

Section 1: 424B5 (PRELIMINARY PROSPECTUS SUPPLEMENT)

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Filed pursuant to Rule 424(b)(5)
Registration No. 33-52441

INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THAT A FINAL PROSPECTUS SUPPLEMENT IS DELIVERED. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS SUPPLEMENT DATED APRIL 7, 1995

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED MAY 16, 1994)

2,500,000 SHARES

[VORNADO LOGO]

COMMON SHARES OF BENEFICIAL INTEREST

Vornado Realty Trust ("Vornado" or the "Company") is a fully-integrated real estate investment trust which owns, leases, develops, redevelops and manages retail and industrial properties located primarily in the Midatlantic and Northeast regions of the United States. The Company's primary focus is on shopping centers. As of December 31, 1994, the Company owned 56 shopping centers in seven states containing 9.5 million square feet, including 900,000 square feet built by tenants on land leased from the Company. Further, the Company owns eight warehouse/industrial properties in New Jersey containing 2.0 million square feet and one office building in New Jersey, containing 100,000 square feet. In addition, the Company owns 29.3% of the common stock of Alexander's Inc., which has eight properties in prime locations in the greater New York metropolitan area.

All of the 2,500,000 common shares of beneficial interest (the "Common Shares") of the Company offered hereby (the "Offering") are being sold by the Company. The Common Shares are listed on the New York Stock Exchange (the "NYSE") under the symbol "VNO." The reported last sale price of the Common Shares on the NYSE on April 6, 1995 was \$35 1/4 per share.

In order to maintain its qualification as a real estate investment trust for federal income tax purposes ("REIT"), ownership by any person of more than 2.0% of the outstanding Common Shares is restricted, with certain exceptions.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses payable by the Company estimated at \$.
- (3) The Company has granted the several Underwriters an option to purchase up to an additional 375,000 Common Shares to cover over-allotments. If all such Common Shares are purchased, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$, \$ and \$ respectively. See "Underwriting."

The Common Shares are offered by the several Underwriters, subject to prior sale, when, as and if issued by the Company, delivered to and accepted by the Underwriters, subject to approval of certain legal matters by counsel for the Underwriters and to certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Common Shares will be made in New York, New York on or about April , 1995.

MERRILL LYNCH & CO.

ALEX. BROWN & SONS
INCORPORATED

DEAN WITTER REYNOLDS INC.

GOLDMAN, SACHS & CO.

The date of this Prospectus Supplement is April , 1995.

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THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON SHARES OF BENEFICIAL INTEREST OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus Supplement or the accompanying Prospectus or incorporated herein by reference. Except as otherwise specified herein, the information in this Prospectus Supplement and the accompanying Prospectus assumes no exercise of the Underwriters' over-allotment option. All references to the "Company" and "Vornado" in this Prospectus Supplement shall be deemed to include Vornado Realty Trust and its subsidiaries, unless the context requires otherwise.

THE COMPANY

The Company is a fully-integrated real estate investment trust which owns, leases, develops, redevelops and manages retail and industrial properties located primarily in the Midatlantic and Northeast regions of the United States. The Company's primary focus is on shopping centers. As of December 31, 1994, the Company owned 56 shopping centers in seven states containing 9.5 million square feet, including 900,000 square feet built by tenants on land leased from the Company. Further, the Company owns eight warehouse/industrial properties in New Jersey containing 2.0 million square feet and one office building in New Jersey containing 100,000 square feet. In addition, the Company owns 29.3% of the common stock of Alexander's Inc. ("Alexander's"), which has eight properties in prime locations in the greater New York metropolitan area.

RECENT DEVELOPMENTS

On March 2, 1995, the Company purchased all of the 1,353,468 shares of common stock of Alexander's owned by Citibank, N.A. ("Citibank") for \$40.50 per share in cash (the "Acquisition"), bringing the Company's ownership to 29.3% of Alexander's. As of March 2, 1995, pursuant to three-year agreements, the Company manages all of Alexander's business affairs and manages, leases and develops Alexander's properties. On March 15, 1995, the Company lent Alexander's \$45 million, the subordinated tranche of a \$75 million secured financing. The balance was funded by a bank.

Alexander's owns eight properties in prime locations in the greater New York metropolitan area, formerly occupied by its department stores. The Company believes that the Alexander's transactions represent an opportunity to create value in Alexander's properties by applying similar strategies and expertise to those utilized by the Company's management in transforming the Company from a retailer to a real estate operator. Alexander's will elect to qualify as a REIT for the year ending December 31, 1995. See "The Company" and "Recent Developments."

THE OFFERING

Common Shares offered hereby..... 2,500,000 shares

Common Shares to be outstanding after the Offering..... 24,222,444 shares

Use of Proceeds..... To repay indebtedness incurred in connection with the Alexander's transactions and for general corporate purposes.

New York Stock Exchange Symbol..... "VNO"

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SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth historical selected consolidated financial data for the Company and should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto in its Annual Report on Form 10-K for the year ended December 31, 1994 (the "1994 Form 10-K") incorporated by reference herein and the "Condensed Consolidated Pro Forma Financial Information" included elsewhere in this Prospectus Supplement.

	YEAR ENDED DECEMBER 31,					ELEVEN MONTHS ENDED DECEMBER 31, 1990(1)
	1994	1993	1992	1991	1990(1)	1990(1)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)						
OPERATING DATA						
Revenues:						
Property rentals.....	\$70,755	\$67,213	\$63,186	\$61,371	\$58,524	\$53,768
Expense reimbursements.....	21,784	19,839	17,898	16,865	16,938	15,468
Other income.....	1,459	1,738	913	262	111	111
Total revenues.....	93,998	88,790	81,997	78,498	75,573	69,347
Expenses:						
Operating.....	30,223	27,994	27,587	25,848	25,393	23,101
Depreciation and amortization.....	9,963	9,392	9,309	9,115	8,491	7,824
General and administrative.....	6,495	5,890	4,612	4,770	6,121	5,527
Cost incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust.....	--	856	--	--	--	--
Cost incurred upon exercise of a stock option by an officer and subsequent repurchase of a portion of the shares.....	--	--	15,650	--	--	--
Total expenses.....	46,681	44,132	57,158	39,733	40,005	36,452
Operating income.....	47,317	44,658	24,839	38,765	35,568	32,895
Interest and dividend income.....	7,489	11,620	8,555	9,303	12,125	11,051
Interest and debt expense.....	(14,209)	(31,155)	(33,910)	(34,930)	(35,120)	(32,189)
Net gain (loss) on marketable securities.....	643	263	2,779	4,862	(1,836)	(3)
Income from continuing operations before income taxes and extraordinary item.....	41,240	25,386	2,263	18,000	10,737	11,754
Provision (benefit) for income taxes.....	--	(6,369)	1,080	7,527	4,414	4,827

Income from continuing operations before extraordinary item.....	\$41,240	\$31,755	\$ 1,183	\$10,473	\$ 6,323	\$ 6,927
	=====	=====	=====	=====	=====	=====
Weighted average number of shares outstanding.....	21,853,720	19,790,448	16,559,330	16,324,895	16,357,643	16,357,643
Income per share from continuing operations before extraordinary item.....	\$1.89	\$1.60	\$.07	\$.64	\$.39	\$.42
Cash dividends per share declared.....	2.00	1.50(2)	1.15	1.08	.27	.27

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	YEAR ENDED DECEMBER 31,					ELEVEN MONTHS ENDED DECEMBER 31, 1990(1)
	1994	1993	1992	1991	1990(1)	

	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)					

BALANCE SHEET DATA

As at:						
Total assets.....	\$393,538	\$385,830	\$420,616	\$393,447	\$387,866	\$387,866
Real estate, at cost.....	365,832	340,415	314,651	305,123	303,511	303,511
Accumulated depreciation.....	128,705	118,742	111,142	103,520	100,501	100,501
Long-term debt.....	234,160	235,037	341,701	345,608	357,459	357,459
Shareholders' equity (deficit).....	116,688	115,737	(3,242)	8,125	15,421	15,421

OTHER DATA

Funds from operations(3):						
Income from continuing operations before income taxes and extraordinary item.....	\$ 41,240	\$ 25,386	\$ 2,263	\$ 18,000	\$ 10,737	\$ 11,754
Depreciation and amortization (including debt issuance costs).....	10,839	11,435	11,470	11,279	10,691	9,746
Straight-lining of rental income.....	(2,181)	(2,200)	(2,200)	(2,200)	(2,109)	(1,933)
(Gains)/losses on sale of securities available for sale.....	(51)	(263)	(846)	(1,932)	3,295	1,443
Costs incurred in connection with the merger/upon exercise of a stock option.....	--	856	15,650	--	--	--
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Funds from operations.....	\$ 49,847	\$ 35,214	\$ 26,337	\$ 25,147	\$ 22,614	\$ 21,010
	=====	=====	=====	=====	=====	=====

(1) In 1990, the Company changed to a calendar year end from a fiscal year ending on the last Saturday in January. The amounts for the year ended December 31, 1990 are included for comparative purposes only.

(2) Does not include a special dividend of \$3.36 per share of accumulated earnings and profits paid in June 1993.

(3) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations 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.

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THE COMPANY

The Company is a fully-integrated real estate investment trust which owns, leases, develops, redevelops and manages retail and industrial properties located primarily in the Midatlantic and Northeast regions of the United States. The Company's primary focus is on shopping centers. The Company began operations through a predecessor in 1936. The Company (or a predecessor) has been listed on the NYSE for over 30 years. Prior to 1981, the Company operated the Two Guys discount department store business, primarily on real estate owned by the Company. The current management, which assumed control of the Company in 1980, transformed the Company from a retailer to a fully-integrated real estate operating company. As of December 31, 1994, the Company owned 56 shopping

centers in seven states containing 9.5 million square feet, including 900,000 square feet built by tenants on land leased from the Company. The occupancy rate of the Company's shopping centers as of December 31, 1994 was 94% and has been over 90% in each of the past five years. Further, the Company owns eight warehouse/industrial properties in New Jersey containing 2.0 million square feet and one office building in New Jersey containing 100,000 square feet. In addition, the Company owns 29.3% of the common stock of Alexander's, which has eight properties in prime locations in the greater New York metropolitan area.

Vornado's strategy is to acquire and own highly sought after real estate in densely populated urban and surrounding areas. The Company develops, redevelops, expands and re-tenants these properties, which are primarily in the Northeast corridor. The Company's management has a proven track record of reconfiguring and redeveloping properties into stores that are attractive to destination and other retailers. The Company's low leverage, high cash balances, ability to access capital markets and demonstrated results enable it to pursue its strategy.

EXPANSIONS AND ACQUISITIONS SINCE MAY 1993

Vornado Inc., the immediate predecessor of the Company, was merged into the Company on May 6, 1993, in connection with the Company's plan to qualify for federal income tax purposes as a REIT. Since that date, the Company has increased its shopping center portfolio by 950,000 square feet or 11.4%, in addition to replacing 233,000 square feet of older buildings. The 950,000 square feet includes 447,000 square feet of expansions of eight shopping centers, which expansions generate an initial unleveraged (all cash) annual rate of return of 26.2%.

In November 1993, the Company purchased, in a bankruptcy proceeding, a 232,000 square foot building at 14th Street and Union Square in Manhattan. This property was pre-leased to Bradlees, Inc. ("Bradlees"). In September 1994, the Company purchased a foreclosed property at 10th and Market Streets in Philadelphia containing 271,000 leasable square feet; 168,000 square feet of this property has been leased, including 134,000 square feet to the Clover discount department store division of Strawbridge & Clothier. Based only on leases in place, these two investments generate an initial unleveraged annual rate of return of 14.3%. There remains 103,000 square feet to be leased at the Philadelphia property.

In March 1995, the Company invested \$100,000,000 in Alexander's and now owns 29.3% of its common stock and \$45,000,000 of its debt securities. Alexander's owns eight properties in prime locations within the greater New York metropolitan area. This investment, together with the related management, development and leasing arrangements, create an opportunity for the Company to participate in the conversion of Alexander's from a retailer to a real estate operator, paralleling the conversion of Vornado from a retailer to a real estate company. See "Recent Developments."

THE COMPANY'S SHOPPING CENTERS

The Company's shopping centers generally are located on major regional highways in mature, densely populated areas. The Company believes there is strong demand from large tenants for retail space in well located shopping centers in densely populated areas in the Midatlantic and Northeast regions of the United States. This is principally a result of the shortage of land in such areas, as well as restrictive zoning which

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limits the development of retail properties. The Company believes its properties attract consumers from a regional, rather than a neighborhood marketplace because of the draw of the centers' tenants and the centers' locations on regional highways.

As of December 31, 1994, approximately 80% of the leased square footage of the Company's shopping centers was leased to large stores (over 20,000 square feet) and over 93% was leased to tenants whose businesses are national or regional in scope. The Company's large tenants include destination retailers such as discount department stores, supermarkets, home improvements stores, discount apparel stores, membership warehouse clubs and "category killers." "Category killers" are large stores which offer a complete selection of a category of items (e.g., toys, office supplies, etc.) at low prices, often in a warehouse format. The Company's large store tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price. The Company believes that this tenant mix mitigates the effects on its properties of adverse changes in general economic conditions. However, the bankruptcy or insolvency of a major tenant may have an adverse effect on the shopping centers affected and the income produced by such properties.

SHOPPING CENTER LEASES

Substantially all of the Company's large store leases are long-term with fixed base rents and step-ups in rent typically occurring every five years. In

addition, the Company's leases generally provide for additional rents based on a percentage of tenants' sales. Of the Company's \$70,755,000 of property rentals in 1994, base rents accounted for approximately 98.7% and percentage rents accounted for approximately 1.3%. The Company's leases generally pass through to tenants the tenants' share of all common area charges (including roof and structure, unless it is the tenants' direct responsibility), real estate taxes, insurance costs and certain capital expenditures.

The Company believes that market rents are generally higher than existing rents in the Company's shopping center properties. The average base rent per square foot for the Company's shopping centers was \$8.05, \$7.66, \$7.55, \$6.95 and \$6.67 as of December 31, 1994, 1993, 1992, 1991 and 1990, respectively. The Company's property rentals from shopping centers (including the effect of straight-lining of rents) were \$64.7 million, \$61.9 million, \$56.9 million, \$54.7 million and \$52.0 million in 1994, 1993, 1992, 1991 and 1990, respectively. Straight-lining of rents averages the rent increases provided for in a lease such that property rentals for financial statement purposes is constant throughout the term of such lease. This convention applies to leases entered into after November 14, 1985.

As of December 31, 1994, no single shopping center property accounted for more than 3.1% of the Company's total leasable area for its shopping center properties or more than 5.7% of annualized property rentals for its shopping center properties.

Bradlees accounted for 19% of property rentals for the year ended December 31, 1994 and 18% for the years ended December 31, 1993 and 1992. Home Depot, Shop-Rite, Sam's Wholesale/Wal*Mart and Staples each accounted for between 3% and 4.5% of property rentals for the year ended December 31, 1994. No other tenant represented more than 2.5% of the Company's property rentals in 1994.

RECENT DEVELOPMENTS

On March 2, 1995, following bankruptcy court approval of the loan and management arrangements described below, the Company purchased all of the 1,353,468 shares, or 27.1%, of the common stock of Alexander's owned by Citibank for \$40.50 per share in cash. After the Acquisition, the Company owns 29.3% of the common stock of Alexander's. Interstate Properties owns 30.9% of the Common Shares of the Company and 27.1% of Alexander's common stock. Alexander's common stock is listed on the NYSE under the symbol "ALX.". The reported last sale price of Alexander's common stock on the NYSE on April 6, 1995 was \$52 1/2 per share.

