other disposition (other than the General Partner or the General Partner Entity or any Subsidiary of either of the General Partner of the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Partnership Units which were issued with respect to 866 U.N. Plaza Associates in the Consolidation and which remain outstanding (whether held by the original recipient of such Partnership Units or by a successor or transferee of the original recipient, but not including Partnership Units, if any, held by (I) the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity and (II) the estate of Bernard H. Mendik following his death) (referred to as “866 U.N. Plaza Units”). In addition, during such twenty-year period, the General Partner may not, directly or indirectly, cause the Partnership to repay, earlier than one year prior to its stated maturity, any indebtedness secured by the 866 U.N. Plaza Property without the Consent of Partners holding seventy-five percent (75%) of the 866 U.N. Plaza Units, unless such repayment (a) is made in connection with the refinancing (on a basis such that the new debt would be considered a Nonrecourse Liability or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) of such indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the 866 U.N. Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the 866 U.N. Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms, or (b) is made in connection with an involuntary sale pursuant to foreclosure of the mortgage secured by the 866 U.N. Plaza Property or otherwise, including pursuant to a deed in lieu of foreclosure (provided that the General Partner may not execute

any deed in lieu of foreclosure unless the maturity of the indebtedness secured by the 866 U.N. Plaza Property has been accelerated) or a proceeding in connection with a Bankruptcy of the Partnership, of the fee-owning entity or any intermediate Person between them. During such twenty-year period, the General Partner shall use commercially reasonable efforts during the one-year period prior to the stated maturity of such indebtedness to cause the Partnership to refinance (on a basis such that the new debt would be considered a Nonrecourse Liability, or, as contemplated and only to the extent required by clause (2) below, a Partner Nonrecourse Debt) the indebtedness for an amount not less than the principal amount of such indebtedness on the date of such refinancing, provided such refinancing can be obtained on commercially reasonable terms, with such refinancing indebtedness (1) providing for the least amount of principal amortization as is available on commercially reasonable terms and (2) permitting (but not requiring) a guarantee of such indebtedness by the holders of the 866 U.N. Plaza Units who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the 866 U.N. Plaza Units in effect immediately prior to such refinancing, provided that the opportunity to provide such guarantee is obtainable on commercially reasonable terms. Finally, during such twenty-year period, the General Partner shall not, without the Consent of Partners holding seventy-five percent (75%) of the 866 U.N. Plaza Units, incur indebtedness secured by the 866 U.N. Plaza Property if, at the time such indebtedness is incurred, the aggregate amount of the indebtedness secured by the 866 U.N. Plaza Property would exceed the greater of (i) seventy percent (70%) of the fair market value of the 866 U.N. Plaza Property (or the interest therein) securing such indebtedness or (ii) the then outstanding indebtedness being refinanced plus all costs

(including prepayment fees, “breakage” payments and similar costs) incurred in connection with such refinancing.

- (4) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as the case may be (which Property is referred to as the “Exchanged Property”), if such transaction qualifies as a like-kind exchange under Section 1031 of the Code or an involuntary conversion under Section 1033 of the Code (other than an involuntary conversion under Section 1033 of the Code that is described in the second parenthetical to subparagraphs (1), (2) or (3), as the case may be) in which no gain is recognized by the Partnership as long as the following conditions are satisfied: (x) in the case of a Section 1031 like-kind exchange, such exchange is not with a “related party” within the meaning of Section 1031(f)(3) of the Code; (y) the property received in exchange for the Exchanged Property (referred to as the “Replacement Property”) is acquired in the same taxable year of the Partnership in which the disposition of the Exchanged Property occurs and is secured by nonrecourse indebtedness in an amount not less than the outstanding principal amount of the nonrecourse indebtedness secured by the Exchanged Property at the time of the exchange, nor greater than the amount that would be permitted under Sections 7.11.C(1), (2), or (3), as the case may be (except that 70% of fair market value shall be determined by reference to the Replacement Property and not the Exchanged Property, with a maturity not earlier than, and a principal amortization rate not more rapid than, the maturity and principal amortization rate of such indebtedness secured by the Exchanged Property, which indebtedness permits (but does not require) a guarantee of such indebtedness by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case

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may be, who elect to join in such guarantee in a form and on terms consistent with the guarantees by the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, in effect immediately prior to the time of the exchange, and (z) the Replacement Property is thereafter treated for all purposes of the restrictions in this Section 7.11.C as the Exchanged Property and the indebtedness secured by such Replacement Property is subject to the same restrictions and agreements as apply with respect to the indebtedness secured by the Exchanged Property.

- (5) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as the case may be (which Property is referred to as the “Transferred Property”), if (x) such transaction is one in which no gain is recognized with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property by the Partnership or the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, or the 866 U.N. Plaza Units, as the case may be (other than gain, if any, resulting solely because the share, if any, of indebtedness allocable to a Partnership Unit is reduced or eliminated), provided that (i) the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, is not decreased as a result of the transaction and the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, that is a Nonrecourse Liability or Partner Nonrecourse Debt is not reduced, except as permitted by the relevant provisions of Subparagraph (1), (2) or (3) of this Section 7.11.C, and (ii) the indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, continues to be taken into account in determining the Partners’ basis in their Partnership Interests under rules similar to those provided in Section 752 of the Code and (y) the entity to which such Transferred Property is transferred agrees, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, that all of the restrictions of this Section 7.11.C shall apply to the Transferred Property and the indebtedness outstanding with respect thereto in the same manner and to the extent set forth in this Section 7.11.C and such agreement is reflected in the partnership agreement (or other comparable governing instrument) of the entity to which the Transferred Property is transferred.
- (6) Subparagraphs (1), (2), and (3) shall not apply to any transaction that involves either a merger or consolidation of the Partnership with or into another entity that qualifies as a “partnership” for federal income tax purposes (the “Successor Partnership”) or a transfer of all or substantially all of the assets of the Partnership to a Successor Partnership and dissolution of the Partnership in connection therewith (in either case, a “Consolidation Transaction”) so long as (x) no gain is recognized with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property by the Partnership or the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, in connection with such Consolidation Transaction (other than gain, if any, resulting solely because the share, if any, of indebtedness allocable to a Partnership Unit is reduced or eliminated, provided that the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, is not decreased as a result

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of the transaction and the amount of indebtedness secured by the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable, that is a Nonrecourse Liability or Partner Nonrecourse Debt is not reduced, except as permitted by the relevant provisions of Subparagraph (1), (2) or (3) of this Section 7.11.C, and (y) the Successor Partnership agrees in writing, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as the case may be, that all of the restrictions of this Section 7.11.C shall apply

to the Two Penn Plaza Property, the Eleven Penn Plaza Property and the 866 U.N. Plaza Property and the indebtedness outstanding with respect thereto in the same manner and to the extent set forth in this Section 7.11.C.

- (7) Subparagraphs (1), (2) and (3) shall not apply to any transaction not otherwise described in Subparagraph (4), (5) or (6) involving the Two Penn Plaza Property, the Eleven Penn Plaza Property and/or the 866 U.N. Plaza Property if, concurrently with the consummation of such transaction, the Partnership pays to the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units and/or the 866 U.N. Plaza Units, as applicable, in addition to any amounts otherwise distributable under Article V hereof, an amount equal to the lesser of (x) the aggregate federal, state and local income taxes payable by each holder of Two Penn Plaza Units, as applicable, as a result of or in connection with such transactions, or (y) the aggregate federal, state and local income taxes that would have been payable by such holder (or its predecessor in interest) if the relevant property had been sold on April 15, 1997 for its 704(c) Value; provided that the amount referred to in clause (y) shall be reduced to reflect (I) reductions in the Book/Tax Disparity with respect to the Two Penn Plaza Property, the Eleven Penn Plaza Property and/or the 866 U.N. Plaza Property, as applicable, and (II) with respect to a holder who acquired Two Penn Plaza Units, Eleven Penn Plaza Units and/or 866 U.N. Plaza Units, as applicable, subsequent to April 15, 1997, the reduction in gain that results from such holder's having a special inside basis under Section 743 of the Code in the Two Penn Plaza Property, the Eleven Penn Plaza Property or the 866 U.N. Plaza Property, as applicable (by treating the special inside basis as the basis for determining gain on the deemed sale described in clause (y)), but, in either (I) or (II), the gain with respect to which the tax is computed may not be so reduced beneath the "negative basis" associated, as of the Effective Time, with the Two Penn Plaza Units, the Eleven Penn Plaza Units or the 866 U.N. Plaza Units, as appropriate, plus in the case of either (x) or (y), an amount equal to the aggregate federal, state and local income taxes payable by the recipient thereof as the result of the receipt of the payments provided for in this subparagraph (7) (including for this purpose all taxes on payments hereunder intended to compensate the recipient thereof for taxes owed by the recipient). For purposes of the preceding sentence, (x) all income arising from the transaction that is treated as ordinary income under the applicable provisions of the Code and is allocated to the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units and/or the 866 U.N. Plaza Units, as applicable, shall be treated as subject to federal, state and local income tax at the effective tax rate imposed on ordinary income of New York City residents, determined using the maximum federal, New York State and New York City rates on ordinary income then in effect and (y) all other income arising from the transaction and all payments provided for in this subparagraph (7) shall be treated as subject to federal, state and local income tax at the effective tax rate imposed on long-term capital gains of New York City residents, determined using the