Alexander's owns eight real estate properties (where its former department stores were located) consisting of (i) 39.3 acres at the intersection of Routes 4 and 17 in Paramus, New Jersey, to be redeveloped

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into a shopping center, (ii) a 359,000 square foot building (currently being rehabbed) leased to Sears, Caldor and Marshalls on Queens Boulevard and 63rd Road in Rego Park, Queens, New York, together with one and one-half square blocks of vacant adjacent land, (iii) the general partnership interest and a 92% limited partnership interest in the entire square block between Lexington Avenue and Third Avenue and 58th Street and 59th Street in Manhattan, New York, including a 418,000 square foot building and several smaller buildings containing 173,000 square feet, to be redeveloped, (iv) 50% of the 427,000 square feet of mall stores located at the Kings Plaza regional shopping center on Flatbush Avenue in Brooklyn, New York, (v) a 320,000 square foot anchor store, one of the two anchor stores at the Kings Plaza regional shopping center, which is to be redeveloped, (vi) a 303,000 square foot building leased to Caldor on Fordham Road in the Bronx, New York, (vii) a 177,000 square foot building subleased to Caldor at Roosevelt Avenue and Main Street in Flushing, New York and (viii) a 173,000 square foot building leased to Conways located at Third Avenue and 157th Street in the Bronx, New York.

The Company and Alexander's have entered into a three-year management and development agreement (the "Management Agreement") under which the Company will manage all of Alexander's business affairs and manage and develop Alexander's properties. The annual fee to the Company is \$3,000,000, plus 6% of development costs with a minimum guaranteed fee for the development portion of \$1,650,000 in the first year and \$750,000 in each of the second and third years. Pursuant to the Management Agreement, Mr. Roth, the Company's Chairman and Chief Executive Officer, also became Chief Executive Officer of Alexander's.

The fee pursuant to the Management Agreement is in addition to the leasing fee the Company receives from Alexander's under a leasing agreement (the "Leasing Agreement") in effect since 1992. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." The term of the Leasing Agreement has been extended to be coterminous with the term of the Management Agreement.

On March 15, 1995, the Company lent Alexander's \$45 million, the subordinated tranche of a \$75 million secured financing; the balance was funded by a bank. The Company's loan has a three-year term and bears interest at 16.43% per annum for the first two years and at a fixed rate for the third year of 992

basis points over the one-year Treasury bill rate. In addition, Vornado received a loan origination fee of \$1,500,000 from Alexander's.

In connection with the Acquisition, the Company and Interstate Properties entered into a standstill and corporate governance agreement with Alexander's (the "Corporate Governance Agreement") whereby (i) the aggregate ownership in Alexander's by the Company and Interstate Properties and their affiliates and associates will not exceed 66.65% of the then outstanding common stock of Alexander's for three years without the approval of the independent directors of Alexander's, (ii) Messrs. David Mandelbaum and Russell Wight (trustees of the Company and general partners of Interstate Properties) have filled two of the vacancies created by the resignation of the Citibank directors on Alexander's board of directors and (iii) the two independent directors of Alexander's may select a third independent director. The agreement also provides that independent directors will not be removable, other than for cause, for a period of three years and, upon the resignation of an independent director, the other independent director(s) will designate a replacement. The Company and Interstate Properties have agreed that, for a period of three years, they will not cause a merger or other business combination of the Company and Interstate Properties with Alexander's without the approval of the majority of the independent directors of Alexander's. Also, for such three-year period, in the event that the Company and Interstate Properties transfer (other than pursuant to an underwritten public offering), in the aggregate, shares of common stock of Alexander's in excess of the greater of (i) 30% of the outstanding shares of Alexander's common stock or (ii) a majority of the shares of Alexander's common stock owned by the Company and Interstate Properties and their affiliates and associates, at a price greater than 115% of the then current market price of such common stock, the terms of any such transfer must permit the other stockholders of Alexander's to sell their shares on the same terms.

Alexander's will elect to qualify as a REIT for the year ending December 31, 1995. In general, for so long as the Company owns more than 10% of Alexander's common stock, the Company will only qualify as a REIT if Alexander's qualifies as a REIT. See "Certain Federal Income Tax Considerations -- Taxation of the Company as a REIT."

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PROPERTIES

The following table sets forth certain information as of December 31, 1994 relating to the properties owned by the Company.

LOCATION	YEAR	TYPE OF OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE BUILDING AREA (SQ. FT.)	GROUND LEASED AREA (SQ. FT.)	NUMBER OF TENANTS 12/31/94
	ORIGINALLY DEVELOPED OR ACQUIRED					
SHOPPING CENTERS						
NEW JERSEY						
Atlantic City.....	1965	Fee	17.7	135,774	--	2
Bordentown.....	1958	Fee	31.2	178,678	--	3
Bricktown.....	1968	Fee	23.9	259,888	2,764	20
Cherry Hill.....	1964	Fee	37.6	231,142	63,511	13
Delran.....	1972	Fee	17.5	167,340	1,200	4
Dover.....	1964	Fee	19.6	172,673	--	11
East Brunswick.....	1957	Fee	19.2	219,056	10,400	7
East Hanover.....	1962	Fee	24.6	271,066	--	15
Hackensack.....	1963	Fee	21.3	189,699	59,249	17
Jersey City.....	1965	Fee	16.7	222,478	3,222	11
Kearny.....	1959	Fee	35.3	41,518	62,471	6
Lawnside.....	1969	Fee	16.4	142,136	--	2
Lodi.....	1975	Fee	8.7	130,000	--	1
Manalapan.....	1971	Fee	26.3	194,265	2,000	7
Marlton.....	1973	Fee	27.8	173,238	6,836	9
Middletown.....	1963	Fee	22.7	179,584	52,000	20
Morris Plains.....	1985	Fee	34.8	171,493	1,000	17
North Bergen.....	1959	Fee	4.6	6,515	55,597	3
North Plainfield.....	1989	Ground	28.7	217,360	--	12

		Lease				
Totowa.....	1957	Fee	40.5	201,471	93,613	6
Turnersville.....	1974	Fee	23.3	89,453	6,513	3
Union.....	1962	Fee	24.1	257,045	--	12
Vineland.....	1966	Fee	28.0	143,257	--	6
Watchung.....	1959	Fee	53.8	23,500	115,660	2
Woodbridge.....	1959	Fee	19.7	232,755	3,614	11

SHOPPING
CENTERS
NEW JERSEY

LOCATION	AVERAGE ANNUALIZED BASE RENT PER SQ. FT. (1)	PERCENT LEASED(1)	PRINCIPAL TENANTS (OVER 40,000 SQ. FT.)	LEASE EXPIRATION/ OPTION EXPIRATION
Atlantic City.....	\$ 4.81	90%	Sam's Wholesale	1999
Bordentown.....	5.19	100%	Bradlees(2)(3)	2001/2021
Bricktown.....	10.12	100%	Shop-Rite	2011/2016
Cherry Hill.....	7.45	93%	Caldor	2008/2028
Delran.....	5.11	92%	Shop-Rite	2002/2017
Dover.....	5.38	98%	Bradlees(2)(3)	2006/2026
East Brunswick.....	8.98	100%	Shop & Bag	2007/2017
East Hanover.....	9.65	98%	Toys "R" Us(4)	2012/2042
Hackensack.....	14.03	100%	Sam's Wholesale	2011/2021
Jersey City.....	10.76	99%	Jamesway	2003/2013
Kearny.....	7.69	100%	Shop-Rite	2012/2022
Lawnside.....	8.74	100%	Bradlees(3)	2003/2023
Lodi.....	8.37	100%	Shoppers World	2007/2012
Manalapan.....	8.77	100%	Home Depot	2009/2019
Marlton.....	7.46	98%	Pathmark	2001/2024
Middletown.....	10.27	97%	Today's Man	2009/2014
Morris Plains.....	10.63	97%	Bradlees(3)	2012/2017
North Bergen.....	25.78	100%	Channel	2003/2013
North Plainfield.....	7.96	92%	Pathmark	2014/2024
Totowa.....	13.70	95%	Bradlees(3)	2002/2022
Turnersville.....	4.67	100%	Shop-Rite	2008/2028
Union.....	14.87	100%	Pathmark	2013/2033
Vineland.....	4.74	100%	Channel(4)	2008
Watchung.....	17.20	100%	Home Depot	2012/2027
Woodbridge.....	9.16	99%	National Wholesale Liq.	2013/2023
			Bradlees(3)	2002/2022
			Grand Union	2012/2022
			Bradlees(2)(3)	2011/2031
			Shop-Rite	1999/2009
			Bradlees(3)	2002/2022
			Grand Union	2009/2029
			Caldor	2002/2023
			Waldbaum's	2012/2032
			K Mart	2006/2016
			Pathmark	2001/2011
			Bradlees(3)	2013/2028
			Home Depot(5)	(5)
			Bradlees(2)(3)	2011/2031
			Bradlees(3)	2002/2022
			Toys "R" Us	2015
			Jamesway	1998/2018
			Channel	2005/2010
			B.J. Wholesale	2024
			Bradlees(3)	2002/2022
			Foodtown(4)	2007/2014

SHOPPING
CENTERS
NEW JERSEY

LOCATION	SECURITIZED DEBT AND OTHER MORTGAGES PAYABLE(8)
Atlantic City.....	\$ 2,135
Bordentown.....	3,276
Bricktown.....	9,919
Cherry Hill.....	9,706
Delran.....	2,848

Dover.....	3,635
East Brunswick.....	8,205
East Hanover.....	11,066
Hackensack.....	--
Jersey City.....	10,381
Kearny.....	--
Lawnside.....	5,708
Lodi.....	2,420
Manalapan.....	6,397
Marlton.....	5,398
Middletown.....	7,761
Morris Plains.....	6,600
North Bergen.....	--
North Plainfield.....	4,115
Totowa.....	15,646
Turnersville.....	2,116
Union.....	15,975
Vineland.....	2,358
Watchung.....	--
Woodbridge.....	8,792

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LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	TYPE OF OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE BUILDING AREA (SQ. FT.)	GROUND LEASED AREA (SQ. FT.)	NUMBER OF TENANTS 12/31/94
NEW YORK						
14th Street and Union Square, Manhattan.....	1993	Fee	0.8	231,770	--	1
Albany (Menands).....	1965	Fee	18.6	140,529	--	2
Buffalo (Amherst).....	1968	Ground Lease (90%)	22.7	184,832	100,034	7
Freeport.....	1981	Fee	12.5	166,587	--	3
New Hyde Park.....	1976	Leasehold	12.5	101,454	--	1
North Syracuse.....	1976	Leasehold	29.4	98,434	--	1
Rochester (Henrietta).....	1971	Ground Lease	15.0	147,812	--	2
PENNSYLVANIA						
Rochester.....	1966	Fee	18.4	176,261	--	3
Allentown.....	1957	Fee	86.8	197,534	74,125	15
Bensalem.....	1972	Fee	23.2	208,174	6,714	14
Bethlehem.....	1966	Fee	23.0	157,212	2,654	8
Broomall.....	1966	Fee	21.0	145,776	22,355	4
Glenolden.....	1975	Fee	10.0	101,235	--	3
Lancaster.....	1966	Fee	28.0	179,982	--	9
Levittown.....	1964	Fee	12.8	104,448	--	1
10th and Market Streets, Philadelphia.....	1994	Fee	1.8	271,300	--	1
Upper Moreland.....	1974	Fee	18.6	122,432	--	1
MARYLAND						
York.....	1970	Fee	12.0	113,294	--	3
Baltimore (Belair Rd.).....	1962	Fee	16.0	205,723	--	2
Baltimore (Towson).....	1968	Fee	14.6	146,393	6,800	7
Baltimore (Dundalk).....	1966	Fee	16.1	183,361	--	17
Glen Burnie.....	1958	Fee	21.2	117,369	3,100	5
Hagerstown.....	1966	Fee	13.9	133,343	14,965	4

	LOCATION	AVERAGE ANNUALIZED BASE RENT PER SQ. FT.(1)	PERCENT LEASED(1)	PRINCIPAL TENANTS (OVER 40,000 SQ. FT.)	LEASE EXPIRATION/ OPTION EXPIRATION	SECURITIZED DEBT AND OTHER MORTGAGES PAYABLE(8)	
NEW YORK	14th Street and Union Square, Manhattan.....	9.92	100%	Bradlees	2019/2029	--	
	Albany (Menands).....	5.79	100%	Grand Union (4)(6)	2000	--	
	Buffalo (Amherst).....	5.67	92%	Norstar Bank Media Play MJ Design(5) Toys "R" Us T.J. Maxx	2004/2014 2002/2017 (5) 2013 1999	4,863	
	Freeport.....	10.81	100%	Home Depot	2011/2021	8,021	
	New Hyde Park.....	7.51	100%	Bradlees	2019/2029	2,043	
	North Syracuse.....	--	100%	Reisman Properties (owner of shopping center)	2014	--	
	Rochester (Henrietta).....	5.22	68%	Hechinger Marshalls(4)	2005/2025 1998/2003	2,203	
	Rochester.....	6.01	55%	Hechinger	2005/2025	2,832	
	PENNSYLVANIA	Allentown.....	8.18	100%	Hechinger Shop-Rite Burlington Coat Factory	2011/2031 2011/2021 2017	7,696
		Bensalem.....	6.21	89%	Bradlees(2)(3)(6)	2011/2031	3,967
Bethlehem.....		5.12	45%	Pathmark	2000/2023	--	
Broomall.....		6.33	89%	Bradlees(2)(3)	2006/2026	3,260	
Glenolden.....		9.72	100%	Bradlees(2)(3)	2012/2022	4,245	
Lancaster.....		4.28	99%	Jamesway Weis Markets	2013 1998/2018	2,312	
Levittown.....		4.67	100%	Bradlees(2)(3)	2006/2026	2,283	
10th and Market Streets, Philadelphia.....		--	62%	Clover(5)	(5)	--	
Upper Moreland.....		7.50	100%	Sam's Wholesale(2)	2010/2015	3,517	
York.....		4.46	100%	Builders Square	2009/2018	1,463	
MARYLAND	Baltimore (Belair Rd.).....	5.95	65%	Big B Food Warehouse	1999/2004	--	
	Baltimore (Towson).....	9.25	100%	Staples	2004	5,779	
	Baltimore (Dundalk).....	6.35	100%	Various Tenants	--	4,084	
	Glen Burnie.....	5.77	100%	Rickel Home Center(6)	2005	2,299	
	Hagerstown.....	2.81	85%	Pharmhouse Weis Markets	2008/2012 1999/2009	--	

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	LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	TYPE OF OWNERSHIP INTEREST	LAND AREA (ACRES)	LEASABLE BUILDING AREA (SQ. FT.)	GROUND LEASED AREA (SQ. FT.)	NUMBER OF TENANTS 12/31/94
CONNECTICUT	Newington.....	1965	Fee	19.2	134,229	45,000	5
	Waterbury.....	1969	Fee	19.2	139,717	2,645	10
MASSACHUSETTS	Chicopee.....	1969	Fee	15.4	112,062	2,851	3
	Milford.....	1976	Leasehold	14.7	83,000	--	1
	Springfield.....	1966	Fee	17.4	--	117,044	1
TEXAS	Lewisville.....	1990	Fee	13.3	34,893	1,204	15
	Mesquite.....	1990	Fee	5.5	71,246	--	13
	Dallas.....	1990	Fee	9.9	99,733	--	9
TOTAL SHOPPING CENTERS.....				1,187.5	8,561,519	939,141	391

WAREHOUSE/ INDUSTRIAL	E. Brunswick.....	1972	Fee	16.1	325,800	--	1
	E. Hanover.....	1963-1967	Fee	45.5	941,429	--	8
	Edison.....	1982	Fee	18.7	272,071	--	1
	Garfield.....	1959	Fee	31.6	486,620	--	3
	TOTAL WAREHOUSE/ INDUSTRIAL.....			111.9	2,025,920	--	13
OTHER PROPERTIES	Paramus.....	1987	Ground Lease	3.4	118,225	--	22
	Montclair.....	1972	Fee	1.6	16,928	--	--
	Rahway.....	1972	Leasehold	--	32,000	--	1
	TOTAL OTHER PROPERTIES.....			5.0	167,153	--	23
	TOTAL.....			1,304.4	10,754,592	939,141	427
				=====	=====	=====	=====

	LOCATION	AVERAGE ANNUALIZED BASE RENT PER SQ. FT.(1)	PERCENT LEASED(1)	PRINCIPAL TENANTS (OVER 40,000 SQ. FT.)	LEASE EXPIRATIONS OPTION EXPIRATIONS
	-----	-----	-----	-----	-----
CONNECTICUT	Newington.....	5.87	100%	Bradlees(3) Rickel Home Center	2002/2022 2007/2027
	Waterbury.....	7.58	100%	Toys "R" Us Finast Supermarkets	2010 2003/2018
MASSACHUSETTS	Chicopee.....	4.85	100%	Bradlees(3)	2002/2022
	Milford.....	5.01	100%	Bradlees(3)	2004/2009
	Springfield.....	--	100%	Wal*Mart	2018/2092
TEXAS	Lewisville.....	12.64	100%	Albertson's(7)	2055
	Mesquite.....	13.25	93%	--	--
	Dallas.....	9.23	85%	Albertson's(7)	2055
	TOTAL SHOPPING CENTERS.....	8.05	94%		
WAREHOUSE/ INDUSTRIAL	E. Brunswick.....	1.77	97%	Popsicle Playwear IFB Apparel, Inc.(5)	2000/2005 (5)
	E. Hanover.....	4.06	61%	Various tenants	--
	Edison.....	2.49	100%	White Cons. Ind., Inc.	1995/1998
	Garfield.....	3.34	38%	Popular Services & Various tenants	1997
	TOTAL WAREHOUSE/ INDUSTRIAL.....	3.20	67%		
OTHER PROPERTIES	Paramus.....	16.57	64%	--	
	Montclair.....	--	100%	(5)	(5)
	Rahway.....	4.88	100%	--	
	TOTAL OTHER PROPERTIES.....	13.01	75%		
	TOTAL.....	\$ 7.42	89%		
		=====	=====		

	LOCATION	SECURITIZED DEBT AND OTHER MORTGAGES PAYABLE(8)
	-----	-----
CONNECTICUT	Newington.....	3,042
	Waterbury.....	3,889
MASSACHUSETTS	Chicopee.....	1,999
	Milford.....	--
	Springfield.....	--
TEXAS	Lewisville.....	764
	Mesquite.....	3,445

	Dallas.....	1,987
	TOTAL SHOPPING CENTERS.....	
WAREHOUSE/ INDUSTRIAL	E. Brunswick.....	--
	E. Hanover.....	8,210
	Edison.....	2,455
	Garfield.....	1,545
	TOTAL WAREHOUSE/ INDUSTRIAL.....	
OTHER PROPERTIES	Paramus.....	1,500
	Montclair.....	--
	Rahway.....	--
	TOTAL OTHER PROPERTIES.....	
	TOTAL.....	234,160 =====

-
- (1) Average annualized base rent per square foot does not include rent for leases which had not commenced as of December 31, 1994 or rent for ground leases (which leases are included in percent leased).
 - (2) The tenant at these locations has subleased or assigned its space from Montgomery Ward & Co., Inc. which remains liable under the lease for that portion of the rent not exceeding the rent previously payable by Montgomery Ward.
 - (3) These leases are guaranteed by the Stop & Shop Companies, Inc.
 - (4) Tenant occupies between 30,000 and 39,000 square feet.
 - (5) These leases had not commenced as of December 31, 1994 and are not included in the "Number of Tenants" column.
 - (6) The tenant has ceased operations at these locations but continues to pay rent.
 - (7) Square footage excludes Albertson's which owns its land and building.
 - (8) All the encumbrances referred to in this column (except those relating to the properties at North Plainfield, Garfield and Paramus, New Jersey) are cross-collateralized under a blanket mortgage in the amount of \$227,000,000.

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LEASE EXPIRATIONS

The terms of the Company's leases range from less than five years to 30 years or longer, with the larger stores typically having the longer terms. The following table shows for large stores (over 20,000 square feet) as of December 31, 1994, lease expirations for the next ten years and thereafter. Unless otherwise indicated, all information set forth below assumes that none of the tenants exercises renewal options and excludes ground leases and leases which had not commenced as of December 31, 1994. There can be no assurance that any tenant will exercise its renewal options.

LEASES EXPIRING DURING THE YEAR ENDING DECEMBER 31,					PERCENT OF TOTAL LEASED SQUARE FEET REPRESENTED BY EXPIRING LEASES	
	NUMBER	APPROXIMATE AREA IN SQUARE FEET (IN THOUSANDS)	ANNUALIZED BASE RENT (IN THOUSANDS)	AVERAGE ANNUALIZED BASE RENT PER SQUARE FOOT	ASSUMING NO EXERCISE OF RENEWAL OPTIONS	ASSUMING FULL EXERCISE OF RENEWAL OPTIONS
1995.....	2	70	\$ 453	\$ 6.46	0.93%	--%
1996.....	0	--	--	--	--	--
1997.....	5	149	786	5.28	1.97	1.15
1998.....	7	253	1,298	5.12	3.35	0.70
1999.....	14	551	3,515	6.38	7.29	3.96
2000.....	6	219	1,203	5.49	2.90	2.02
2001.....	4	212	1,320	6.23	2.80	--
2002.....	11	905	6,754	7.46	11.97	0.50
2003.....	4	239	1,439	6.02	3.16	0.40
2004.....	10	512	3,617	7.07	6.77	5.23
2005 and Thereafter....	41	3,184	22,424	7.04	42.14	69.31

USE OF PROCEEDS

The net proceeds to the Company from this Offering are estimated to be \$82,800,000 (assuming a public offering price of \$35.25, the reported last sale price of the Common Shares on the NYSE on April 6, 1995). \$60,000,000 of the net proceeds will be used to repay indebtedness incurred in connection with the Alexander's transactions pursuant to a three-year revolving credit facility. Such indebtedness bears interest at 7 5/8%. The balance of the net proceeds will be used for general corporate purposes. Pending such use, the balance of the net proceeds may be invested in short-term income producing investments.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of December 31, 1994 and as adjusted to give effect to the issuance of the Common Shares offered hereby (assuming a public offering price of \$35.25, the reported last sale price on April 6, 1995) and the use of proceeds therefrom. See "Recent Developments," "Use of Proceeds" and "Condensed Consolidated Pro Forma Financial Information" in this Prospectus Supplement and the Consolidated Financial Statements and notes thereto included in the Company's 1994 Form 10-K incorporated herein by reference.

	DECEMBER 31, 1994	
	ACTUAL	AS ADJUSTED
	(DOLLARS IN THOUSANDS)	
Debt(1):		
Notes and mortgages payable.....	\$234,160	\$ 234,160
Shareholders' equity:		
Preferred shares of beneficial interest; no par value per share; authorized, 1,000,000 shares; issued, none.....	--	--
Common shares of beneficial interest; \$.04 par value per share; authorized, 50,000,000 shares; issued, 21,654,285 and 24,154,285 shares, as adjusted.....	866	966
Additional capital.....	198,184	280,922
Accumulated deficit.....	(79,513)	(78,547) (2)
	119,537	203,341
Unrealized gain (loss) on securities available for sale.....	2,336	(1,099) (3)
Less: Due from officers for purchase of common shares of beneficial interest.....	(5,185)	(5,185)
	116,688	197,057
Total capitalization.....	\$350,848	\$ 431,217
	=====	=====

(1) In March 1995, the Company borrowed \$60,000,000 under a revolving credit facility, which amount will be repaid from the proceeds of the Offering. See "Use of Proceeds."

(2) Reflects a reduction in accumulated deficit arising from leasing fees receivable and related deferred income and equity amounts in connection with the Leasing Agreement with Alexander's.

(3) Reflects adjustments to the carrying value of the historical investment in Alexander's to eliminate the unrealized gain of \$3.4 million.

PRICE RANGE OF THE COMMON SHARES AND DISTRIBUTIONS

The Common Shares are listed on the NYSE under the symbol "VNO." The following table sets forth, for the periods indicated, the high and low closing sale prices of the Common Shares as reported by the NYSE, and the cash dividends paid per share in such periods.

	HIGH	LOW	DIVIDENDS
	-----	-----	-----
1993			
1st Quarter.....	\$34.82	\$24.83	\$.31
2nd Quarter.....	41.50	33.00	.31*
3rd Quarter.....	42.00	35.00	.44

4th Quarter.....	41.25	32.25	.44
1994			
1st Quarter.....	\$36.50	\$31.50	\$.50
2nd Quarter.....	37.50	32.25	.50
3rd Quarter.....	37.50	34.00	.50
4th Quarter.....	35.88	30.50	.50
1995			
1st Quarter.....	\$36.25	\$34.25	\$.56
2nd Quarter (through April 6, 1995).....	\$36.00	\$35.25	\$ --

* Does not include a special dividend of \$3.36 per share of accumulated earnings and profits paid in June 1993.

The current annualized dividend rate is \$2.24 per Common Share. Future dividends by the Company will be at the discretion of the Board of Trustees and will depend on the actual cash flow of the Company, its earnings, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and such other factors as the Board of Trustees deems relevant. A principal factor in the determination of dividends is the requirement of the Code that a REIT distribute at least 95% of its REIT taxable income as determined under the Code. See "Certain Federal Income Tax Considerations -- Taxation of the Company as a REIT."

Distributions by the Company to the extent of its current earnings and profits for federal income tax purposes are taxable to shareholders as ordinary dividend income. Distributions in excess of earnings and profits generally are treated as a non-taxable return of capital to the extent of a shareholder's basis in the Common Shares. A return of capital distribution generally has the effect of deferring taxation until a shareholder's sale of Common Shares. The Company has determined that 96% of the dividends paid in 1994 represented ordinary dividend income to shareholders and 4% represented a return of capital.

The approximate number of shareholders of record at April 6, 1995 was 2,000.

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CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The unaudited condensed consolidated pro forma financial information set forth below presents (i) the condensed consolidated pro forma statement of income for the Company for the year ended December 31, 1994 as if the Acquisition and the related agreements were consummated and the Offering and the use of proceeds therefrom had occurred on January 1, 1994 and (ii) the condensed consolidated pro forma balance sheet as of December 31, 1994 as if the Acquisition and the related agreements were consummated and the Offering and the use of proceeds therefrom had occurred on December 31, 1994.

The unaudited condensed consolidated pro forma financial information is not necessarily indicative of what the Company's actual results of operations or financial position would have been had the Acquisition and related agreements been consummated and had the Offering and the use of proceeds therefrom occurred on the dates indicated, nor does it purport to represent the Company's results of operations or financial position for any future period.

The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's 1994 Form 10-K incorporated herein by reference. In management's opinion, all adjustments necessary to reflect the Acquisition and the related agreements and the Offering and the use of proceeds therefrom have been made.

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CONDENSED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1994
(UNAUDITED)

	HISTORICAL	ADJUSTMENTS	PRO FORMA
	-----	-----	-----
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)		
Revenues:			
Property rentals.....	\$ 70,755		\$ 70,755
Expense reimbursements.....	21,784		21,784

Other income (including fee income from related parties of \$1,144 of which \$250 is from Alexander's).....	1,459	\$ 5,043(1)	6,502
Total revenues.....	93,998	5,043	99,041
Expenses:			
Operating.....	30,223		30,223
Depreciation and amortization.....	9,963		9,963
General and administrative.....	6,495	1,000(2)	7,495
Total expenses.....	46,681	1,000	47,681
Operating income.....	47,317	4,043	51,360
Income/(loss) applicable to Alexander's:			
Equity in (loss) including amortization of Vornado's proportionate interest in the fair value of buildings in excess of historical cost of \$630.....		(2,212)(3)	(2,212)
Interest and fee income on loan.....		7,894(4)	7,894
Interest and dividend income.....	7,489	(3,009)(5)	4,480
Interest and debt expense.....	(14,209)		(14,209)
Net gain on marketable securities.....	643		643
Income from continuing operations.....	\$ 41,240	\$ 6,716	\$ 47,956
Income from continuing operations per share(6).....	\$ 1.89		\$ 2.03
OTHER DATA:			
Funds from operations(7):			
Income from continuing operations.....	\$ 41,240	\$ 6,716	\$ 47,956
Depreciation and amortization (including debt issuance costs).....	10,839	630	11,469
Straight-lining of property rentals.....	(2,181)		(2,181)
Excess of leasing fees received over income recognized.....		1,857	1,857
Gains on sale of securities available for sale....	(51)		(51)
Proportionate share of adjustments to Alexander's loss to arrive at funds from operations.....		(217)	(217)
Funds from operations(7).....	\$ 49,847	\$ 8,986	\$ 58,833

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(1) Fee income from Alexander's is as follows:

Leasing fees and related interest thereon.....	\$ 393
Management fees.....	3,000
Development fees:	
Rego Park.....	900
Other properties.....	750

	\$ 5,043

(2) Reflects additional expenses associated with the Management Agreement with Alexander's.

(3) Vornado's 29.3% share of Alexander's loss from continuing operations.

(4) Reflects interest on the loan of \$45 million at 16.43% per annum and amortization of \$1.5 million of loan origination fees.

(5) Reflects a reduction in interest income associated with the use of \$40.1 million of cash and cash equivalents to fund loans to and investments in Alexander's.

(6) Pro forma income per share is based upon 23,664,767 Common Shares, which represents the historical weighted average number of Common Shares outstanding during the period, after giving effect to an increase of 1,811,047 Common Shares, which represents the number of Common Shares at the estimated public offering price, net of offering expenses, necessary to raise total cash equal to \$60 million to be used to repay indebtedness incurred in connection with the Alexander's transactions.

(7) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations 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.

 Below is a summarized Statement of Operations of Alexander's for the year ended December 31, 1994 presented on an historical and pro forma basis adjusted to reflect (i) borrowings of \$75 million under a term loan and the use of proceeds therefrom and (ii) the terms of the Management Agreement with the Company, as if such borrowings were incurred and such Management Agreement was entered into on January 1, 1994. See "Recent Developments."