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maximum federal, New York State and New York City rates on long-term capital gains then in effect.

If at any time prior to the twentieth (20th) anniversary of April 15, 1997, the Partnership pays the amounts described in subparagraph (7) above in respect of any Partnership Units entitled to the benefits of Section 7.11.C(1), (2) or (3), and the amount of such payment is, at the time that it is made, equal to the full amount that would be payable under such Sections with respect to such Partnership Units if the Two Penn Plaza Property, the Eleven Penn Plaza Property, or the 866 U.N. Plaza Property, as applicable, were to have been sold on such date for its market value, then the provisions of Section 7.11.C shall thereafter cease to apply to those Partnership Units.

(ii) Nothing herein shall be deemed to require that the Partnership or the General Partner take any action to avoid or prevent an involuntary disposition of any property, whether pursuant to foreclosure of a mortgage secured by such property or otherwise, including pursuant to a deed in lieu of foreclosure or a proceeding in connection with a Bankruptcy.

(iii) Nothing herein shall prevent the sale, exchange, transfer or other disposition of any property pursuant to the dissolution and liquidation of the Partnership in accordance with Article XIII hereof (other than Section 13.1(v), which shall be subject to this Section 7.11.C).

D. Merger or Consolidation in Which the Partnership is Not the Surviving Entity. In the event that the Partnership is to merge or consolidate with or into any other entity in a transaction in which holders of Partnership Units will receive consideration other than cash or equity securities that are Publicly Traded (an "Equity Merger") and such Equity Merger would be prohibited by Section 7.11.C but for the application of Section 7.11.C(6) (and not Section 7.1.C(4), (5) or (7)), then, unless the Consent of Certain Limited Partners is obtained:

- (i) the partnership agreement, limited liability agreement or other operative governing documents (the "Charter Documents") of the entity that is the surviving entity in such Equity Merger must contain provisions that are comparable in all material respects to, or the entity that is the surviving entity in such Equity Merger must otherwise agree in writing, for the benefit of the holders of the Two Penn Plaza Units, the Eleven Penn Plaza Units, and the 866 U.N. Plaza Units, to restrictions that are comparable in all material respects to the provisions of Section 4.2.A, Article V and Article VI (except for differences that would be permitted pursuant to Sections 4.2, 5.1.C, 5.4, 6.2 and 14.1.B(3) if such changes were to be made to this Agreement), Section 7.6.A, Section 7.11.A, this Section 7.11.D, Section 8.6 (and all defined terms set forth in Article I that relate to the Redemption Right), Section 11.2, Section 13.1, Section 13.2.A(3) (except as permitted pursuant to Sections 4.2, 5.4, 6.2 and 14.1.B(3)), Section 14.1.C, Section 14.1.D, and Section 14.2, all as in effect immediately prior to the Equity Merger; and
- (ii) the Equity Merger shall not cause a holder of a Partnership Unit to be a general partner or to have liability equivalent to that of a general partner in a partnership or otherwise modify the limited liability of a Limited Partner under this Agreement.

The Partnership may incur Debt, or enter into similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any acquisition of property) with any Person upon such terms as the General Partner determines appropriate; provided, that

the Partnership shall not incur any Debt that is recourse to the General Partner unless, and then only to the extent that, the General Partner has expressly agreed.

ARTICLE VIII
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 hereof, or under the Act.

Section 8.2 Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 Outside Activities of Limited Partners

Subject to Section 7.5 hereof, and subject to any agreements entered into pursuant to Section 7.6.C hereof and to any other agreements entered into by a Limited Partner or its Affiliates with the Partnership or a Subsidiary, any Limited Partner (other than the General Partner) and any officer, director, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct or indirect competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. None of the Limited Partners (other than the General Partner) nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner to the extent expressly provided herein), and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 Return of Capital

Except pursuant to the right of redemption set forth in Section 8.6 below, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions (except as permitted by Section 4.2.A hereof) or, except to the extent provided by Exhibit C hereto or as permitted by Sections 4.2.A, 5.1.B(i) hereof or otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5 Rights of Limited Partners Relating to the Partnership

A. General. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.D below, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Limited Partner's own expense:

- (1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner Entity pursuant to the Exchange Act;
- (2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;
- (3) to obtain a current list of the name and last known business, residence or mailing address of each Partner; and
- (4) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed.

B. Notice of Conversion Factor. The Partnership shall notify each Limited Partner upon request of the then current Conversion Factor and any changes that have been made thereto.

C. Notice of Extraordinary Transaction of the General Partner Entity. The General Partner Entity shall not make any extraordinary distributions of cash or property to its shareholders or effect a merger (including, without limitation, a triangular merger), a sale of all or substantially all of its assets or any other similar extraordinary transaction without notifying the Limited Partners of its intention to make such distribution or effect such merger, sale or other extraordinary transaction at least twenty (20) days prior to the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, at least twenty (20) days before consummation of such merger, sale or other extraordinary transaction). This provision for such notice shall not be deemed (i) to permit any transaction that otherwise is prohibited by this Agreement or requires a Consent of the Partners or (ii) to require a Consent of the Limited Partners to a transaction that does not otherwise require Consent under this Agreement. Each Limited Partner agrees, as a condition to the receipt of the notice pursuant hereto, to keep confidential the information set forth therein until such time as the General Partner Entity has made public disclosure thereof and to use such information during such period of confidentiality solely for purposes of determining whether or not to exercise the Redemption Right; provided, however, that a Limited Partner may disclose such information to its attorney, accountant and/or financial advisor for purposes of obtaining advice with respect to such exercise so long as such attorney, accountant and/or financial advisor agrees to receive and hold such information subject to this confidentiality requirement.

D. Confidentiality. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business or (ii) the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential.

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Section 8.6 Redemption Right

A. General. (i) Subject to Section 8.6.C below, on or after the date one (1) year (or, in the case of Partnership Units owned by a Restricted Partner on or before April 15, 1997, two (2) years (subject to the terms of the parenthetical and the proviso in Section 11.3.A(y))) after April 15, 1997 (or, if later than April 15, 1997, the date of the issuance of a Partnership Unit to a Limited Partner pursuant to Article IV hereof) which one-year (or two-year, if applicable) period shall commence upon the issuance of such Partnership Unit regardless of whether such Partnership Unit is designated upon issuance as a Class A Unit, a Class B Unit, a Class C Unit, a Class D Unit, a Class E Unit or otherwise and shall include any class A Unit issued in exchange for such Partnership Unit pursuant to Section 4.2.D), or on or after such date prior to the expiration of such one-year period or two-year period, as applicable, as the General Partner, in its sole and absolute discretion, designates with respect to any or all Partnership Units then outstanding, the holder of a Partnership Unit (if other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) shall have the right (the "Redemption Right") to require the Partnership to redeem such Partnership Unit on a Specified Redemption Date and at a redemption price equal to and in the form of the Cash Amount to be paid by the Partnership. In addition, at any time commencing on July 15, 1997 and continuing until (but not after) April 15, 1998, any holder of a Class E Unit shall have the right (which shall also be deemed a Redemption Right hereunder) to require the Partnership to redeem such Partnership Unit on a Specified Redemption Date and at a redemption price equal to and in the form of ninety-four percent (94%) of the Cash Amount to be paid by the Partnership. Any such Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the General Partner) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Partner"). A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Partnership Units or, if such Redeeming Partner holds less than one thousand (1,000) Partnership Units, for less than all of the Partnership Units held by such Redeeming Partner.