	HISTORICAL	PRO FORMA
	-----	-----
Real estate operating revenue.....	\$ 11,572	\$11,572
Expenses.....	9,137	12,137
	-----	-----
Operating income/(loss).....	2,435	(565)
Gains on sale of real estate and real estate leases.....	161	161
Other income and interest.....	4,768	4,768
Interest and debt expense.....	(3,331)	(9,762)
	-----	-----
Net income/(loss).....	\$ 4,033	(\$5,398)
	=====	=====

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CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET

DECEMBER 31, 1994

(UNAUDITED)

	HISTORICAL	ADJUSTMENTS	PRO FORMA
	-----	-----	-----
(DOLLARS IN THOUSANDS)			
Assets:			
Real estate, net.....	\$ 237,127		\$ 237,127
Investment in and advances to Alexander's.....	7,350	\$ 96,680(1) 11,667(2)	115,697
Cash and cash equivalents (including U.S. Treasury obligations and marketable securities).....	110,765	(17,117)(3)	93,648
Other.....	38,296	(160)(4)	38,136
	-----	-----	-----
	\$ 393,538	\$ 91,070	\$ 484,608
	=====	=====	=====
Liabilities:			
Notes and mortgages payable.....	\$ 234,160		\$ 234,160
Due for U.S. Treasury Obligations.....	34,275		34,275
Deferred leasing income from Alexander's.....		\$ 10,701(2)	10,701
Other.....	8,415		8,415
	-----	-----	-----
	276,850	10,701	287,551
	-----	-----	-----
Shareholders' equity:			
Common Shares.....	866	100(5)	966
Additional capital.....	198,184	82,738(4)	280,922
Accumulated deficit.....	(79,513)	966(2)	(78,547)
	-----	-----	-----
	119,537	83,804	203,341
Unrealized gain (loss) on securities available for sale.....	2,336	(3,435)(1)	(1,099)
Less: Due from officers for purchase of Common Shares.....	(5,185)		(5,185)
	-----	-----	-----
	116,688	80,369	197,057
	-----	-----	-----
	\$ 393,538	\$ 91,070	\$ 484,608
	=====	=====	=====

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(1) Reflects (i) \$56.6 million for the purchase of 1,353,468 shares of Alexander's common stock from Citibank, at \$40.50 per share (including \$1.8 million of costs associated therewith); (ii) a \$45.0 million subordinated loan to Alexander's, offset by \$1.5 million in origination fees received;

Total revenues.....	93,998	88,790	81,997	78,498	75,573	69,347
Expenses:						
Operating.....	30,223	27,994	27,587	25,848	25,393	23,101
Depreciation and amortization.....	9,963	9,392	9,309	9,115	8,491	7,824
General and administrative.....	6,495	5,890	4,612	4,770	6,121	5,527
Cost incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust.....	--	856	--	--	--	--
Cost incurred upon exercise of a stock option by an officer and subsequent repurchase of a portion of the shares.....	--	--	15,650	--	--	--
Total expenses.....	46,681	44,132	57,158	39,733	40,005	36,452
Operating income.....	47,317	44,658	24,839	38,765	35,568	32,895
Interest and dividend income.....	7,489	11,620	8,555	9,303	12,125	11,051
Interest and debt expense.....	(14,209)	(31,155)	(33,910)	(34,930)	(35,120)	(32,189)
Net gain (loss) on marketable securities.....	643	263	2,779	4,862	(1,836)	(3)
Income from continuing operations before income taxes and extraordinary item.....	41,240	25,386	2,263	18,000	10,737	11,754
Provision (benefit) for income taxes.....	--	(6,369)	1,080	7,527	4,414	4,827
Income from continuing operations before extraordinary item.....	\$41,240	\$31,755	\$ 1,183	\$10,473	\$ 6,323	\$ 6,927
Weighted average number of shares outstanding.....	21,853,720	19,790,448	16,559,330	16,324,895	16,357,643	16,357,643
Income per share from continuing operations before extraordinary item.....	\$1.89	\$1.60	\$.07	\$.64	\$.39	\$.42
Cash dividends per share declared.....	2.00	1.50(2)	1.15	1.08	.27	.27

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	YEAR ENDED DECEMBER 31,					ELEVEN MONTHS ENDED DECEMBER 31,
	1994	1993	1992	1991	1990(1)	1990(1)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)						

BALANCE SHEET DATA

As at:						
Total assets.....	\$393,538	\$385,830	\$420,616	\$393,447	\$387,866	\$ 387,866
Real estate, at cost.....	365,832	340,415	314,651	305,123	303,511	303,511
Accumulated depreciation.....	128,705	118,742	111,142	103,520	100,501	100,501
Long-term debt.....	234,160	235,037	341,701	345,608	357,459	357,459
Shareholders' equity (deficit).....	116,688	115,737	(3,242)	8,125	15,421	15,421

OTHER DATA

Funds from operations(3):						
Income from continuing operations before income taxes and extraordinary item.....	\$ 41,240	\$ 25,386	\$ 2,263	\$ 18,000	\$ 10,737	\$ 11,754
Depreciation and amortization (including debt issuance costs)....	10,839	11,435	11,470	11,279	10,691	9,746
Straight-lining of rental income.....	(2,181)	(2,200)	(2,200)	(2,200)	(2,109)	(1,933)
(Gains)/losses on sale of securities available for sale.....	(51)	(263)	(846)	(1,932)	3,295	1,443
Costs incurred in connection with the merger/upon exercise of						

a stock option.....	--	856	15,650	--	--	--
Funds from operations.....	\$ 49,847	\$ 35,214	\$ 26,337	\$ 25,147	\$ 22,614	\$ 21,010
	=====	=====	=====	=====	=====	=====

(1) In 1990, the Company changed to a calendar year end from a fiscal year ending on the last Saturday in January. The amounts for the year ended December 31, 1990 are included for comparative purposes only.

(2) Does not include a special dividend of \$3.36 per share of accumulated earnings and profits paid in June 1993.

(3) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Years Ended December 31, 1994 and December 31, 1993

Funds from operations improved to \$49,847,000 in 1994 from \$35,214,000 in 1993, an increase of \$14,633,000 or 41.5%.

Funds from operations is defined as income from continuing operations before income taxes plus depreciation and amortization (including debt issuance costs) less straight-lining of rents and realized gains on securities available for sale and excluding costs incurred in connection with the merger of Vornado, Inc. into Vornado Realty Trust in 1993. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs. Funds from operations 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. Nonetheless, management considers funds from operations an appropriate supplemental measure of the Company's operating performance.

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$93,998,000 in 1994, compared to \$88,790,000 in 1993, an increase of \$5,208,000 or 5.9%.

Property rentals from shopping centers were \$63,778,000 in 1994, compared to \$60,919,000 in 1993, an increase of \$2,859,000 or 4.7%. This increase resulted from rental step-ups in leases which are not subject to the straight-line method of revenue recognition of \$1,700,000 and \$1,300,000 of rents from tenants at expansions of shopping centers. Property rentals from new tenants were approximately the same as property rentals lost from vacating tenants. Property rentals from the remainder of the portfolio were \$6,090,000 in 1994 compared to \$5,340,000 in 1993, an increase of \$750,000 or 14.0%. This increase resulted primarily from property rentals received from new tenants exceeding property rentals lost from vacating tenants. Percentage rent was \$887,000 in 1994 as compared to \$954,000 in 1993.

Tenant expense reimbursements were \$21,784,000 in 1994, compared to \$19,839,000 in 1993, an increase of \$1,945,000. This increase reflects a corresponding increase in operating expenses passed through to tenants.

Other income was greater in 1993 than in 1994 primarily as a result of reimbursements recognized under the Company's Leasing Agreement with Alexander's in 1993.

Operating expenses were \$30,223,000 in 1994 compared to \$27,994,000 in 1993, an increase of \$2,229,000. This increase resulted primarily from an increase in real estate taxes, snow removal costs and other common area maintenance charges.

Depreciation and amortization expense increased in 1994 primarily as a result of the completion of property expansions.

General and administrative expenses were \$6,495,000 in 1994 compared to \$5,890,000 in 1993, an increase of \$605,000. This increase resulted from higher professional fees and payroll.

Investment income from cash and cash equivalents, and marketable securities, net of amounts due for U.S. Treasury obligations (collectively, "Liquid Investments"), was \$8,132,000 in 1994 compared to \$11,883,000 in 1993, a decrease of \$3,751,000 or 31.6%. The change in investment income resulted

primarily from a decrease of interest and dividend income of \$4,131,000 as a result of lower average investments due to the use of approximately \$100,000,000 to reduce debt in November 1993, partially offset by an increase in net gains on marketable securities.

Interest and debt expense was \$14,209,000 in 1994 compared to \$31,155,000 in 1993, a decrease of \$16,946,000 or 54.3%. Of this decrease, (i) \$14,586,000 resulted from the refinancing of a blanket mortgage loan and (ii) \$1,300,000 resulted from an increase in capitalized interest during construction.

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The Company operates in a manner intended to enable it to qualify as a real estate investment trust under Sections 856 through 860 of the Code. Under those sections, a real estate investment trust which distributes at least 95% of its REIT taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company has distributed to its shareholders an amount greater than its taxable income. Therefore, no provision for federal income taxes is required. In 1993, as a result of the Company's conversion to a REIT, the deferred tax balance of \$6,369,000 at December 31, 1992 was reversed.

Years Ended December 31, 1993 and December 31, 1992

Funds from operations improved to \$35,214,000 in 1993 from \$26,337,000 in 1992, an increase of \$8,877,000 or 33.7%.

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$88,790,000 in 1993, compared to \$81,997,000 in 1992, an increase of \$6,793,000 or 8.3%.

Property rentals from shopping centers were \$60,919,000 in 1993, compared to \$56,185,000 in 1992, an increase of \$4,734,000 or 8.4%. This increase resulted from rental step-ups in existing tenant leases which are not subject to the straight-line method of revenue recognition of \$2,061,000 and property rentals received from new tenants exceeding property rentals lost from vacating tenants. Property rentals from the remainder of the portfolio were \$5,340,000 in 1993 compared to \$6,316,000 in 1992, a decrease of \$976,000 or 15.4%. Of this decrease (i) \$477,000 resulted from the closing of the outlet department store at the Company's Watchung, New Jersey location on June 1, 1993 as part of a redevelopment plan and (ii) \$499,000 resulted from the excess of property rentals lost from vacating tenants over property rentals received from new tenants. Percentage rent was \$954,000 in 1993 compared to \$685,000 in 1992.

Tenant expense reimbursements were \$19,839,000 in 1993, compared to \$17,898,000 in 1992, an increase of \$1,941,000. This increase relates to a corresponding increase in operating expenses passed through to tenants and reimbursements from tenants under leases which commenced subsequent to January 1, 1992.

Other income increased as a result of reimbursements of \$750,000 recognized in 1993 under the Company's Leasing Agreement with Alexander's and a full year of management fees received from Interstate Properties in 1993 as compared to a partial year in 1992.

Operating expenses were \$27,994,000 in 1993 compared to \$27,587,000 in 1992, an increase of \$407,000. This increase resulted primarily from a rise in real estate taxes offset by savings of \$500,000 in connection with the closing of the Watchung outlet department store.

Depreciation and amortization expense for 1993 did not change significantly from 1992.

General and administrative expenses were \$5,890,000 in 1993 compared to \$4,612,000 in 1992, an increase of \$1,278,000. This increase resulted from increases in (i) payroll of \$500,000 of which \$300,000 was applicable to employees added in connection with the management of Interstate Properties (see the discussion of other income above), (ii) professional fees of \$408,000 and (iii) general corporate office expenses of \$370,000.

In connection with the merger of Vornado, Inc. into Vornado Realty Trust, the Company incurred costs of \$856,000.

Investment income from Liquid Investments was \$11,883,000 in 1993 compared to \$11,334,000 in 1992, an increase of \$549,000 or 4.8%. The change in investment income resulted primarily from an increase in interest and dividend income of \$3,065,000 offset by a decrease in net gains on the sale of marketable securities of \$2,516,000 (including \$1,932,000 from the Company's former investment in a limited partnership, which was liquidated at December 31, 1992 at book value for cash). Of the increase in interest and dividend income, \$1,912,000 was attributable to interest income earned on the net proceeds from the issuance of 5,211,700 common shares of beneficial interest in May 1993, net of a distribution of accumulated earnings and profits and working capital used to prepay a blanket mortgage loan. The balance of the increase resulted from the mix of other investments.

Interest and debt expense was \$31,155,000 in 1993 compared to \$33,910,000 in 1992, a decrease of \$2,755,000, or 8.1%. Of this decrease, (i) \$1,600,000 resulted from the refinancing of a blanket mortgage loan and (ii) \$282,000 was due to an increase in capitalized interest during construction.

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 1994, the Company had Liquid Investments of \$77,600,000 (excluding unrealized gains on securities available for sale) compared to \$100,400,000 at December 31, 1993, a decrease of \$22,800,000. The decrease in Liquid Investments resulted primarily from (i) dividends paid to shareholders of \$43,200,000 and (ii) capital expenditures of \$25,400,000 exceeding net cash provided from operating activities of \$46,900,000.

The major items of capital expenditures for 1994 were (i) \$11,400,000 for expansions in three shopping centers, (ii) \$3,900,000 for the acquisition of a building at 10th and Market Streets in Philadelphia, Pennsylvania and (iii) \$2,100,000 for the tenant improvements at the Company's retail property at 14th Street and Union Square in Manhattan, New York. The Company has budgeted approximately \$13,500,000 for investment over the next two years of which \$10,000,000 is for future expansions and \$2,000,000 is for tenant improvements at the Company's retail property in Philadelphia, noted above. In addition, the Company will continue its program of upgrading its shopping centers by refurbishing its parking lots (including resurfacing, new lighting, updated landscaping, islands and curbing) and re-roofing of buildings, the cost of which will be substantially reimbursed by tenants in accordance with existing lease terms.

In July 1992, the Company was retained by Alexander's to act as a special real estate consultant. The Company is due approximately \$12,400,000 for transactions completed to date. Of this amount, the Company was due to receive \$500,000 on July 1, 1994; such amount was received in March 1995. The balance of \$11,900,000 will be payable over a seven-year period in an amount not to exceed \$2,500,000 in any calendar year until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993 or at the time the transactions which gave rise to the commissions occurred, if later. Such receipts are subject to payment of rents by the underlying tenants pursuant to the leases and to the prior satisfaction of all payments to which certain creditors of Alexander's are entitled under the plan of reorganization confirmed by such creditors.

On March 2, 1995, following bankruptcy court approval of the loan and management arrangements described below, the Company purchased all of the 1,353,468 shares, or 27.1%, of the common stock of Alexander's owned by Citibank for \$40.50 per share in cash. After the Acquisition, the Company owns 29.3% of the common stock of Alexander's. Interstate Properties owns 30.9% of the Common Shares of the Company and 27.1% of Alexander's common stock.

The Company and Alexander's have entered into a three-year management and development agreement under which the Company will manage all of Alexander's business affairs and manage and develop Alexander's properties. The annual fee to the Company is \$3,000,000, plus 6% of development costs with a minimum guaranteed fee for the development portion of \$1,650,000 in the first year and \$750,000 in each of the second and third years.

The fee pursuant to the Management Agreement is in addition to the leasing fee the Company receives from Alexander's under the Leasing Agreement which has been in effect since 1992. The term of the Leasing Agreement has been extended to be coterminous with the term of the Management Agreement.

On March 15, 1995, the Company lent Alexander's \$45 million, the subordinated tranche of a \$75 million secured financing. The balance was funded by a bank. The Company's loan has a three-year term and bears interest at 16.43% per annum for the first two years and at a fixed rate for the third year of 992 basis points over the one-year Treasury bill rate. In addition, Vornado received a loan origination fee of \$1,500,000 from Alexander's.

On February 27, 1995, the Company entered into a three-year unsecured revolving credit facility with a bank providing for borrowings of up to \$75,000,000. Borrowings bear annual interest, at the Company's election, at LIBOR plus 1.50% or the higher of the federal funds rate plus 1% or prime rate plus .50%. At March 15, 1995, the Company had borrowed \$60,000,000 under the agreement, which will be repaid from the proceeds of the Offering.

In May 1994, the Company's shelf registration statement relating to \$350,000,000 of securities became effective.

The Company anticipates that cash from continuing operations, working capital, borrowings under its revolving credit facility and/or proceeds from the

issuance of securities under the Company's shelf registration statement will be adequate to fund its business operations, capital expenditures, continuing debt service obligations, the payment of dividends and the Alexander's transactions noted above.

ECONOMIC CONDITIONS

Substantially all of the Company's leases contain step-ups in rent. Such rental increases are not designed to, and in many instances do not, approximate the cost of inflation, but do have the effect of mitigating the adverse impact of inflation. In addition, substantially all of the Company's leases contain provisions that require the tenant to reimburse the Company for the tenant's share of common area charges (including roof and structure, unless it is the tenant's direct responsibility) and real estate taxes thus passing through to the tenants the effects of inflation on such expenses.

Inflation did not have a material effect on the Company's results for the periods presented.

MANAGEMENT

The following table sets forth certain information with respect to the trustees and executive officers of the Company:

NAME	AGE	POSITION AT THE COMPANY
Steven Roth*	53	Chairman of the Board and Chief Executive Officer.
David Mandelbaum*	59	Trustee.
Stanley Simon*	77	Trustee.
Ronald Targan	68	Trustee.
Richard West	57	Trustee.
Russell Wight, Jr.*	56	Trustee.
Richard T. Rowan	48	Vice President -- Real Estate.
Joseph Macnow	49	Vice President -- Chief Financial Officer.

* Member of Executive Committee.

Mr. Roth has been Chairman of the Board and Chief Executive Officer of the Company since May 1989 and Chairman of the Executive Committee of the Board since April 1980. Since 1968, he has been a general partner of Interstate Properties and more recently, managing general partner. On March 3, 1995, he became Chief Executive Officer of Alexander's. Mr. Roth has been a director of Alexander's, Inc. since 1989 and is a director of Insituform Technologies, Inc.

Mr. Mandelbaum has been a member of Mandelbaum and Mandelbaum, P.C. since 1967. Since 1968, he has been a general partner of Interstate Properties. Mr. Mandelbaum became a director of Alexander's in March 1995.

Mr. Simon has been the owner of Stanley Simon and Associates since 1958. Mr. Simon is also a director of General Microwave Corporation (defense contractor), Gerber Scientific Inc. (computer draft/cutting systems) and J. Baker, Inc. (footwear retailer).

Mr. Targan has been president of Malt Products Corporation of New Jersey since 1962. Since 1964, he has been a member of the law firm of Schechner and Targan, P.A.

Mr. West has been a professor at the Leonard N. Stern School of Business, New York University since September 1984. He was also Dean from September 1984 until August 1993. From July 1976 through August 1984, he was a faculty member of the Amos Tuck School of Business Administration of Dartmouth College. From July 1976 until 1983, Mr. West was also Dean of the Amos Tuck School. Mr. West is also a director or a trustee of Alexander's, Smith-Corona, Inc., Bowne & Co., Inc., ReCapital Corporation and various investment companies managed by Merrill Lynch Asset Management, Inc., an affiliate of Merrill Lynch & Co.

Mr. Wight has been a general partner of Interstate Properties since 1968. Mr. Wight became a director of Alexander's in March 1995 and is also a director of Insituform Technologies, Inc.

Mr. Rowan has been Vice President -- Real Estate of the Company since June 1981.

Mr. Macnow has been Vice President and Chief Financial Officer of the Company since 1985 and Controller of the Company since 1982.

The Company is not aware of any family relationships between any trustee or executive officer of the Company. Messrs. Roth, Wight and Mandelbaum are affiliated with each other as general partners of Interstate Properties and in other businesses. Messrs. Mandelbaum and Targan are affiliated with each other in businesses and in the practice of law.

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POSSIBLE CONFLICTS OF INTEREST

Messrs. Roth, Mandelbaum and Wight are the partners of Interstate Properties. Interstate Properties currently owns 6,721,500 Common Shares or 30.9% of the outstanding Common Shares of the Company (27.7% after the Offering). In addition, Mr. Roth owns 897,250 shares or 4.1% of the outstanding Common Shares of the Company. Interstate Properties and its three partners collectively own 7,943,750 Common Shares or 36.6% of the outstanding Common Shares of the Company (32.8% after the Offering). Interstate Properties develops, owns and operates strip and regional type shopping centers and invests in securities and partnerships. Interstate Properties and Mr. Roth have advised the Company that it is their current intention to refrain from acquiring properties of the same general character as the Company's shopping centers in the markets in which the Company operates.

The Company manages and leases the six shopping centers owned by Interstate Properties pursuant to an agreement (the "Interstate Agreement") and receives a quarterly fee equal to 4% of minimum rent and percentage rent of such shopping centers and certain other commissions. The Interstate Agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the Interstate Agreement was not negotiated at arm's length, the Company believes, based upon comparable fees charged by other real estate companies, that its terms are fair to the Company.

The Company owns 29.3% of the common stock of Alexander's. Interstate Properties currently owns 27.1% of the common stock of Alexander's. See "Recent Developments."

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CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain federal income tax considerations to the Company and to holders of Common Shares is based upon the opinion of Sullivan & Cromwell. This summary is based on current law, is for general information only, and is not tax advice. The tax treatment of a holder of Common Shares will vary depending upon his particular situation, and this discussion does not purport to deal with all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances, or to certain types of shareholders (including insurance companies, financial institutions or broker-dealers, tax-exempt organizations, foreign corporations, and persons who are not citizens or residents of the United States, except to the extent discussed under the heading "Taxation of Tax-Exempt Shareholders" and "Taxation of Non-U.S. Shareholders") subject to special treatment under the federal income tax laws.

INVESTORS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND SALE OF COMMON SHARES, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF SUCH ACQUISITION, OWNERSHIP AND SALE IN THEIR PARTICULAR CIRCUMSTANCES AND POTENTIAL CHANGES IN APPLICABLE LAWS.

TAXATION OF THE COMPANY AS A REIT

General. The Company believes that, commencing with its taxable year ending December 31, 1993, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under Sections 856 through 860 of the Code. The Company intends to continue to qualify to be taxed as a REIT, but no assurance of continued qualification can be given.

The sections of the Code applicable to REITs are highly technical and complex. The material aspects thereof are summarized below.

In the opinion of Sullivan & Cromwell, commencing with the Company's taxable year ending December 31, 1993, the Company has been organized in conformity with the requirements for qualification as a REIT, and its proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion is based on various assumptions and is conditioned upon certain representations made by the Company and by Alexander's. In general, for so long as the Company owns more than 10% of the outstanding stock of Alexander's or securities issued by Alexander's with a value in excess of 5% of the value of

the total assets of the Company, the Company will qualify as a REIT only if Alexander's qualifies as a REIT. Accordingly, in rendering its opinion, Sullivan & Cromwell is relying, as to the qualification of Alexander's as a REIT commencing with its taxable year beginning January 1, 1995, on the opinion of Shearman & Sterling and on certain representations made by Alexander's. Shearman & Sterling's opinion, in turn, is based upon various assumptions and is conditioned upon certain representations made by Alexander's. In making the representations referred to above, Alexander's is relying in part upon representations received from third parties. Qualification as a REIT, however, depends upon an entity's ability to meet, through actual annual operating results, distribution levels and diversity of share ownership, the various qualification tests imposed under the Code discussed below, the results of which have not been and will not be verified or independently investigated by Sullivan & Cromwell, as to the Company and Alexander's, or by Shearman & Sterling, as to Alexander's. Accordingly, no assurance can be given that the actual results of the Company's operations for any particular taxable year will satisfy such requirements. See "-- Failure to Qualify."

In the second quarter of 1995, the Company will transfer certain of its leasing and management agreements and related assets to a newly-formed corporation in return for all of the non-voting stock of that corporation. All of the voting stock of the corporation will be held by the partners in Interstate Properties. The corporation's non-voting stock will entitle the Company to 95% of the corporation's dividends. The corporation will be subject to federal income tax at the normal corporate rates.

As a REIT, the Company generally will not be subject to federal corporate income taxes on its net income that is currently distributed to shareholders. This treatment substantially eliminates the "double

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taxation" (at the corporate and shareholder levels) that generally results from investment in a regular corporation. However, the Company will be subject to federal income tax as follows: first, the Company will be taxed at regular corporate rates on any undistributed real estate investment trust taxable income, including undistributed net capital gains. Second, under certain circumstances, the Company may be subject to the "alternative minimum tax" on its items of tax preference. Third, if the Company has (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income. Fourth, if the Company has net income from "prohibited transactions" (which are, in general, certain sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business), such income will be subject to a 100% tax. Fifth, if the Company should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but has nonetheless maintained its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which the Company fails the 75% or 95% test, multiplied by (b) a fraction intended to reflect the Company's profitability. Sixth, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its real estate investment trust ordinary income for such year, (ii) 95% of its real estate investment trust capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, if during the 10-year period (the "Recognition Period") beginning on the first day of the first taxable year for which the Company qualified as a REIT, the Company recognizes gain on the disposition of any asset held by the Company as of the beginning of the Recognition Period, then, to the extent of the excess of (a) the fair market value of such asset as of the beginning of the Recognition Period over (b) the Company's adjusted basis in such asset as of the beginning of the Recognition Period (the "Built-in Gain"), such gain will be subject to tax at the highest regular corporate rate pursuant to Internal Revenue Service ("IRS") regulations that have not yet been promulgated; provided, however, that the Company shall not be subject to tax on recognized Built-in Gain with respect to assets held as of the first day of the Recognition Period to the extent that the aggregate amount of such recognized Built-in Gain exceeds the net aggregate amount of the Company's unrealized Built-in Gain as of the first day of the Recognition Period. Eighth, if the Company acquires any asset from a C corporation (i.e., generally a corporation subject to full corporate-level tax) in certain transactions in which the basis of the asset in the hands of the Company is determined by reference to the basis of the asset (or any other property) in the hands of the C corporation, and the Company recognizes gain on the disposition of such asset during the Recognition Period beginning on the date on which such asset was acquired by the Company, then, pursuant to the IRS regulations that have not yet been issued and to the extent of the Built-in Gain, such gain will be subject to tax at the highest regular corporate rate.

Requirements for Qualification. The Code defines a REIT as a corporation, trust or association (1) which is managed by one or more trustees or directors, (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest, (3) which would be taxable as

a domestic corporation, but for Sections 856 through 859 of the Code, (4) which is neither a financial institution nor an insurance company subject to certain provisions of the Code, (5) the beneficial ownership of which is held by 100 or more persons, (6) during the last half of each taxable year, not more than 50% in value of the outstanding stock of which is owned, directly or constructively, by five or fewer individuals (as defined in the Code to include certain entities) and (7) which meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (1) to (4) must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) will not apply until after the first taxable year for which an election is made to be taxed as a REIT.

The Company has satisfied condition (5) and believes that it has also satisfied condition (6). In addition, the Company's Amended and Restated Declaration of Trust provides for restrictions regarding the ownership and transfer of the Company's shares of beneficial interest, which restrictions are intended to assist the Company in continuing to satisfy the share ownership requirements described in (5) and (6) above. The ownership and transfer restrictions pertaining to the Common Shares are described in the Prospectus under

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the heading "Description of Shares of Beneficial Interest -- Description of Common Shares -- Restrictions on Ownership."

The Company owns and operates a number of properties through wholly-owned subsidiaries. Code Section 856(i) provides that a corporation which is a "qualified REIT subsidiary" shall not be treated as a separate corporation, and all assets, liabilities, and items of income, deduction, and credit of a "qualified REIT subsidiary" shall be treated as assets, liabilities and such items (as the case may be) of the REIT. Thus, in applying the requirements described herein, the Company's "qualified REIT subsidiaries" will be ignored, and all assets, liabilities and items of income, deduction, and credit of such subsidiaries will be treated as assets, liabilities and items of the Company. The Company believes that all of its wholly-owned subsidiaries are "qualified REIT subsidiaries."

In the case of a REIT that is a partner in a partnership, Treasury regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. In addition, the character of the assets and gross income of the partnership will retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, the Company's proportionate share of the assets, liabilities and items of income of any partnership in which the Company is a partner will be treated as assets, liabilities and items of income of the Company for purposes of applying the requirements described herein.

Income Tests. In order to maintain qualification as a REIT, the Company annually must satisfy three gross income requirements. First, at least 75% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property" -- which term generally includes expenses of the Company that are paid or reimbursed by tenants -- and, in certain circumstances, interest) or from certain types of temporary investments. Second, at least 95% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments, dividends, interest and gain from the sale or disposition of stock or securities (or from any combination of the foregoing). Third, short-term gain from the sale or other disposition of stock or securities, gain from prohibited transactions and gain on the sale or other disposition of real property held for less than four years (apart from involuntary conversions and sales of foreclosure property) must represent less than 30% of the Company's gross income (including gross income from prohibited transactions) for each taxable year.

Rents received by the Company will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, directly or under the applicable attribution rules, owns a 10% or greater interest in such tenant (a "Related Party Tenant"). Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property." Finally, for rents received to qualify as "rents from real property," the REIT generally must not operate or manage the property or furnish or render services to the tenants of such property, other than

through an independent contractor from whom the REIT derives no revenue; provided, however, that the Company may directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. The Company does not and will not charge rent for any property to a Related Party Tenant, and the Company does not and will not derive rental income attributable to personal property (other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease). The Company directly performs services for certain of its tenants. The Company does not believe that the provision of such services will cause its gross income attributable to such tenants to fail to be treated as "rents from real property."

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The term "interest" generally does not include any amount received or accrued (directly or indirectly) if the determination of such amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

If the Company fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will generally be available if the Company's failure to meet such tests was due to reasonable cause and not due to willful neglect, the Company attaches a schedule of the sources of its income to its federal income tax return, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances the Company would be entitled to the benefit of these relief provisions. As discussed above under "-- General," even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

Asset Tests. The Company, at the close of each quarter of its taxable year, must also satisfy three tests relating to the nature of its assets. First, at least 75% of the value of the Company's total assets must be represented by real estate assets (including (i) assets held by the Company's qualified REIT subsidiaries and the Company's allocable share of real estate assets held by partnerships in which the Company owns an interest, (ii) stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (at least five years) debt offering of the Company and (iii) stock issued by another REIT), cash, cash items and government securities. Second, not more than 25% of the Company's total assets may be represented by securities other than those in the 75% asset class. Third, of the investments included in the 25% asset class, the value of any one issuer's securities (other than securities issued by another REIT) owned by the Company may not exceed 5% of the value of the Company's total assets and the Company may not own more than 10% of any one issuer's outstanding voting securities.

Since March 2, 1995, the Company has owned more than 10% of the voting securities of Alexander's and the value of such securities may represent more than 5% of the value of the total assets of the Company. The Company's ownership interest in Alexander's will not cause the Company to fail to satisfy the asset tests for REIT status so long as Alexander's qualifies as a REIT. The Company, based on the opinion of Shearman & Sterling and representations received from Alexander's, believes that Alexander's will so qualify commencing with its taxable year beginning January 1, 1995.

Annual Distribution Requirements. The Company, in order to qualify as a REIT, is required to distribute dividends (other than capital gain dividends) to its shareholders in an amount at least equal to (A) the sum of (i) 95% of the Company's "real estate investment trust taxable income" (computed without regard to the dividends paid deduction and the Company's net capital gain) and (ii) 95% of the net income (after tax), if any, from foreclosure property minus (B) the sum of certain items of non-cash income. In addition, if the Company disposes of any asset during its Recognition Period, the Company will be required, pursuant to IRS regulations which have not yet been promulgated, to distribute at least 95% of the Built-in Gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its tax return for such year and if paid on or before the first regular dividend payment after such declaration. To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its "real estate investment trust taxable income," as adjusted, it will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. Furthermore, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. The Company intends to satisfy the annual distribution requirements.

It is possible that the Company, from time to time, may not have sufficient cash or other liquid assets to meet the 95% distribution requirement due to

timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Company. In the event that such timing differences occur, in order to meet

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the 95% distribution requirement, the Company may find it necessary to arrange for short-term, or possibly long-term, borrowings or to pay dividends in the form of taxable stock dividends.

Under certain circumstances, the Company may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to shareholders in a later year, which may be included in the Company's deduction for dividends paid for the earlier year. Thus, the Company may be able to avoid being taxed on amounts distributed as deficiency dividends; however, the Company will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If the Company fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, the Company will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances the Company would be entitled to such statutory relief.

TAXATION OF TAXABLE U.S. SHAREHOLDERS GENERALLY

As used herein, the term "U.S. Shareholder" means a holder of Common Shares who (for United States federal income tax purposes) is (i) a citizen or resident of the United States, (ii) a corporation, partnership, or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

As long as the Company qualifies as a REIT, distributions made by the Company out of its current or accumulated earnings and profits (and not designated as capital gain dividends) will constitute dividends taxable to its taxable U.S. Shareholders as ordinary income. Such distributions will not be eligible for the dividends-received deduction in the case of U.S. Shareholders that are corporations. Distributions made by the Company that are properly designated by the Company as capital gain dividends will be taxable to U.S. Shareholders as long-term capital gains (to the extent that they do not exceed the Company's actual net capital gain for the taxable year) without regard to the period for which a U.S. Shareholder has held his shares of stock. U.S. Shareholders that are corporations may, however, be required to treat up to 20% of certain gain dividends as ordinary income.