(ii) The Redeeming Partner shall have no right with respect to any Partnership Units so redeemed to receive any distributions paid after the Specified Redemption Date, unless the record date for such distribution was a date prior to the Specified Redemption Date.

(iii) The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and shall be bound by the exercise of such rights by such Limited Partner's Assignee. In connection with any exercise of the such rights by such Assignee on behalf of such Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

(iv) In the event that the General Partner provides notice to the Limited Partners, pursuant to Section 8.5.C hereof, the Redemption Right shall be exercisable, subject to the one-year limitation contained in Section 8.6(a)(i) (and, for purposes of this clause (iv), the two-year limitation imposed on Restricted Partners under this Section 8.6 shall be shortened to one year after April 15, 1997), during the period commencing on the date on which the General Partner provides such notice and ending on the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, the date that is twenty (20) days after the date the General Partner provides such notice pursuant to Section 8.5.C hereof). In the event that this subparagraph (iv) applies, the Specified Redemption Date shall be the sooner of (1) the tenth (10th) Business Day after the Partnership receives the Redemption Notice or (2) the Business Day immediately preceding the record date to determine shareholders eligible to receive a distribution or vote on approval; provided that if such time determined pursuant to clause (1) or (2) above occurs in less than ten (10) Business Days and the Partnership elects to redeem the subject Partnership Units for cash, the Partnership will have up to ten (10) Business Days from receipt of the Redemption Notice to deliver payment in respect of such Partnership Units.

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(v) Notwithstanding the terms of Section 8.6.A(i) or anything else in this Agreement to the contrary, if there shall have been a merger or consolidation of the General Partner, or a sale or all or substantially all of the assets of the General Partner as an entirety, and in either case, in connection therewith, the shareholders of the General Partner are obligated to accept cash and/or debt obligations in full or partial consideration for their Shares, then the portion of the Redemption Amount per Partnership Unit that corresponds to the portion of Value of the total consideration receivable for one Share multiplied by the Conversion Factor (a “Unit Equivalent”) that is required to be accepted in cash and/or debt obligations shall thereafter be an amount of cash equal to the sum of (i) the cash payable for a Unit Equivalent on the date of the closing of such merger, consolidation or sale and (ii) the Value on the date of the closing of such merger, consolidation, or sale of the debt obligations to be received with respect to a Unit Equivalent, adjusted as set forth below (this amount of cash is referred to as the “Required Cash Payment”) (the percentage that the Required Cash Payment represents of the total Redemption Amount with respect to a Partnership Unit, determined as of such closing date, is referred to as the “Pro Rata Portion”). The balance of the Redemption Amount per Partnership Unit shall be determined as provided for in the definitions of Conversion Factor, Redemption Amount, Shares Amount, Cash Amount and Value. In the event that the merger, consolidation or sale giving rise to the application of this clause (v) occurs at a time when there shall be any Persons the consent of whom is required pursuant to the definition of “Consent of Certain Limited Partners”, then the Required Cash Payment shall be increased by a cash payment to the extent required to provide such Limited Partner, upon the exercise of its Redemption Right with respect to a Partnership Unit, with an Internal Rate of Return on such Required Cash Payment for the period from the date of such merger, consolidation or sale to the date of the redemption of the Partnership Unit, when taken together with the Pro Rata Portion of all distributions received by such Limited Partner with respect to such Partnership Unit from and after the effective date of the merger, consolidation or sale equal to the Treasury Constant Yield. As used herein, the “Treasury Constant Yield” shall mean the arithmetic mean of the rates published as “Treasury Constant Maturities” as of 5:00 p.m., New York time, for the five business days preceding the effective date of the merger, consolidation or sale, as shown on the USD screen of the Telerate service (or if such service is not available, under Section 504 in the weekly statistical release designated H.15(519) (or any successor publication) published by the Board of Governors of the Federal Reserve System, for “On the Run” U.S. Treasury obligations corresponding to the twentieth anniversary of the date hereof). If no such maturity shall so exactly correspond, yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Constant Yield shall be interpolated or extrapolated (as applicable) from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month). As used herein, “Internal Rate of Return” shall mean, with respect to a rate of return of the Constant Treasury Yield, commencing on the effective date of the merger, consolidation or sale, compounded quarterly to the extent not paid on a current basis, taking into account the timing and amounts of this Pro Rata Portion of all distributions by the Partnership to such Partner with respect to such Partnership Unit; for purposes of computing the Internal Rate of Return, distributions to a Partner at any time during a month shall be deemed to be made and received on the day actually made.

B. General Partner Assumption of Right. (i) If a Limited Partner has delivered a Notice of Redemption (other than a Notice of Redemption relating to a Class E Unit given prior to April 15, 1998), the General Partner may, in its sole and absolute discretion (subject to any limitations on ownership and transfer of Shares set forth in the Declaration of Trust), elect to assume directly and satisfy a Redemption Right by paying to the Redeeming Partner either the Cash Amount or the Shares Amount, as the General Partner determines in its sole and absolute discretion (provided that payment of the Redemption Amount in the form of Shares shall be in Shares registered under Section 12 of the Exchange Act and listed for trading on the exchange or national market on which the Shares are Publicly Traded, and provided, further, that in the event that the Shares are not Publicly Traded at the time a Redeeming Partner exercises its Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount), on the Specified Redemption Date, whereupon the General Partner shall acquire the Partnership

Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units and such Partnership Units shall automatically convert to Class A Units upon acquisition by the General Partner. Unless the General Partner, in its sole and absolute discretion, shall exercise its right to assume directly and satisfy the Redemption Right, the General Partner shall not have any obligation to the Redeeming Partner or to the Partnership with respect to the Redeeming Partner’s exercise of the Redemption Right. In the event the General Partner shall exercise its right to satisfy the Redemption Right in the manner described in the first sentence of this Section 8.6.B and shall fully perform its obligations in connection therewith, the Partnership shall have no right or obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner’s exercise of the Redemption Right, and each of the Redeeming Partner, the Partnership and the General Partner shall, for federal income tax purposes, treat the transaction between the General Partner and the Redeeming Partner as a sale of the Redeeming Partner’s Partnership Units to the General Partner. Nothing contained in this Section 8.6.B shall imply any right of the General Partner to require any Limited Partner to exercise the Redemption Right afforded to such Limited Partner pursuant to Section 8.6.A above.

(ii) In the event that the General Partner determines to pay the Redeeming Partner the Redemption Amount in the form of Shares, the total number of Shares to be paid to the Redeeming Partner in exchange for the Redeeming Partner’s Partnership Units shall be the applicable Shares Amount. In the event this amount is not a whole number of Shares, the Redeeming Partner shall be paid (i) that number of Shares which equals the nearest whole number less than such amount plus (ii) an amount of cash which the General Partner determines, in its reasonable discretion, to represent the fair value of the remaining fractional Share which would otherwise be payable to the Redeeming Partner.

(iii) Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of Shares upon exercise of the Redemption Right.

C. Exceptions to Exercise of Redemption Right. Notwithstanding the provisions of Sections 8.6.A and 8.6.B above, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A above if (but only as long as) the delivery of Shares to such Partner on the Specified Redemption Date (i) would be prohibited under the Declaration of Trust, or (ii) as long as the Shares are Publicly Traded, would be prohibited under applicable federal or state securities laws or regulations (assuming the General Partner would in fact assume and satisfy the Redemption Right).

D. No Liens on Partnership Units Delivered for Redemption. Each Limited Partner covenants and agrees with the General Partner that all Partnership Units delivered for redemption shall be delivered to the Partnership or the General Partner, as the case may be, free and clear of all liens, and, notwithstanding anything contained herein to the contrary, neither the General Partner nor the Partnership shall be under any obligation to acquire Partnership Units which are or may be subject to any liens. Each Limited Partner further agrees that, in the event any state or local property transfer tax is payable as a result of the transfer of its Partnership Units to the Partnership or the General Partner, such Limited Partner shall assume and pay such transfer tax.

E. Additional Partnership Interests. In the event that the Partnership issues Partnership Interests to any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such amendments to this Section 8.6 as it determines are necessary to reflect the issuance of such Partnership Interests (including setting forth any restrictions on the exercise of the Redemption Right with respect to such Partnership Interests).

F. Transfer Tax Limitations. Notwithstanding anything herein to the contrary, until the first business day following April 15, 1999, the Partnership and the General Partner shall have the right, in connection with a Limited Partner's exercise of its Redemption Right:

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- (1) to condition the payment of the redemption price under Section 8.6(A)(i) upon the General Partner's sole satisfaction that any New York Real Estate Transfer Tax and New York City Real Property Transfer Tax payable by reason of such Limited Partner's redemption prior to April 15, 1999 shall have been paid in full or that adequate provision has been made therefor (as determined by the General Partner in its sole discretion); and
- (2) if the General Partner elects under Section 8.6.B to pay the Shares Amount, then such Limited Partner shall be obligated, as a condition to the effective exercise of the Redemption Right, to escrow with the General Partner an amount equal to the New York Real Estate Transfer Tax and New York City Real Property Transfer Tax that would have been payable as of the exercise of the Redemption Right, assuming such Limited Partner transferred the Share Amount received on such date prior to April 15, 1999. Such escrow may be used by the General Partner or the Limited Partner who provided such escrow for the payment of the taxes described in this subparagraph (2) above, provided, in the latter event, the General Partner shall have determined, in its good faith discretion, that such tax will be paid. Such escrow shall be released to the Limited Partner, to the extent not used, after April 15, 1999 if the General Partner shall determine in its sole discretion exercised in good faith that no such transfer tax shall have been due and payable.

Section 8.7 Right of Offset

The General Partner shall have the right to offset any amounts owed to the Partnership or the General Partner by any Limited Partner pursuant to (i) any written agreement between such Limited Partner and the Partnership, the General Partner or an Affiliate of either of them pursuant to which such Limited Partner acquired Partnership Units or (ii) the provisions of Section 5.2, Section 8.6.F or Section 11.7 of this Agreement, against any amounts owed to such Limited Partner by the Partnership or the General Partner hereunder, including the right to cancel or acquire, as applicable, the Units held by such Limited Partner, based on the Cash Amount that would be payable therefor, assuming a redemption as of the date of cancellation or acquisition, as applicable. In exercising the foregoing offset rights, the General partner shall be required to give a Limited Partner, in the case of an offset against a distribution, five (5) days prior written notice (provided, however, that if a distribution is to be made at any time during such five day period the General Partner may retain the distribution payable to any Limited Partner to whom such a written notice has been given to the extent of the amount owed by such limited Partner pending the passage of such period and upon the passage of such period without payment of all amounts owed by the applicable Limited Partner, the General Partner shall be entitled to the right of offset described above, it being understood that if the Limited Partner pays in full the amount owed the General Partner shall promptly release the retained distribution to such Limited Partner) and, in the case of an offset against Partnership Units (through cancellation or acquisition), ten (10) days' prior written notice, in each case of the amount owed (determined as of a date reasonably close to the date of such notice) and the proposed offset and the Limited Partner has not paid the amount owed within such period.

ARTICLE IX BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including, without limitation, all

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books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 below. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, computer disk, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2 Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

Section 9.3 Reports

A. Annual Reports. As soon as practicable, but in no event later than the date on which the General Partner Entity mails its annual report to its shareholders, the General Partner shall cause to be mailed to each Limited Partner an annual report, as of the close of the most recently ended Partnership Year, containing financial statements of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner Entity.

B. Quarterly Reports. If and to the extent that the General Partner Entity mails quarterly reports to its shareholders, as soon as practicable, but in no event later than the date on which such reports are mailed, the General Partner shall cause to be mailed to each Limited Partner a report containing unaudited financial statements, as of the last day of such quarter, of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE X TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code; provided, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

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Section 10.3 Tax Matters Partner

A. General. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address, taxpayer identification number and profit interest of each of the Limited Partners and any Assignees; provided, that such information is provided to the Partnership by the Limited Partners.

B. Powers. The tax matters partner is authorized, but not required:

- (1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a "notice partner" (as defined in Section 6231(a)(8) of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);
- (2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Partnership's principal place of business is located;
- (3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;
- (4) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to

such request;

- (5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and
- (6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 hereof shall be fully applicable to the tax matters partner in its capacity as such.

C. Reimbursement. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm or a law firm to assist the tax matters partner in discharging its duties hereunder, as long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

Section 10.5 Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Section 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a recourse loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the *Wall Street Journal*, plus four (4) percentage points (but not higher than the maximum lawful rate) from the date such amount is due (*i.e.*, fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE XI TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer

A. Definition. The term "transfer," when used in this Article XI with respect to a Partnership Interest or a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign all or any part of its General Partnership Interest to another Person or by which a Limited Partner purports to assign all or any part of its Limited Partnership Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article XI does not include any redemption or repurchase of Partnership Units by the Partnership from a Partner (including the General Partner) or acquisition of Partnership Units from a Limited Partner by the General Partner pursuant to Section 8.6 hereof or otherwise. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and no part of the interest of a Limited Partner may be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. General. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article XI. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article XI shall be null and void.

Section 11.2 Transfers of Partnership Interests of General Partner

A. Except for transfers of Partnership Units to the Partnership as provided in Section 7.5 or Section 8.6 hereof, the General Partner may not transfer any of its Partnership Interest (including both its General Partnership Interest and its Limited Partnership Interest) except in connection with a transaction described in Section 11.2.B below or as otherwise expressly permitted under this Agreement), nor shall the General Partner withdraw as General Partner except in connection with a transaction described in Section 11.2.B below.

B. The General Partner shall not engage in any merger (including a triangular merger), consolidation or other combination with or into another person, sale of all or substantially all of its assets or any reclassification, recapitalization or change of the terms of any outstanding Common Shares (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination as described in the definition of "Conversion Factor") ("Termination Transaction"), unless, in connection therewith, all Limited Partners (other than the General Partner, the General Partner Entity and any entities controlled by either of them) will have the right to elect to receive, or, subject to Section 7.11.C., will receive, for each Partnership Unit an amount of cash, securities, or other property equal to the product of the Conversion Factor and the greatest amount of cash, securities or other property paid to a holder of Shares, if any, corresponding to such Partnership Unit in consideration of one such Share; provided, that if, in connection with the Termination Transaction, a purchase, tender or exchange offer shall have first been made to and accepted by the holders of more than fifty percent (50%) of the outstanding Shares and a holder of Partnership Units did not receive advance written notice (whether from the General Partner, the offeror or otherwise) of the offer and an opportunity to redeem its Partnership Units substantially in accordance with the provisions in Section 8.6, then such holder of Partnership Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities, or other property which such holder would have received had it exercised the Redemption Right and received Shares in exchange for its Partnership Units immediately prior to such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and to the extent required by the terms thereof applicable to all other holders of Shares participating in the purchase, tender or exchange offer, participated in all other phases of such Termination Transaction as well.