To the extent that the Company makes distributions (not designated as capital gain dividends) in excess of its current and accumulated earnings and profits, such distributions will be treated first as a tax-free return of capital to each U.S. Shareholder, reducing the adjusted basis which such U.S. Shareholder has in his shares of stock for tax purposes by the amount of such distribution (but not below zero), with distributions in excess of a U.S. Shareholder's adjusted basis in his shares taxable as capital gains (provided that the shares have been held as a capital asset). Dividends declared by the Company in October, November, or December of any year and payable to a shareholder of record on a specified date in any such month shall be treated as both paid by the Company and received by the shareholder on December 31 of such year, provided that the dividend is actually paid by the Company on or before January 31 of the following calendar year. Shareholders may not include in their own income tax returns any net operating losses or capital losses of the Company.

Distributions made by the Company and gain arising from the sale or exchange by a U.S. Shareholder of Common Shares will not be treated as passive activity income, and, as a result, U.S. Shareholders generally will not be able to apply any "passive losses" against such income or gain. Distributions made by the Company (to the extent they do not constitute a return of capital) generally will be treated as investment income for purposes of computing the investment interest deduction limitation. Gain arising from the sale or other

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disposition of Common Shares, however, will not be treated as investment income

unless the U.S. Shareholder elects to reduce the amount of his total net capital gain eligible for the 28% maximum capital gains rate by the amount of such gain with respect to the Common Shares.

Upon any sale or other disposition of Common Shares, a U.S. Shareholder will recognize gain or loss for federal income tax purposes in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received on such sale or other disposition, and (ii) the holder's adjusted basis in the Common Shares for tax purposes. Such gain or loss will be capital gain or loss if the Common Shares have been held by the U.S. Shareholders as a capital asset, and will be long-term gain or loss if such Common Shares have been held for more than one year. In general, any loss recognized by a U.S. Shareholder upon the sale or other disposition of shares of the Company that have been held for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, to the extent of distributions received by such U.S. Shareholder from the Company which were required to be treated as long-term capital gains.

BACKUP WITHHOLDING

The Company will report to its U.S. Shareholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholdings rules, a shareholder may be subject to backup withholding at the rate of 31% with respect to dividends paid unless such holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Shareholder that does not provide the Company with his correct taxpayer identification number may also be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the shareholder's income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions to any shareholders who fail to certify their non-foreign status to the Company. See "-- Taxation of Non U.S. Shareholders."

TAXATION OF TAX-EXEMPT SHAREHOLDERS

Generally, a tax-exempt investor that is exempt from tax on its investment income, such as an individual retirement account (IRA) or a 401(k) plan, that holds the Common Shares as an investment will not be subject to tax on dividends paid by the Company. However, if such tax-exempt investor is treated as having purchased its Common Shares with borrowed funds, some or all of its dividends will be subject to tax.

TAXATION OF NON-U.S. SHAREHOLDERS

The rules governing United States federal income taxation of the ownership and dispositions of shares by persons that are, for purposes of such taxation, nonresident alien individuals, foreign corporations, foreign partnerships or foreign estates or trusts (collectively, "Non-U.S. Shareholders") are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of United States federal income tax and does not address state, local or foreign tax consequences that may be relevant to a Non-U.S. Shareholder in light of its particular circumstances. In addition, this discussion is based on current law, which is subject to change, and assumes that the Company qualifies for taxation as a REIT. Prospective Non-U.S. Shareholders should consult with their own tax advisers to determine the impact of federal, state, local and foreign income tax laws with regard to an investment in stock, including any reporting requirements.

Distributions. Distributions by the Company to a Non-U.S. Shareholder that are neither attributable to gain from sales or exchanges by the Company of United States real property interests nor designated by the Company as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of current or accumulated earnings and profits of the Company. Such distributions ordinarily will be subject to withholding of United States federal tax on a gross basis (that is, without allowance of deductions) at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are treated as effectively connected with the conduct by the Non-U.S. Shareholder of a United States trade or

business. Dividends that are effectively connected with such a trade or business will be subject to tax on a net basis (that is, after allowance of deductions) at graduated rates, in the same manner as domestic shareholders are taxed with respect to such dividends and are generally not subject to withholding. Any such dividends received by a Non-U.S. Shareholder that is a corporation may also be subject to an additional branch profit tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Pursuant to current Treasury regulations, dividends paid to an address in a country outside the United States are generally presumed to be paid to a resident of such country for purposes of determining the applicability of

withholding discussed above and the applicability of a tax treaty rate. Under proposed Treasury regulations, which are not currently in effect, however, a Non-U.S. Shareholder who wished to claim the benefit of an applicable treaty rate would be required to satisfy certain certification and other requirements. Under certain treaties, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT, such as the Company. Certain certification and disclosure requirements must be satisfied to be exempt from withholding under the effectively connected income exemption discussed above.

Distributions in excess of current or accumulated earnings and profits of the Company will not be taxable to a Non-U.S. Shareholder to the extent that they do not exceed the adjusted basis of the shareholder's Common Shares, but rather will reduce the adjusted basis of such stock. To the extent that such distributions exceed the adjusted basis of a Non-U.S. Shareholder's stock, they will give rise to gain from the sale or exchange of his stock, the tax treatment of which is described below. For withholding purposes, the Company is required to treat all distributions as if made out of current or accumulated earnings and profits. However, amounts thus withheld are generally refundable if it is subsequently determined that such distribution was, in fact, in excess of current or accumulated earnings and profits of the Company.

Distributions to a Non-U.S. Shareholder that are designated by the Company at the time of distributions as capital gains dividends (other than those arising from the disposition of a United States real property interest) generally will not be subject to United States federal income taxation, unless (i) investment in the Common Shares is effectively connected with the Non-U.S. Shareholder's United States trade or business, in which case the Non-U.S. Shareholder will be subject to the same treatment as domestic shareholders with respect to such gain (except that a shareholder that is a foreign corporation may also be subject to the 30% branch profits tax, as discussed above), or (ii) the Non-U.S. Shareholder is a nonresident alien individual who is present in the United States for 183 or more days during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Distributions to a Non-U.S. Shareholder that are attributable to gain from sales or exchanges by the Company of United States real property interests will cause the Non-U.S. Shareholder to be treated as recognizing such gain as income effectively connected with a United States trade or business. Non-U.S. Shareholders would thus generally be taxed at the same rates applicable to domestic shareholders (subject to a special alternative minimum tax in the case of nonresident alien individuals). The Company is required to withhold 35% of any such distribution. That amount is creditable against the Non-U.S. Shareholder's United States federal income tax liability. Also, such distributions may be subject to a 30% branch profits tax in the hands of a Non-U.S. Shareholder that is a corporation, as discussed above.

Sale of Stock. Gain recognized by a Non-U.S. Shareholder upon the sale or exchange of Common Shares generally will not be subject to United States taxation unless the Common Shares constitute a "United States real property interest" within the meaning of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). The Common Shares will not constitute a "United States real property interest" so long as the Company is a "domestically controlled REIT." A "domestically controlled REIT" is a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by Non-U.S. Shareholders. Notwithstanding the foregoing, gain from the sale or exchange of Common Shares not otherwise subject to FIRPTA will be taxable to a Non-U.S. Shareholder if the Non-U.S. Shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States. In such case, the nonresident alien individual will be subject to a 30% United States withholding tax in the amount of such individual's gain.

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If the Company is not or ceases to be a "domestically-controlled REIT," whether gain arising from the sale or exchange by a Non-U.S. Shareholder of Common Shares would be subject to United States taxation under FIRPTA as a sale of a "United States real property interest" will depend on whether the Common Shares are "regularly traded" (as defined by applicable Treasury regulations) on an established securities market (e.g. the New York Stock Exchange) and on the size of the selling Non-U.S. Shareholder's interest in the Company. If gain on the sale or exchange of Common Shares were subject to taxation under FIRPTA, the Non-U.S. Shareholder would be subject to regular United States income tax with respect to such gain in the same manner as a U.S. Shareholder (subject to any applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals and the purchaser of the Common Shares would be required to withhold and remit to the IRS 10% of the purchase price.

Backup Withholding Tax and Information Reporting. Backup withholding tax (which generally is a withholding tax imposed at the rate of 31% on certain payments to persons that fail to furnish certain information under the United States information reporting requirements) and information reporting will generally not apply to distributions paid to Non-U.S. Shareholders outside the United States that are treated as (i) dividends subject to the 30% (or lower treaty rate) withholding tax discussed above, (ii) capital gains dividends or

(iii) distributions attributable to gain from the sale or exchange by the Company of United States real property interests. As a general matter, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of Common Shares by or through a foreign office of a foreign broker. Information reporting (but not backup withholding) will apply, however, to (x) a payment of the proceeds of a sale of Common Shares by or through a foreign office of a foreign broker and (y) to a payment of the proceeds of a sale of Common Shares by a foreign office of a broker that (a) is a United States person, (b) derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States or (c) is a "controlled foreign corporation" (generally, a foreign corporation controlled by United States stockholders) for United States tax purposes, unless the broker has documentary evidence in its records that the holder is a Non-U.S. Shareholder and certain other conditions are met, or the shareholder otherwise establishes an exemption. Payment to or through a United States office of a broker of the proceeds of a sale of Common Shares is subject to both backup withholding and information reporting unless the shareholder certifies under penalties of perjury that the shareholder is a Non-U.S. Shareholder, or otherwise establishes an exemption. A Non-U.S. Shareholder may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.

Estate Tax. Common Shares owned by an individual who is not a citizen or resident of the United States (as determined for purposes of U.S. federal estate tax law) at the time of death will generally be includable in such individual's gross estate for U.S. federal estate tax purposes unless an applicable estate tax treaty provides otherwise.

OTHER TAX CONSEQUENCES

The Company and its shareholders may be subject to state or local taxation in various state or local jurisdictions, including those in which it or they transact business or reside. The state and local tax treatment of the Company and its shareholders may not conform to the federal income tax consequences discussed above. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the Company.

UNDERWRITING

Subject to the terms and conditions set forth in the purchase agreement and related pricing agreement (collectively, the "Purchase Agreement"), the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Alex. Brown & Sons Incorporated, Dean Witter Reynolds Inc. and Goldman, Sachs & Co. are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company the number of Common Shares set forth below opposite its name. The Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters are committed to purchase all of such Common Shares if any are purchased.

UNDERWRITER	NUMBER OF COMMON SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Alex. Brown & Sons Incorporated.....	
Dean Witter Reynolds Inc.	
Goldman, Sachs & Co.	
Total.....	2,500,000 =====

The Representatives have advised the Company that the Underwriters propose initially to offer such Common Shares to the public at the public offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession not in excess of \$ per share. The Underwriters may allow, and such dealers may reallow, a discount not in excess of \$ per share on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Company has granted the Underwriters an option, exercisable for 30 days after the date of this Prospectus Supplement, to purchase up to 375,000 additional Common Shares to cover over-allotments, if any, at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus Supplement. If the Underwriters exercise this option, each of

the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of Common Shares to be purchased by it shown in the foregoing table bears to the Common Shares initially offered hereby.

In the Purchase Agreement, the Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act.

Subject to certain exceptions, the Company, Steven Roth, Chairman of the Board and Chief Executive Officer of the Company, and Interstate Properties have each agreed not to offer, sell, contract to sell or otherwise dispose of any Common Shares for a period of 90 days after the date of this Prospectus Supplement without prior written consent of the Representatives.

Merrill Lynch & Co. and its affiliates provide investment banking and other services to the Company, including in connection with the Alexander's transactions. Richard West, a trustee of the Company, is also a director or trustee of various investment companies managed by Merrill Lynch Asset Management, Inc., an affiliate of Merrill Lynch & Co.

Goldman, Sachs & Co. acted as financial advisor to Citibank and the Special Committee of the Board of Directors of Alexander's in connection with the Alexander's transactions described under "Recent Developments."

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VALIDITY OF THE COMMON SHARES

The validity of the Common Shares offered hereby will be passed upon for the Company by Sullivan & Cromwell, New York, New York, and certain legal matters will be passed upon for the Underwriters by Skadden, Arps, Slate, Meagher & Flom, New York, New York. In connection with its opinion, Sullivan & Cromwell will rely as to matters of Maryland law on the opinion of Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland.

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PROSPECTUS

VORNADO REALTY TRUST

DEBT SECURITIES, PREFERRED SHARES, DEPOSITORY SHARES, COMMON SHARES AND DEBT WARRANTS

Vornado Realty Trust (the "Company") may offer from time to time, together or separately, in one or more series (i) debt securities ("Debt Securities"), which may be either senior debt securities (the "Senior Debt Securities") or subordinated debt securities (the "Subordinated Debt Securities"), (ii) preferred shares of beneficial interest of the Company ("Preferred Shares"), which may be issued in the form of depository shares (the "Depository Shares") evidenced by depository receipts, (iii) common shares of beneficial interest of the Company ("Common Shares") and (iv) warrants to purchase debt securities of the Company as shall be designated by the Company at the time of the offering (the "Debt Warrants") (the Debt Securities, Preferred Shares, Common Shares and Debt Warrants are collectively referred to as the "Securities"), at an aggregate initial offering price not to exceed U.S. \$350,000,000, in amounts, at prices and on terms to be determined at the time of sale. The Debt Securities, Preferred Shares, Common Shares and Debt Warrants may be offered separately or together, in separate series in amounts, at prices and on terms to be set forth in a supplement to this Prospectus (a "Prospectus Supplement").

The accompanying Prospectus Supplement will set forth with regard to the particular Securities in respect of which this Prospectus is being delivered (i) in the case of Debt Securities, the title, aggregate principal amount, denominations (which may be in United States dollars, or in any other currency, currencies or currency unit, including the European Currency Unit), maturity, rate, if any (which may be fixed or variable), or method of calculation thereof, time of payment of any interest, any terms for redemption at the option of the Company or the holder, any terms for sinking fund payments, rank, any conversion or exchange rights, any listing on a securities exchange, and the initial public offering price and any other terms in connection with the offering and sale of such Debt Securities, (ii) in the case of Preferred Shares, the specific title, the aggregate amount and the stated value, any dividend (including the method of calculating the payment of dividend), liquidation, redemption, conversion, voting or other rights and the initial offering price, (iii) in the case of Common Shares, the number of shares of Common Shares, the initial offering price and the terms of the offering thereof and (iv) in the case of Debt Warrants, the duration, purchase price, exercise price and detachability of such Debt Warrants. The Prospectus Supplement will also contain information, as applicable, about certain United States federal income tax considerations relating to the Securities in respect of which this Prospectus is being delivered.

The Common Shares of the Company are listed on the New York Stock Exchange

("NYSE") under the symbol "VNO". The Prospectus Supplement will also contain information, where applicable, as to any listing on a securities exchange of the Securities covered by such Prospectus Supplement.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The Company may sell Securities to or through underwriters, and also may sell Securities directly to other purchasers or through agents. The accompanying Prospectus Supplement will set forth the names of any underwriters or agents involved in the sale of the Securities in respect of which this Prospectus is being delivered, the amounts of Securities, if any, to be purchased by underwriters and the compensation, if any, of such underwriters or agents. See "Plan of Distribution" herein.

The date of this Prospectus is May 16, 1994.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITERS, AGENTS OR DEALERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY AND ITS SUBSIDIARIES SINCE THE DATE HEREOF OR THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). The reports, proxy statements and other information filed by the Company with the Commission can be inspected and copied at the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: 7 World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such information can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Company's Common Shares are listed on the New York Stock Exchange ("NYSE") and similar information can be inspected and copied at the NYSE, 20 Broad Street, 17th Floor, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (the "Registration Statement") filed by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). As permitted by the rules and regulations of the Commission, this Prospectus omits certain of the information contained in the Registration Statement and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Company and the Securities offered hereby. Statements contained herein concerning the provisions of any documents filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of such document so filed. Each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 and Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1994 have been filed by the Company with the Commission and are hereby incorporated by reference into this Prospectus. All other documents and reports filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this Prospectus and prior to the termination of the offering of the Securities shall be deemed to be incorporated by reference herein and shall be deemed to be a part hereof from the date of the filing of such reports and documents (provided, however, that the information referred to in item 402(a)(8) of Regulation S-K of the Commission shall not be deemed specifically incorporated by reference herein).

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded

for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom a copy of this Prospectus is delivered, on written or oral request of such person, a copy of any or all documents which are incorporated herein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by

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reference in the document which this Prospectus incorporates). Requests should be directed to the Secretary of the Company, Park 80 West, Plaza II, Saddle Brook, New Jersey 07662, telephone number (201) 587-1000.

THE COMPANY

The Company is a fully-integrated real estate company which owns, leases, develops, redevelops and manages retail and industrial properties primarily located in the Midatlantic and Northeast regions of the United States. The Company's primary focus is on shopping centers. At March 31, 1994, the Company owned 55 centers in seven states, containing 9.1 million square feet, including 0.9 million square feet built by tenants on land leased from the Company. In addition, at March 31, 1994, it owned eight warehouse/industrial properties and one office building in New Jersey, containing 2.2 million square feet, for an aggregate of 11.3 million square feet. The Company's portfolio consists largely of the former locations of the Two Guys discount department stores, which were developed by Two Guys for its own use. The Company's shopping centers generally are located on major regional highways in mature, densely populated areas.

Vornado, Inc., the immediate predecessor to the Company, was merged into the Company on May 6, 1993 in connection with the Company's plan to qualify for federal income tax purposes as a real estate investment trust ("REIT"). While the Company has elected to be treated as a REIT commencing with its taxable year ending December 31, 1993, it has been a fully-integrated real estate company since 1981, with present management taking control in 1980 and thereafter converting the Two Guys discount department store business into a full service real estate company. The Company administers all operating functions, including leasing, management, construction, finance, legal, accounting and data processing, from its Saddle Brook, New Jersey office (other than the Company's three Texas properties, which are leased locally).

In order to maintain its qualification as a REIT for federal income tax purposes, the Company is required to distribute at least 95% of its taxable income each year. Dividends on any Preferred Shares would be included as distributions for this purpose.

The Company's principal executive offices are located at Park 80 West, Plaza II, Saddle Brook, New Jersey 07662; telephone (201) 587-1000.

The Company (or a predecessor) has been listed on the New York Stock Exchange for over 30 years.

THE COMPANY'S TENANTS; LEASES

At March 31, 1994, eighty percent of the square footage of the Company's shopping centers was leased to large tenants (over 20,000 square feet). The Company's large tenants include discount department stores, supermarkets, home improvement stores, discount apparel stores, membership warehouse clubs, other "destination retailers" and "category killers". The Company's largest tenant is Bradlees, which generated approximately 18% of the Company's 1993 total revenues (22% after two leases which commence in 1994 are included). Other than Bradlees, no tenant represented more than 4 1/2% of the Company's 1993 total revenues. Tenants that represented between 4 1/2% and 3% of 1993 total revenues are Home Depot and Shop Rite. Tenants that represented between 3% and 2% of 1993 total revenues are Staples, Toys "R" Us/Kids "R" Us and Channel. Tenants that represented between 2% and 1% of 1993 total revenues are Marshalls, Charming Shoppes, Grand Union, T.J. Maxx, Sam's Wholesale, Caldors, Jamesway, Cost Cutters, Pace, Unit Distribution, Hechinger and Pathmark.

Substantially all of the Company's shopping center leases are long-term leases which contain fixed base rents and step-ups in rent, typically occurring every five years. These leases generally provide for additional rents based on a percentage of tenants' sales. Such percentage rents generally account for approximately 1% of the Company's total property rental income.

Substantially all of the Company's leases pass through to the tenant the tenant's share of common area charges (including roof and structure, unless it is the tenant's direct responsibility), insurance costs and real estate taxes.

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MATERIAL INDEBTEDNESS OF THE COMPANY AND ITS SUBSIDIARIES

Vornado Finance Corp., a Delaware corporation and a wholly-owned subsidiary of the Company, has outstanding an aggregate principal amount of \$227,000,000 of its 6.36% Collateralized Notes Due December 1, 2000, secured by a mortgage note, mortgage and various other instruments, documents and agreements executed in connection therewith by other subsidiaries of the Company owning, in the aggregate, the interests in forty-four of the Company's properties.

USE OF PROCEEDS

The Company anticipates that the net proceeds of the sales of the Securities will be used for general corporate purposes or such other uses as may be set forth in a Prospectus Supplement.

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES
AND COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDEND REQUIREMENTS

For purposes of calculating the following ratios, (i) earnings represent income from continuing operations before income taxes, plus fixed charges, and (ii) fixed charges represent interest expense on all indebtedness (including amortization of deferred debt issuance costs) and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals). There were no preferred shares outstanding during any of the periods below indicated and therefore the ratio of earnings to combined fixed charges and preferred share dividend requirements would have been the same as the ratio of earnings to fixed charges for each period indicated.

	THREE MONTHS ENDED MARCH 31, 1994	YEAR ENDED DECEMBER 31, ----- 1993 1992 1991 1990 -----					ELEVEN MONTHS ENDED DECEMBER 31, 1990	YEAR ENDED JANUARY 27, 1990
Ratio of earnings to fixed charges:.....	3.69	1.80	1.07	1.51	1.30	1.36	1.43	

DESCRIPTION OF DEBT SECURITIES

The Debt Securities may be issued from time to time in one or more series. The particular terms of each series of Debt Securities offered by any Prospectus Supplement or Prospectus Supplements will be described therein. The Senior Debt Securities are to be issued under an Indenture (the "Senior Indenture") between the Company and The Bank of New York, as trustee (the "Senior Trustee"), a copy of the form of which Senior Indenture is filed as an exhibit to the Registration Statement. The Subordinated Debt Securities are to be issued under a separate Indenture (the "Subordinated Indenture") between the Company and The Bank of New York, as trustee (the "Subordinated Trustee"), a copy of the form of which Subordinated Indenture is filed as an exhibit to the Registration Statement. The Senior Indenture and the Subordinated Indenture are sometimes referred to collectively as the "Indentures" and the Senior Trustee and Subordinated Trustee are sometimes referred to collectively as the "Trustees."

The following summaries of certain provisions of the Senior Debt Securities, the Subordinated Debt Securities, the Senior Indenture and the Subordinated Indenture, as modified or superseded by any applicable Prospectus Supplement, are brief summaries of certain provisions thereof, do not purport to be complete and are subject to, and are qualified in their entirety by reference to all the provisions of the Indenture applicable to a particular series of Debt Securities. Wherever particular Sections, Articles or defined terms of the Indentures are referred to herein or in a Prospectus Supplement, such Sections, Articles or defined terms are incorporated herein or therein by reference.

GENERAL

Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities will be general unsecured obligations of the Company. The Indentures do not limit the aggregate amount of Debt Securities

which may be issued thereunder, and Debt Securities may be issued thereunder from time to time in separate series up to the aggregate amount from time to time authorized by the Company for each series. Unless otherwise specified in the Prospectus Supplement, the Senior Debt Securities when issued will be unsubordinated obligations of the Company and will rank equally and ratably with all other unsecured and unsubordinated indebtedness of the Company. The Subordinated Debt Securities when issued will be subordinated in right of payment to the prior payment in full of all Senior Debt (as defined in the Subordinated Indenture) of the Company as described below under "-- Subordination of Subordinated Debt Securities" and in the Prospectus

The applicable Prospectus Supplement or Prospectus Supplements will describe the following terms of the series of Debt Securities in respect of which this Prospectus is being delivered: (1) the title of such Debt Securities; (2) any limit on the aggregate principal amount of such Debt Securities; (3) the person to whom any interest on any Debt Security of the series shall be payable if other than the person in whose name the Debt Security is registered on the regular record date; (4) the date or dates on which such Debt Securities will mature; (5) the rate or rates of interest, if any, or the method of calculation thereof, which such Debt Securities will bear, the date or dates from which any such interest will accrue, the interest payment dates on which any such interest on such Debt Securities will be payable and the regular record date for any interest payable on any interest payment date; (6) the place or places where the principal of, premium, if any, and interest on such Debt Securities will be payable; (7) the period or periods within which, the events upon the occurrence of which, and the price or prices at which, such Debt Securities may, pursuant to any optional or mandatory provisions, be redeemed or purchased, in whole or in part, by the Company and any terms and conditions relevant thereto; (8) the obligations of the Company, if any, to redeem or repurchase such Debt Securities at the option of the Holders; (9) the denominations in which any such Debt Securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof; (10) any index or formula used to determine the amount of payments of principal of and any premium and interest on such Debt Securities; (11) the currency, currencies or currency unit or units of payment of principal of and any premium and interest on such Debt Securities if other than U.S. dollars; (12) if the principal of, or premium, if any, or interest on such Debt Securities is to be payable, at the election of the Company or a holder thereof, in one or more currencies or currency units other than that or those in which such Debt Securities are stated to be payable, the currency, currencies or currency units in which payment of the principal of and any premium and interest on Debt Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made; (13) if other than the principal amount thereof, the portion of the principal amount of such Debt Securities of the series which will be payable upon acceleration of the maturity thereof; (14) if the principal amount of any Debt Securities which will be payable at the maturity thereof will not be determinable as of any date prior to such maturity, the amount which will be deemed to be the outstanding principal amount of such Debt Securities; (15) the applicability of any provisions described under "Defeasance"; (16) whether any of such Debt Securities are to be issuable in permanent global form ("Global Security") and, if so, the terms and conditions, if any, upon which interests in such Securities in global form may be exchanged, in whole or in part, for the individual Debt Securities represented thereby; (17) the applicability of any provisions described under "Event of Default" and any additional Event of Default applicable thereto; (18) any covenants applicable to such Debt Securities; (19) the terms and conditions, if any, pursuant to which the Debt Securities are convertible or exchangeable into Common Shares or other securities; and (20) any other terms of such Debt Securities not inconsistent with the provisions of the Indentures. (Section 301) Debt Securities may also be issued under the Indentures upon the exercise of Debt Warrants. See "Description of Debt Warrants."

Debt Securities may be issued at a discount from their principal amount. United States federal income tax considerations and other special considerations applicable to any such Original Issue Discount Securities will be described in the applicable Prospectus Supplement.

If the purchase price of any of the Debt Securities is denominated in a foreign currency or currencies or a foreign currency unit or units or if the principal of and any premium and interest on any series of Debt Securities is payable in a foreign currency or currencies or a foreign currency unit or units, the restrictions,

elections, general tax considerations, specific terms and other information with respect to such issue of Debt Securities will be set forth in the applicable Prospectus Supplement.

Since the Company is a holding company, the rights of the Company, and hence the right of creditors of the Company (including the Holders of Debt Securities), to participate in any distribution of the assets of any subsidiary upon its liquidation or reorganization or otherwise is necessarily subject to the prior claims of creditors of any such subsidiary, except to the extent that claims of the Company itself as a creditor of the subsidiary may be recognized.

The Indentures do not contain any provisions that limit the Company's ability to incur indebtedness. Holders of Debt Securities will not have the benefit of any specific covenants or provisions in the applicable Indenture or Debt Securities that would protect them in the event the Company engages in or becomes the subject of a highly leveraged transaction, other than any covenants described in any Prospectus Supplement, and the limitations on mergers, consolidations and transfers of substantially all of the Company's properties and assets as an entirety to any person as described below under "-- Consolidation, Merger and Sale of Assets." Such covenants may not be waived

or modified by the Company or its Board of Trustees, although Holders of Debt Securities could waive or modify such covenants as more fully described below under "-- Modification and Waiver."

CONVERSION OR EXCHANGE OF DEBT SECURITIES

If so indicated in the applicable Prospectus Supplement with respect to a particular series of Debt Securities, such series will be convertible or exchangeable into Common Shares or other securities on the terms and conditions set forth therein. Such terms shall include provisions as to whether conversion is mandatory, at the option of the holder or at the option of the Company, and may include provisions pursuant to which the number of Common Shares or other securities of the Company to be received by the holders of Debt Securities would be calculated according to the market price of Common Shares or other securities of the Company as of a time stated in the Prospectus Supplement. The applicable Prospectus Supplement will indicate certain restrictions on ownership which may apply in the event of a conversion or exchange. See "Description of Preferred Shares -- Restrictions on Ownership" and "Description of Common Shares -- Restrictions on Ownership."

FORM, EXCHANGE, REGISTRATION, CONVERSION, TRANSFER AND PAYMENT

Unless otherwise indicated in the applicable Prospectus Supplement, the Debt Securities will be issued only in fully registered form in denominations of \$1,000 or integral multiples thereof. (Section 302) Unless otherwise indicated in the applicable Prospectus Supplement, payment of principal, premium, if any, and interest on the Debt Securities will be payable, and the exchange, conversion and transfer of Debt Securities will be registerable, at the office or agency of the Company maintained for such purposes and at any other office or agency maintained for such purpose. (Sections 301, 305 and 1002) No service charge will be made for any registration of transfer or exchange of the Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith. (Section 305)

All monies paid by the Company to a Paying Agent for the payment of principal of and any premium or interest on any Debt Security which remain unclaimed for two years after such principal, premium or interest has become due and payable may be repaid to the Company and thereafter the Holder of such Debt Security may look only to the Company for payment thereof. (Section 1003)

BOOK-ENTRY DEBT SECURITIES

The Debt Securities of a series may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, a depository (the "Global Depository") or its nominee identified in the applicable Prospectus Supplement. In such a case, one or more Global Securities will be issued in a denomination or aggregate denomination equal to the portion of the aggregate principal amount of Outstanding Debt Securities of the series to be represented by such Global Security or Securities. Unless and until it is exchanged in whole or in part for Debt Securities in registered form, a Global Security may not be

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registered for transfer or exchange except as a whole by the Global Depository for such Global Security to a nominee of such Global Depository or by a nominee of such Global Depository to such Global Depository or another nominee of such Global Depository or by such Global Depository or any nominee to a successor Global Depository or a nominee of such successor Global Depository and except in the circumstances described in the applicable Prospectus Supplement. (Sections 204 and 305)

The specific terms of the depository arrangement with respect to any portion of a series of Debt Securities to be represented by a Global Security will be described in the applicable Prospectus Supplement. The Company expects that the following provisions will apply to depository arrangements although no assurance can be given that such will be the case.

Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities which are to be represented by a Global Security to be deposited with or on behalf of a Global Depository will be represented by a Global Security registered in the name of such Global Depository or its nominee. Upon the issuance of such Global Security, and the deposit of such Global Security with or on behalf of the Global Depository for such Global Security, the Global Depository will credit, on its book-entry registration and transfer system, the respective principal amounts of the Debt Securities represented by such Global Security to the accounts of institutions that have accounts with such Global Depository or its nominee ("participants"). The accounts to be credited will be designated by the underwriters or agents of such Debt Securities or by the Company, if such Debt Securities are offered and sold directly by the Company. Ownership of beneficial interest in such Global Security will be limited to participants or Persons that may hold interests through participants. Ownership of beneficial interests by participants in such Global Security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by the Global Depository or its nominee for such Global Security. Ownership of beneficial interests in such Global Security by Persons

that hold through participants will be shown on, and the transfer of such ownership interests within such participant will be effected only through, records maintained by such participant. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. The foregoing limitations and such laws may impair the ability to transfer beneficial interests in such Global Securities.