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Section 11.3 Limited Partners' Rights to Transfer

A. General. Subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, prior to the first anniversary (or, in the case of a Restricted Partner, the second anniversary or, in the case of Bernard H. Mendik or David R. Greenbaum only, such earlier date, if any, on which such individual's employment with the Partnership shall be terminated without Cause, due to a Disability or for Good Reason (as such terms are defined in the case of Mr. Mendik in Exhibit B to the Noncompetition Agreement dated as of April 15, 1997 by and among Vornado Realty Trust, The Mendik Company, L.P. and Bernard H. Mendik, and in the case of Mr. Greenbaum in Section 4(b), Section 4(c), and Section 4(d) of the Employment Agreement dated as of April 15, 1997 by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum)) of April 15, 1998, the Limited Partnership Interest of any Partner may not be transferred in whole or in part, directly, indirectly or beneficially, without the prior written consent of the General Partner, which consent the General Partner may withhold in its sole discretion; provided, however, that it is expressly understood that subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below each Limited Partner will be permitted to make one or more transfers to any Affiliated Transferee of such Limited Partner. Commencing on April 15, 1998 (or (x) in the case of a holder of Class E Units but only with respect to such Class E Units, commencing on July 15, 1997, and (y) in the case of a Restricted Partner, April 15, 1999; provided, however, that the Partnership Units identified on Exhibit H hereto (which Partnership Units are beneficially owned, directly or indirectly, through a Restricted Partner by the Persons named opposite such Partnership Units on Exhibit H) shall not be deemed to be held by a Restricted Partner for purposes of Section 8.6.A and this Section 11.3.A), and subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E, 11.4 and 11.6 below, a Limited Partner (other than the General Partner or the General Partner Entity or any Subsidiary of either of them) may transfer all or any portion of its Limited Partnership Interest to any person, provided such Limited Partner obtains the prior written consent of the General Partner, which consent may be withheld only if the General Partner determines in its sole discretion exercised in good faith that such a transfer would cause the Partnership or any or all of the Partners other than the Limited Partner seeking to transfer its rights as a Limited Partner to be subject to tax liability as a result of such transfer. Any purported transfer attempted in violation of the foregoing sentence shall be deemed void *ab initio* and shall have no force or effect.

B. Incapacitated Limited Partners. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. No Transfers Violating Securities Laws. The General Partner may prohibit any transfer of Partnership Units by a Limited Partner if, in the opinion of legal counsel to the Partnership, such transfer would require filing of a registration statement under the Securities Act or would otherwise violate any federal, or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No Transfers Affecting Tax Status of Partnership. No transfer of Partnership Units by a Limited Partner (including a redemption or exchange pursuant to Section 8.6 hereof) may be made to any Person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes or would result in a termination of the Partnership for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity or pursuant to a transaction not prohibited under Section 11.2 hereof), (ii) in the opinion of legal counsel for the Partnership, it would adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to continue to

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qualify as a REIT or would subject the General Partner Entity or the General Partner (as applicable) to any additional taxes under Section 857 or Section 4981 of the Code or (iii) such transfer is effectuated through an “established securities market” or a “secondary market (or the substantial equivalent thereof)” within the meaning of Section 7704 of the Code.

E. No Transfers to Holders of Nonrecourse Liabilities. No pledge or transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability without the consent of the General Partner, in its sole and absolute discretion; provided, that as a condition to such consent the lender will be required to enter into an arrangement with the Partnership and the General Partner to exchange or redeem for the Redemption Amount any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

F. Certain Pledged Interests. Concurrently with the execution and delivery of this Agreement, (i) to secure its obligations under the Indemnification Agreement, dated as of April 15, 1997, among the Partnership, FW/Mendik LLC and others, FW/Mendik LLC, a Limited Partner, is pledging a portion of its limited partnership interest pursuant to a Pledge and Security Agreement, dated as of April 15, 1997, namely, 360,577 Class C Units represented by “Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - C 2”; (ii) to secure its obligations under the letter agreement relating to certain management agreements, dated as of April 15, 1997, between FW/Mendik LLC and the Partnership, FW/Mendik LLC is pledging a portion of its limited partnership interest pursuant to a Pledge and Security Agreement, dated as of the date hereof, namely, 40,386 Class C Units represented by “Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - C 3”; and (iii) to secure their respective obligations under the Agreement for Contribution of Interests in Eleven Penn Plaza Company, dated as of March 11, 1997, by and among The Mendik Company, L.P., Nicardo Corporation, N.V., Rcay, S.A. and Bernard H. Mendik, Rcay, S.A. and Nicardo Corporation, N.V. are pledging a portion of their limited partnership interests, namely 44,716 and 102,860 Class E Units, respectively, represented by “Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - E 1” and “Certificate Evidencing Partnership Interests in Vornado Realty L.P., Certificate No. R - E 3”, respectively.

Section 11.4 Substituted Limited Partners

A. Consent of General Partner. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in its place without the consent of the General Partner to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner’s failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. Rights of Substituted Limited Partner. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article XI shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be conditioned upon the transferee executing and delivering to the Partnership an acceptance of all the terms and conditions of this Agreement (including, without limitation, the provisions of Section 15.11 hereof and such other documents or instruments as may be required to effect the admission).

C. Amendment and Restatement of Exhibit A. Upon the admission of a Substituted Limited Partner, the General Partner shall amend and restate Exhibit A hereto to reflect the name, address, Capital Account, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and

to eliminate or adjust, if necessary, the name, address, Capital Account and Percentage Interest of the predecessor of such Substituted Limited Partner.

Section 11.5 Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 above as a Substituted Limited Partner, as described in Section 11.4 above, such transferee shall be considered an Assignee for purposes of this Agreement, subject, however, to Section 11.7 hereof. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain, loss and Recapture Income attributable to the Partnership Units assigned to such transferee, and shall have the rights granted to the Limited Partners under Section 8.6 hereof, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to vote such Partnership Units in any matter presented to the Limited Partners for a vote (such Partnership Units being deemed to have been voted on such matter in the same proportion as all other Partnership Units held by Limited Partners are voted). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article XI to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

Section 11.6 General Provisions

A. Withdrawal of Limited Partner. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner’s Partnership Units in accordance with this Article XI or pursuant to redemption of all of its Partnership Units under Section 8.6 hereof.

B. Termination of Status as Limited Partner. Any Limited Partner who shall transfer all of its Partnership Units in a transfer

permitted pursuant to this Article XI or pursuant to redemption of all of its Partnership Units under Section 8.6 hereof shall cease to be a Limited Partner.

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

D. Allocations. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article XI or redeemed or transferred pursuant to Section 8.6 hereof, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly, or a monthly proration period, in which event Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be prorated based upon the applicable method selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions attributable to any Partnership Unit with respect to which the Partnership Record Date is before the date of such transfer, assignment or redemption shall be made to the transferor Partner or the Redeeming Partner, as the case may be, and, in the case of a transfer or assignment other than a redemption, all distributions thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

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E. Additional Restrictions. In addition to any other restrictions on transfer herein contained, including without limitation the provisions of this Article XI, in no event may any transfer or assignment of a Partnership Interest by any Partner (including pursuant to Section 8.6 hereof) be made without the express consent of the General Partner, in its sole and absolute discretion, (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for federal or state income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners or pursuant to a transaction not prohibited under Section 11.2 hereof); (v) if in the opinion of counsel to the Partnership, such transfer would cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Partnership Units held by all Limited Partners or pursuant to a transaction not prohibited under Section 11.2 hereof); (vi) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (vii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.1-101; (viii) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (ix) if such transfer is effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code or such transfer causes the Partnership to become a "publicly traded partnership," as such term is defined in Section 469(k)(2) or Section 7704(b) of the Code; (x) if such transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended; (xi) if the transferee or assignee of such Partnership Interest is unable to make the representations set forth in Section 15.15 hereof or such transfer could otherwise adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to remain qualified as a REIT; or (xii) if in the opinion of legal counsel for the Partnership, such transfer would adversely affect the ability of the General Partner Entity or the General Partner (as applicable) to continue to qualify as a REIT or subject the General Partner Entity or the General Partner (as applicable) to any additional taxes under Section 857 or Section 4981 of the Code.

F. Avoidance of "Publicly Traded Partnership" Status. The General Partner shall (a) use commercially reasonable efforts (as determined by it in its sole discretion exercised in good faith) to monitor the transfers of interests in the Partnership to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and (ii) whether additional transfers of interests would result in the Partnership being unable to qualify for at least one of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "Safe Harbors") and (b) take such steps as it believes are commercially reasonable and appropriate (as determined by it in its sole discretion exercised in good faith) to prevent any trading of interests or any recognition by the Partnership of transfers made on such markets and, except as otherwise provided herein, to insure that at least one of the Safe Harbors is met.

Section 11.7 Payment of Incremental Tax

Notwithstanding anything herein to the contrary, until the business day immediately following the second anniversary of April 15, 1997, no Person shall be admitted as a Substitute Limited Partner and no person shall be considered an Assignee for purposes of this Agreement, and any transaction or other form of conveyance or disposition of any sort whatsoever purporting to transfer an interest in this Agreement

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or in the Partnership or substitute a limited partner shall be null and void and of no force and effect unless concurrently with such purported transfer the transferor shall establish to the sole satisfaction of the General Partner exercised in good faith that any New York State Transfer Tax and/or New York City Real Estate Transfer Tax payable in connection with the purported transfer by reason of the transferor's failure to hold for a

two-year period the Partnership Units issued as of April 15, 1997 shall have been paid. A Limited Partner shall be obligated to pay the transfer taxes described above in this Section 11.7.

ARTICLE XII ADMISSION OF PARTNERS

Section 12.1 Admission of Successor General Partner

A successor to all of the General Partner's General Partnership Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner's executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

Section 12.2 Admission of Additional Limited Partners

A. General. No Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent shall be given or withheld in the General Partner's sole and absolute discretion. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement, including, without limitation, pursuant to Section 4.1.C hereof, or who exercises an option to receive Partnership Units shall be admitted to the Partnership as an Additional Limited Partner only with the consent of the General Partner and only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 15.11 hereof and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

B. Allocations to Additional Limited Partners. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Additional Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly or monthly proration method, in which event Net Income, Net Losses, and each item thereof would be prorated based upon the applicable period selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Partners and Assignees including such Additional Limited Partner. All distributions with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

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Section 12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership (including an amendment and restatement of Exhibit A hereto) and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 15.11 hereof.

ARTICLE XIII DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "Liquidating Event"):

- (i) the expiration of its term as provided in Section 2.4 hereof;
- (ii) an event of withdrawal of the General Partner, as defined in the Act (other than an event of Bankruptcy), unless, within ninety (90) days after the withdrawal a Majority in Interest of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;
- (iii) an election to dissolve the Partnership made by the General Partner, in its sole and absolute discretion, after December 31, 2046;
- (iv) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;
- (v) the sale of all or substantially all of the assets and properties of the Partnership for cash or for marketable

securities (subject to Section 7.11.C); or

(vi) a final and nonappealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and nonappealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to or within ninety days after of the entry of such order or judgment a Majority in Interest of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

Section 13.2 Winding Up

A. General. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the

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Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include equity or other securities of the General Partner or any other entity) shall be applied and distributed in the following order:

- (1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;
- (2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the Partners; and
- (3) The balance, if any, to the Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article XIII.

B. Deferred Liquidation. Notwithstanding the provisions of Section 13.2.A above which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A above, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

Section 13.3 Compliance with Timing Requirements of Regulations

Subject to Section 13.4 below, in the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article XIII to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article XIII may be: (A) distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership (in which case the assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the General Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement); or (B) withheld to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect

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the unrealized portion of any installment obligations owed to the Partnership, provided, that such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

Section 13.4 Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article XIII, in the event the Partnership is deemed liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's

liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax purposes and for purposes of maintaining Capital Accounts pursuant to Exhibit B hereto, the Partnership shall be deemed to have distributed its assets in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such assets subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership assets in kind to the Partnership, which shall be deemed to have assumed and taken such assets subject to all such liabilities.

Section 13.5 Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have priority over any other Limited Partner as to the return of its Capital Contributions, distributions, or allocations.

Section 13.6 Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of an election or objection by one or more Partners pursuant to Section 13.1 above, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

Section 13.7 Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 above, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.8 Reasonable Time for Winding Up

A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 above, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect among the Partners during the period of liquidation.

Section 13.9 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

Section 13.10 Liability of Liquidator

The Liquidator shall be indemnified and held harmless by the Partnership in the same manner and to the same degree as an Indemnitee may be indemnified pursuant to Section 7.11 hereof.

ARTICLE XIV AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

Section 14.1 Amendments

A. General. Amendments to this Agreement may be proposed only by the General Partner. Following such proposal (except an amendment pursuant to Section 14.1.B below), the General Partner shall submit any proposed amendment to the Limited Partners and shall seek the written vote of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written vote, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partner's recommendation with respect to the proposal; provided, however, that in the case of any Consent required under Section 7.11.C or 7.11.D, the General Partner shall be required to give the Limited Partners (other than Mr. Mendik, Mr. Greenbaum or any Mendik Owners with respect thereto) entitled to vote thereon two (2) written requests for a response and in determining the votes cast for or against such Consent the Partnership Units of Limited Partners (other than Mr. Mendik, Mr. Greenbaum or any Mendik Owners with respect thereto) entitled to vote thereon who do not respond in writing to either such request within the time period established by the General Partner shall be deemed to have been voted for or against the proposed Consent in the same proportion as the votes actually received.

B. Amendments Not Requiring Limited Partner Approval. Subject to Section 14.1.C and 14.1.D, the General Partner shall have the power, without the Consent of the Limited Partners, to amend this Agreement as may be required to reflect any changes to this Agreement that the General Partner deems necessary or appropriate in its sole discretion, provided that such change does not adversely affect or eliminate any right granted to a Limited Partner pursuant to any of the provisions of this Agreement specified in Section 14.1.C or Section 14.1.D as requiring a particular minimum vote. The General Partner shall notify the Limited Partners when any action under this Section 14.1.B is taken in the next regular communication to the Limited Partners.

C. Amendments Requiring Limited Partner Approval (Excluding General Partner). Without the Consent of the Outside Limited Partners, the General Partner shall not amend Section 4.2.A, Section 5.1.C, Section 7.5, Section 7.6, Section 7.8, Section 11.2, Section 13.1, this Section 14.1.C or Section 14.2.

D. Other Amendments Requiring Certain Limited Partner Approval. Notwithstanding anything in this Section 14.1 to the contrary, this Agreement shall not be amended with respect to any Partner adversely affected without the Consent of such Partner adversely affected if such amendment would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest, (ii) modify the limited liability of a Limited Partner, (iii) amend Section 7.11.A, (iv) amend Article V, Article VI, or Section 13.2.A(3) (except as permitted pursuant to Sections 4.2, 5.1.C, 5.4 and 6.2, (v) amend Section 8.6 or any defined terms set forth

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in Article I that relate to the Redemption Right (except as permitted in Section 8.6.E), or (vi) amend this Section 14.1.D. In addition, any amendment to Section 7.11.C of this Agreement shall require the following consent:

(i) In the event that the amendment to Section 7.11.C affects the Two Penn Plaza Property or the rights of holders of Two Penn Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Two Penn Plaza Units;

(ii) In the event that the amendment to Section 7.11.C affects the Eleven Penn Plaza Property or the rights of holders of Eleven Penn Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the Eleven Penn Plaza Units; and

(iii) In the event that the amendment to Section 7.11.C affects the 866 U.N. Plaza Property or the rights of holders of 866 U.N. Plaza Units, such amendment shall require the Consent of Partners (other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) who hold seventy-five percent (75%) of the 866 U.N. Plaza Units.

E. Amendment and Restatement of Exhibit A Not An Amendment. Notwithstanding anything in this Article XIV or elsewhere in this Agreement to the contrary, any amendment and restatement of Exhibit A hereto by the General Partner to reflect events or changes otherwise authorized or permitted by this Agreement, whether pursuant to Section 7.1.A(20) hereof or otherwise, shall not be deemed an amendment of this Agreement and may be done at any time and from time to time, as necessary by the General Partner without the Consent of the Limited Partners.

F. Amendment by Merger. In the event that the Partnership participates in any merger (including a triangular merger), consolidation or combination with another entity in a transaction not otherwise prohibited by this Agreement and as a result of such merger, consolidation or combination this Agreement is to be amended (or a new agreement for a limited partnership or limited liability company, as applicable, is to be adopted for the surviving entity) and any of the Outside Limited Partners (as defined herein in "Consent of Outside Limited Partners") will hold equity interests in the continuing or surviving entity, then any such amendments to this Agreement (or changes from this Agreement reflected in the new agreement for the surviving entity) shall require the consents provided in Section 14.1.C and Section 14.1.D.

Section 14.2 Meetings of the Partners

A. General. Meetings of the Partners may be called only by the General Partner. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting; provided that a Partner's attendance at any meeting of Partners shall be deemed a waiver of the foregoing notice requirement with respect to such Partner. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1.A above. Except as otherwise expressly provided in this Agreement, the Consent of holders of a majority of the Percentage Interests held by Limited Partners (including Limited Partnership Interests held by the General Partner) shall control.

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B. Actions Without a Meeting. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Proxy. Each Limited Partner may authorize any Person or Persons to act for such Limited Partner by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it, such revocation

to be effective upon the Partnership's receipt of notice thereof in writing.

D. Conduct of Meeting. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

ARTICLE XV GENERAL PROVISIONS

Section 15.1 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A hereto or such other address as the Partners shall notify the General Partner in writing.

Section 15.2 Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 15.3 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.4 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

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Section 15.5 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.6 Creditors; Other Third Parties

Other than as expressly set forth herein with regard to any Indemnitee, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor or other third party having dealings with the Partnership.

Section 15.7 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.8 Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 Applicable Law

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

Section 15.10 Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.11 Power of Attorney

A. General. Each Limited Partner and each Assignee who accepts Partnership Units (or any rights, benefits or privileges

associated therewith) is deemed to irrevocably constitute and appoint the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

- (1) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or any Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property, (b) all instruments that the

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General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms, (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation, (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article XI, XII or XIII hereof or the Capital Contribution of any Partner and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

- (2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained in this Section 15.11 shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article XIV hereof or as may be otherwise expressly provided for in this Agreement.

B. **Irrevocable Nature.** The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner or any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 15.12 Entire Agreement

This Agreement and all Exhibits attached hereto (which Exhibits are incorporated herein by reference as if fully set forth herein) contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any prior written oral understandings or agreements among them with respect thereto.

Section 15.13 No Rights as Shareholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of the Partnership Units any rights whatsoever as shareholders of the General Partner Entity or the General

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Partner (if different), including, without limitation, any right to receive dividends or other distributions made to shareholders of the General Partner Entity or the General Partner (if different) or to vote or to consent or receive notice as shareholders in respect to any meeting of shareholders for the election of directors of the General Partner Entity or the General Partner (if different) or any other matter.

Section 15.14 Limitation to Preserve REIT Status

To the extent that any amount paid or credited to the General Partner or its officers, directors, employees or agents pursuant to Section 7.4 or Section 7.7 hereof would constitute gross income to the General Partner Entity or the General Partner (if it is to be qualified as a REIT) for purposes of Section 856(c)(2) or 856(c)(3) of the Code (a "General Partner Payment") then, notwithstanding any other provision of this Agreement, the amount of such General Partner Payments for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 5% of the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) total gross income (but not including the amount of any General Partner Payments) for the fiscal year over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner Entity or the General Partner (if it is to be qualified as a REIT) from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any General Partner Payments); or

(ii) an amount equal to the excess, if any of (a) 25% of the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) total gross income (but not including the amount of any General Partner Payments) for the fiscal year over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner Entity or the General Partner (if it is to be qualified as a REIT) from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (but not including the amount of any General Partner Payments);

provided, however, that General Partner Payments in excess of the amounts set forth in subparagraphs (i) and (ii) above may be made if the General Partner Entity or the General Partner (if it is to be qualified as a REIT), as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts would not adversely affect the General Partner Entity's or the General Partner's (if it is to be qualified as a REIT) ability to qualify as a REIT. To the extent General Partner Payments may not be made in a year due to the foregoing limitations, such General Partner Payments shall carry over and be treated as arising in the following year, provided, however, that such amounts shall not carry over for more than five years, and if not paid within such five year period, shall expire; provided, further, that (i) as General Partner Payments are made, such payments shall be applied first to carry over amounts outstanding, if any, and (ii) with respect to carry over amounts for more than one Partnership Year, such payments shall be applied to the earliest Partnership Year first.

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

VORNADO REALTY TRUST

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

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Section 5: EX-3.27 (EX-3.27)

Exhibit 3.27

AMENDMENT
TO
SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.

Dated as of December 16, 1997

THIS AMENDMENT to the Second Amended and Restated Agreement of Limited Partnership (the "Agreement") of Vornado Realty L.P., a Delaware limited partnership (the "Partnership"), dated as of December 16, 1997, is hereby adopted by Vornado Realty Trust, a Maryland real estate investment trust (defined therein as the "General Partner"), as the general partner of the Partnership. For ease of reference, capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Agreement.

WHEREAS, the Partnership was formed under the name "Mendik Real Estate Group, L.P." on October 2, 1996, and, on October 2, 1996, the Partnership adopted an Agreement of Limited Partnership;

WHEREAS, on November 7, 1996, the general partner of the Partnership changed the Partnership's name to "The Mendik Company, L.P." and, in connection therewith, caused a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership to be filed in the office of the Delaware Secretary of State on November 8, 1996;

WHEREAS, as of April 15, 1997, the General Partner, certain of affiliates of the General Partner, FW/Mendik REIT, L.L.C., a Delaware

limited liability company, and The Mendik Company, Inc., a Maryland corporation, recapitalized the Partnership and, in connection therewith, entered into a First Amended and Restated Agreement of Limited Partnership, dated as of April 15, 1997 (the "Prior Agreement"), and in connection therewith filed a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership in the office of the Delaware Secretary of State, which filing was made on April 15, 1997;

WHEREAS, effective as of October 20, 1997, the General Partner caused the Partnership issue and distribute to each Person who was a Limited Partner on October 15,

1997, an additional Common Partnership Unit for each Common Partnership Unit (and in the same Class) that was owned by such Person on October 15, 1997 and, in connection therewith, the General Partner amended and restated the Prior Agreement in the form of the Agreement.

WHEREAS, as of the date of this Amendment the General Partner is acquiring, by merger and otherwise, certain assets and businesses previously owned by Arbor Property Trust and, in connection with that acquisition, is issuing 39,315 Series A Convertible Preferred Shares of Beneficial Interest, no par value, to the shareholders of Arbor Property Trust in exchange for common shares of beneficial interest, without par value, of Arbor Property Trust;

WHEREAS, Section 7.5.D of the Agreement provides in relevant part that the General Partner shall not issue additional Shares unless (i) the General Partner shall cause, pursuant to Section 4.2.A thereof, the Partnership to issue to the General Partner Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially the same as those of such additional Shares, and (ii) the General Partner transfers to the Partnership, as an Additional Capital Contribution, the proceeds from the issuance of such additional Shares;

WHEREAS, concurrently with the closing of the Arbor transaction the General Partner is causing the Partnership to issue to the General Partner 39,315 additional Series A Preferred Units, which Units will satisfy the requirements of Section 7.5.D of the Agreement as they relate to the Series A Convertible Preferred Shares of Beneficial Interest, no par value, referred to above;

WHEREAS, the General Partner has determined that it is in the best interest of the Partnership to amend Exhibit G to the Agreement to reflect the issuance of the above-referenced additional Series A Preferred Units;

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

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

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

1. The text of Section 2.A. of Exhibit G to the Agreement is hereby deleted in its entirety and replaced with the following:

"Number. As of the close of business on December 16, 1997, the total number of Series A Preferred Units issued and outstanding was 5,789,315. The General Partner may issue additional Series A Preferred Units from time to time in accordance with the terms of the Agreement and in connection with any such additional issuance the General Partner shall revise Exhibit A to the Agreement to reflect the total number of Series A Preferred Units then issued and outstanding."

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

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

VORNADO REALTY TRUST

By: /s/ Joseph Macnow
Joseph Macnow
Executive Vice President of Finance and
Administration

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Section 6: EX-3.46 (EX-3.46)

Exhibit 3.46

TWENTIETH
AMENDMENT
TO
SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VORNADO REALTY L.P.

Dated as of April 9, 2003

THIS TWENTIETH AMENDMENT TO THE SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF VORNADO REALTY L.P. (this "Amendment") is hereby adopted by Vornado Realty Trust, a Maryland real estate investment trust (defined therein as the "General Partner"), as the general partner of Vornado Realty L.P., a Delaware limited partnership (the "Partnership"). For ease of reference, capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., as amended by the Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 16, 1997, and further amended by the Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 1, 1998, and the Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 12, 1998, and the Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 30, 1998, and the Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 3, 1999, and the Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 17, 1999, and the Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999, and the Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 27, 1999, and the Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, and the Tenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, and the Eleventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 24, 1999, and the Twelfth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 1, 2000, and the Thirteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 25, 2000, and the Fourteenth Amendment to

Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 8, 2000, and the Fifteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 15, 2000, and the Sixteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 25, 2001, and the Seventeenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 21, 2001, and the Eighteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of January 1, 2002, and the Nineteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 1, 2002 (as so amended and as the same may be further amended, the "Agreement").

WHEREAS, effective as of April 9, 2003, the Partnership, Mitchell B. Schear, Amy I. Schear, John Nicolosi, Gretchen Dudney and Robert S. Dudney as joint tenants with right of survivorship, Paul Sowter, Patrick Tyrrell, Joseph W. Kaempfer, The Europe Trust and TET LLC, a Delaware limited liability company (collectively the "Kaempfer Contributors") entered into a Contribution Agreement (the "Contribution Agreement") pursuant to which the parties agreed to the conveyance of certain property by Kaempfer to the Partnership in exchange for cash and Partnership units as set forth in the Contribution Agreement (the "Transaction");

WHEREAS, as a condition to the closing of the transactions contemplated by the Contribution Agreement, the General Partner has agreed to amend the Agreement to acknowledge the issuance of 99,305 additional Class A Units (such units, the "Kaempfer Units") to be distributed to the Kaempfer Contributors;

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

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

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

Section 14.1.C or Section 14.1.D of the Agreement as requiring a particular minimum vote; and

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

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

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

“V. Issuance of Kaempfer Units to Kaempfer Unitholders.

On April 9, 2003, in connection with the conveyance of certain property by The Europe Trust, TET LLC, Mitchell N. Schear, Amy I. Schear, John Nicolosi, Paul Sowter, Gretchen M. Dudney and Robert S. Dudney as joint tenants with right of survivorship, and J. Byrne Murphy (collectively the “Kaempfer Contributors”) to the Partnership pursuant to the Contribution Agreement, dated as of April 9, 2003, by and among the Partnership and Kaempfer, the Partnership issued 99,305 Class A Units (such Units, the “Kaempfer Units”) to the Kaempfer Contributors as reflected on amended Exhibit A attached hereto.”

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

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

Signature on following page

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

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

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

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Section 7: EX-4.3 (EX-4.3)

Exhibit 4.3

Number *0*

Shares *0*

THIS CERTIFICATE IS TRANSFERABLE
IN THE CITIES OF NEW YORK, N.Y.
AND CHARLOTTE, N.C.

**SEE REVERSE FOR
IMPORTANT NOTICE
ON TRANSFER RESTRICTIONS
AND OTHER INFORMATION**

CUSIP

VORNADO REALTY TRUST
a Real Estate Investment Trust
Formed Under the Laws of the State of Maryland

THIS CERTIFIES THAT ****Specimen****

is the owner of ****Zero (0)****

fully paid and nonassessable Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share, no par value, of

VORNADO REALTY TRUST

(the "Trust"), transferable on the books of the Trust by the holder hereof in person or by its duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Declaration of Trust and Bylaws of the Trust and any amendments thereto. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, the Trust has caused this Certificate to be executed on its behalf by its duly authorized officers.

DATED _____

Countersigned and Registered:

Transfer Agent
and Registrar

[IMPRESSION OF
TRUST SEAL]

Chief Executive Officer

By: _____

Secretary

IMPORTANT NOTICE

The Trust will furnish to any shareholder, on request and without charge, a full statement of the information required by Section 8-203(d) of the Corporations and Associations Article of the Annotated Code of Maryland with respect to the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption of the shares of each class of beneficial interest which the Trust has authority to issue and, if the Trust is authorized to issue any preferred or special class in series, (i) the differences in the relative rights and preferences between the shares of each series to the extent set, and (ii) the authority of the Board of Trustees to set such rights and preferences of subsequent series. The foregoing summary does not purport to be complete and is subject to and qualified in its entirety by reference to the Declaration of Trust of the Trust, a copy of which will be sent without charge to each shareholder who so requests. Such request must be made to the Secretary of the Trust at its principal office or to the Transfer Agent.

The shares of Preferred Stock represented by this certificate are subject to restrictions on ownership and transfer for the purpose of the Trust's maintenance of its status as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). No Person may Beneficially Own shares of Preferred Stock of any class in excess of 9.9% of the outstanding Preferred Equity Stock of such class and no Person may Constructively Own Preferred Stock of any class in excess of 9.9% of the outstanding Preferred Equity Stock of such class (unless such person is an Existing Constructive Holder). Any Person who attempts to Beneficially Own or Constructively Own Shares in excess of the above limitations must immediately notify the Trust. In addition, the shares of Common Stock into which the shares of Preferred Stock represented by this certificate are convertible are subject to restrictions on ownership and transfer for the purpose of the Trust's maintenance of its status as a REIT under the Code. No Person may Beneficially Own shares of Common Stock in excess of 6.7% of the outstanding Common Equity Stock of the Trust (unless such Person is an Existing Holder) and no Person may Constructively Own shares of Common Stock in excess of 9.9% of the outstanding Common Equity Stock of the Trust (unless such person is an Existing Constructive Holder). Any Person who attempts to Beneficially Own or Constructively Own Shares in excess of the above limitations must immediately notify the Trust. Due to the attribution rules that exist with respect to these ownership limitations, persons holding, or treated as holding under the relevant attribution rules, shares of Preferred Stock will be treated, for purposes of the ownership limitations, as owning the shares of Common Stock into which their shares of Preferred Stock can be converted even prior to such conversion if such ownership would cause ownership of shares of Common Stock in excess of the applicable ownership limit. Accordingly, shareholders should take their direct and constructive ownership of shares of Common Stock into account in determining whether they can hold shares of Preferred Stock without violating the ownership limit with respect to the shares of Common Stock. All capitalized terms used in this legend have the meanings set forth in the Declaration of Trust, a copy of which, including the restrictions on ownership and transfer, will be sent without charge to each stockholder who so requests. Such request must be made to the Secretary of the Trust at its principal office or to the Transfer Agent. If the restrictions on ownership and transfer are violated, the shares of Preferred Stock represented hereby will be automatically exchanged for shares of Excess Stock which will be held in trust by the Trust.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN
OR DESTROYED, THE TRUST WILL REQUIRE A BOND OF INDEMNITY AS A
CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as through they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT	Custodian
TEN ENT	- as tenants by the entireties	(Cust)	(Minor)
JJ TEN	- as joint tenants with right		Under Uniform Gifts to Minors Act of

of

of survivorship and not as tenants
is common

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

(PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE)

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_____ () of the shares of beneficial interest of the Trust represented by this Certificate and do hereby irrevocably constitute and appoint Attorney to transfer the said shares on the books of the Trust, with full power of substitution in the premises.

Dated _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST
CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF
THIS CERTIFICATE IN EVERY PARTICULAR, WITHOUT
ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

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Section 8: EX-15.1 (EX-15.1)

Exhibit 15.1

May 7, 2003

Vornado Realty Trust
New York, New York

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Vornado Realty Trust for the periods ended March 31, 2003 and 2002, as indicated in our report dated May 7, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated by reference in:

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

and in Vornado Realty Trust and Vornado Realty L.P (Joint Registration Statements):

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

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

DELOITTE & TOUCHE LLP
Parsippany, New Jersey

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