So long as the Global Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such Global Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Securities represented by such Global Security for all purposes under the applicable Indenture. Except as set forth below, unless otherwise specified in the applicable Prospectus Supplement, owners of beneficial interests in such Global Security will not be entitled to have Debt Securities of the series represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities of such series in certificated form and will not be considered the holders thereof for any purposes under the applicable Indenture. (Sections 204 and 305) Accordingly, each Person owning a beneficial interest in such Global Security must rely on the procedures of the Global Depository and, if such Person is not a participant, on the procedures of the participant through which such Person owns its interest, to exercise any rights of a holder under the applicable Indenture. The Company understands that under existing industry practices, if the Company requests any action of holders or an owner of a beneficial interest in such Global Security desires to give any notice or take any action a holder is entitled to give or take under the applicable Indenture, the Global Depository would authorize the participants to give such notice or take such action, and participants would authorize beneficial owners owning through such participants to give such notice or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

If the Global Depository for Debt Securities of a series is at any time unwilling, unable or ineligible to continue as Global Depository and a successor Global Depository is not appointed by the Company within 90 days or an Event of Default under the applicable Indenture has occurred and is continuing, the Company will issue Debt Securities of such series in definitive form in exchange for the Global Security or Securities representing the Debt Securities of such series. In addition, the Company may at any time and in its sole discretion, subject to any limitations described in the applicable Prospectus Supplement, determine not to have any Debt Securities of a series represented by one or more Global Securities and, in such event, will issue

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Debt Securities of such series in definitive form in exchange for the Global Security or Securities representing such Debt Securities. Further, if the Company so specifies with respect to the Debt Securities of a series, an owner of a beneficial interest in a Global Security representing Debt Securities of such series may, on terms acceptable to the Company and the Global Depository for such Global Security, receive Debt Securities of such series in definitive form in exchange for such beneficial interests, subject to any limitations described in the applicable Prospectus Supplement relating to such Debt Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery in definitive form of Debt Securities of the series represented by such Global Security equal in principal amount to such beneficial interest and to have such Debt Securities registered in its name (if the Debt Securities of such series are issuable as registered securities).

Principal of and any premium and interest on a Global Security will be payable in the manner described in the applicable Prospectus Supplement.

CERTAIN COVENANTS OF THE COMPANY

If so indicated in the applicable Prospectus Supplement with respect to a particular series of Debt Securities, the Company will be subject to the covenants described therein.

EVENTS OF DEFAULT

The following are Events of Default under the Indentures with respect to Debt Securities of any series: (a) failure to pay principal of or premium, if any, on any Debt Security of that series when due; (b) failure to pay any interest on any Debt Security of that series when due, continued for 30 days; (c) failure in the deposit of any sinking fund payment in respect of any Debt Security of that series; (d) failure to perform any other covenant of the Company in the Indentures (other than a covenant included in the applicable Indenture solely for the benefit of a series of Debt Securities other than that series), continued for 60 days after written notice to the Company as provided in the applicable Indenture; (e) the acceleration of, or failure to pay at maturity (including any applicable grace period), any indebtedness for money borrowed by the Company with at least \$50,000,000 in principal amount outstanding, which acceleration or failure to pay is not rescinded or annulled or such indebtedness paid, in each case within 10 days after the date on which written notice thereof shall have first been given to the Company as provided in the applicable Indenture; (f) certain events of bankruptcy, insolvency or

reorganization; and (g) any other Event of Default provided with respect to Debt Securities of that series. (Section 501)

If an Event of Default with respect to Outstanding Debt Securities of any series shall occur and be continuing, either the applicable Trustee or the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of that series by notice as provided in the Indentures may declare the principal amount (or, if the Debt Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Debt Securities of that series to be due and payable immediately. However, at any time after a declaration of acceleration with respect to Debt Securities of any series has been made, but before a judgment or decree based on such acceleration has been obtained, the Holders of a majority in principal amount of the Outstanding Debt Securities of that series may, under certain circumstances, rescind and annul such acceleration. (Section 502) For information as to waiver or defaults, see "-- Modification and Waiver" below.

The Indentures provide that, subject to the duty of the Trustees thereunder during an Event of Default to act with the required standard of care, such Trustees will be under no obligation to exercise any of its rights or powers under the Indentures at the request or direction of any of the Holders, unless such Holders shall have offered to such Trustees reasonable security or indemnity. (Sections 601 and 603) Subject to certain provisions, including those requiring security or indemnification of the Trustees, the Holders of a majority in principal amount of the Outstanding Debt Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred on such Trustees, with respect to the Debt Securities of that series. (Section 512)

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No Holder of a Debt Security of any series will have any right to institute any proceeding with respect to the Indentures or for any remedy thereunder, unless (i) such Holder shall have previously given to the applicable Trustee written notice of a continuing Event of Default (as defined) with respect to Debt Securities of that series; (ii) the Holders of not less than 25% in aggregate principal amount of the Outstanding Debt Securities of the same series shall have made written request, and offered reasonable indemnity, to the applicable Trustee to institute proceedings in respect of such Event of Default in its own name as trustee under the Indenture; (iii) the Trustee shall have failed to institute such proceedings within 60 days; and (iv) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the outstanding Debt Securities of the same series a direction inconsistent with such request; (Section 507); provided, however, that such limitations do not apply to a suit instituted by a Holder of a Debt Security for enforcement of payment of the principal of and any premium and interest on such Debt Security on or after the respective due dates expressed in such Debt Security, or in the case of convertible Debt Securities, for enforcement of a right of conversion. (Section 508)

The Company will be required to furnish to the Trustees annually a statement as to the performance by the Company of its obligations under the Indentures and as to any default in such performance (Section 1004)

MODIFICATION AND WAIVER

Without the consent of any Holder of Outstanding Debt Securities, the Company and the applicable Trustee may amend or supplement the applicable Indenture or the Debt Securities to cure any ambiguity, defect or inconsistency, or to make any change that does not materially adversely affect the rights of any Holder of Debt Securities. (Section 901) Other modifications and amendments of the Indentures may be made by the Company and the applicable Trustee only with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Debt Securities of each series affected thereby; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby: (a) change the Stated Maturity of the principal of, or any installment of principal of, or interest on, any Debt Security; (b) reduce the principal amount of, the rate of interest on, or the premium, if any, payable upon the redemption of, any Debt Security; (c) reduce the amount of principal of an Original Issue Discount Security payable upon acceleration of the Maturity thereof; (d) change the place or currency of payment of principal of, or premium, if any, or interest on any Debt Security; (e) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security on or after the Stated Maturity or Redemption Date thereof; (f) modify the conversion provisions applicable to convertible Debt Securities in a manner adverse to the holders thereof; (g) modify the subordination provisions applicable to any series of Debt Securities in a manner adverse to the holders thereof; or (h) reduce the percentage in principal amount of Outstanding Debt Securities of any series, the consent of the Holders of which is required for modification or amendment of the Indentures or for waiver of compliance with certain provisions of the applicable Indenture or for waiver of certain defaults. (Section 902)

The Holders of at least a majority in aggregate principal amount of the

Outstanding Debt Securities of any series may on behalf of the Holders of all Debt Securities of that series waive, insofar as that series is concerned, compliance by the Company with certain covenants of the Indentures. (Section 1008) The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may, on behalf of the Holders of all Debt Securities of that series, waive any past default under the applicable Indenture with respect to that series, except a default in the payment of the principal of, or premium, if any, or interest on, any Debt Security of that series or in respect of a provision which under such applicable Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of that series affected. (Section 513)

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company, without the consent of any Holders of outstanding Debt Securities, may consolidate with or merge into, or transfer or lease its assets substantially as an entirety to, any Person, and any other Person may consolidate with or merge into, or transfer or lease its assets substantially as an entirety to, the Company, provided that (a) the Person (if other than the Company) formed by such consolidation or into which the

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Company is merged or which acquires or leases the assets of the Company substantially as an entirety assumes the Company's obligations on the Debt Securities and under the Indenture relating thereto and (b) after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing. (Article Eight) A Prospectus Supplement may set forth any additional provisions regarding a consolidation with, merger into, or transfer or lease of its assets substantially as an entirety to, any Person (or of such Person with, into or to the Company).

DEFEASANCE

If so indicated in the applicable Prospectus Supplement with respect to the Debt Securities of a series, the Company, at its option (i) will be discharged from any and all obligations in respect of the Debt Securities of such series (except for certain obligations to register the transfer or exchange of Debt Securities of such series, to replace destroyed, stolen, lost or mutilated Debt Securities of such series, and to maintain an office or agency in respect of the Debt Securities and hold moneys for payment in trust) or (ii) will be released from its obligations to comply with any covenants that may be specified in the applicable Prospectus Supplement with respect to the Debt Securities of such series, and the occurrence of an event described in clause (d) under "Events of Default" above with respect to any defeased covenants shall no longer be an Event of Default, if in either case the Company irrevocably deposits with the applicable Trustee, in trust, money or U.S. Government Obligations that through the payment of interest thereon and principal thereof in accordance with their terms will provide money in an amount sufficient to pay all of the principal of and premium, if any, and any interest on the Debt Securities of such series on the dates such payments are due (which may include one or more redemption dates designated by the Company) in accordance with the terms of such Debt Securities. Such a trust may only be established if, among other things, (a) no Event of Default or event which with the giving of notice or lapse of time, or both, would become an Event of Default under the applicable Indenture shall have occurred and be continuing on the date of such deposit, (b) no Event of Default described under clause (e) under "Events of Default" above or event which with the giving of notice or lapse of time, or both, would become an Event of Default described under such clause (e) shall have occurred and be continuing at any time during the period ending on the 91st day following such date of deposit, and (c) the Company shall have delivered an Opinion of Counsel to the effect that the Holders of the Debt Securities will not recognize gain or loss for United States federal income tax purposes as a result of such deposit or defeasance and will be subject to United States federal income tax in the same manner as if such deposit and defeasance had not occurred, which Opinion of Counsel, in the case of a deposit and defeasance of such Indenture with respect to the Debt Securities of any series as described under clause (i) above, shall be based on either (A) a ruling to such effect that the Company has received from, or that has been published by, the Internal Revenue Service or (B) a change in the applicable federal income tax law, occurring after the date of the applicable Indenture, to such effect. In the event the Company omits to comply with its remaining obligations under such Indenture after a defeasance of such Indenture with respect to the Debt Securities of any series as described under clause (ii) above and the Debt Securities of such series are declared due and payable because of the occurrence of any undefeased Event of Default, the amount of money and U.S. Government Obligations on deposit with the applicable Trustee may be insufficient to pay amounts due on the Debt Securities of such series at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable in respect to such payments. (Article Thirteen)

SUBORDINATION OF SUBORDINATED DEBT SECURITIES

Unless otherwise indicated in the Prospectus Supplement, the following provisions will apply to the Subordinated Debt Securities.

The Subordinated Debt Securities will, to the extent set forth in the Subordinated Indenture, be subordinate in right of payment to the prior payment in full of all Senior Debt, including the Senior Debt Securities. Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshalling of assets or any bankruptcy, insolvency, debt restructuring or similar proceedings in connection with any insolvency or bankruptcy proceeding of the Company, the holders of Senior Debt will first be entitled to receive payment in full of principal of (and

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premium, if any) and interest, if any, on such Senior Debt before the holders of the Subordinated Debt Securities will be entitled to receive or retain any payment in respect of the principal of (and premium, if any) or interest, if any, on the Subordinated Debt Securities. (Article Fifteen of the Subordinated Indenture).

By reason of such subordination, in the event of liquidation or insolvency, creditors of the Company who are not holders of Senior Debt or Subordinated Debt Securities may recover less, ratably, than holders of Senior Debt and may recover more, ratably, than the holders of the Subordinated Debt Securities.

In the event of the acceleration of the maturity of any Subordinated Debt Securities, the holders of all Senior Debt outstanding at the time of such acceleration will first be entitled to receive payment in full of all amounts due thereon before the Holders of the Subordinated Debt Securities will be entitled to receive any payment upon the principal of (or premium, if any) or interest, if any, on the Subordinated Debt Securities.

No payments on account of principal (or premium, if any) or interest, if any, in respect of the Subordinated Debt Securities may be made if there shall have occurred and be continuing a default in any payment with respect to Senior Debt, or an event of default with respect to any Senior Debt resulting in the acceleration of the maturity thereof, or if any judicial proceeding shall be pending with respect to any such default. For purposes of the subordination provisions, the payment, issuance and delivery of cash, property or securities (other than stock and certain subordinated securities of the Company) upon conversion of a Subordinated Debt Security will be deemed to constitute payment on account of the principal of such Subordinated Debt Security.

"Senior Debt" is defined to mean the principal of (and premium, if any) and interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company to the extent such claim for post-petition interest is allowed in such proceeding) on all indebtedness of the Company (including indebtedness of others guaranteed by the Company), other than the Subordinated Debt Securities whether outstanding on the date of the Subordinated Indenture or thereafter created, incurred or assumed, which is: (i) for money borrowed, (ii) evidenced by a note or similar instrument given in connection with the acquisition of any businesses, properties or assets of any kind or (iii) obligations of the Company as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles or leases of property or assets made as part of any sale and lease-back transaction to which the Company is a party, including amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligation, unless in any case in the instrument creating or evidencing any such indebtedness or obligation or pursuant to which the same is outstanding it is provided that such indebtedness or obligation is not superior in right of payment to the Subordinated Debt Securities.

The Subordinated Indenture does not limit or prohibit the incurrence of additional Senior Debt, which may include indebtedness that is senior to the Subordinated Debt Securities, but subordinate to other obligations of the Company. The Senior Debt Securities, when issued, will constitute Senior Debt.

The Prospectus Supplement may further describe the provisions, if any, applicable to the subordination of the Subordinated Debt Securities of a particular series.

GOVERNING LAW

The Indentures and the Debt Securities will be governed by, and construed in accordance with, the laws of the State of New York. (Section 112)

REGARDING THE TRUSTEES

The Company and certain of its subsidiaries in the ordinary course of business maintain general banking relations with The Bank of New York. Pursuant to the provisions of the Trust Indenture Act of 1939, upon a default under either the Senior Indenture or the Subordinated Indenture, The Bank of New York may be deemed to have a conflicting interest by virtue of its acting as both the Senior Trustee and the Subordinated Trustee requiring it to resign and be replaced by a successor trustee in one of such positions.

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DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following descriptions and the descriptions contained in "Description of Preferred Shares" and "Description of Common Shares" do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete descriptions thereof set forth in the following documents: (i) the Company's Amended and Restated Declaration of Trust (the "Declaration of Trust"); and (ii) its Bylaws, which documents are exhibits to this Registration Statement.

For the Company to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), not more than 50% of the value of the outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year and the stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (or during a proportionate part of a shorter taxable year). Accordingly, the Declaration of Trust contains provisions that restrict the ownership and transfer of shares of beneficial interest.

The Declaration of Trust authorizes the issuance of up to 102,000,000 shares, consisting of 50,000,000 common shares of beneficial interest, \$.04 par value per share ("Common Shares"), 1,000,000 preferred shares of beneficial interest, no par value per share ("Preferred Shares"), and 51,000,000 excess shares of beneficial interest, \$.04 par value per share ("Excess Shares").

DESCRIPTION OF PREFERRED SHARES

The following is a description of certain general terms and provisions of the Preferred Shares. The particular terms of any series of Preferred Shares will be described in the applicable Prospectus Supplement. If so indicated in a Prospectus Supplement, the terms of any such series may differ from the terms set forth below.

The summary of terms of the Company's Preferred Shares contained in this Prospectus does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Declaration of Trust and the articles supplementary relating to each series of the Preferred Shares (the "Articles Supplementary"), which will be filed as an exhibit to or incorporated by reference in the Registration Statement of which this Prospectus is a part at or prior to the time of issuance of such series of the Preferred Shares.

The Declaration of Trust authorizes the issuance of 1,000,000 Preferred Shares. No Preferred Shares are outstanding as of the date of this Prospectus. The Preferred Shares authorized by the Declaration of Trust may be issued from time to time in one or more series in such amounts and with such designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as may be fixed by the Board of Trustees. Under certain circumstances, the issuance of Preferred Shares could have the effect of delaying, deferring or preventing a change of control of the Company and may adversely affect the voting and other rights of the holders of Common Shares. The Declaration of Trust authorizes the Board of Trustees to classify or reclassify any unissued Preferred Shares by setting or changing the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Preferred Shares.

The Preferred Shares shall have the dividend, liquidation, redemption and voting rights set forth below unless otherwise described in a Prospectus Supplement relating to a particular series of the Preferred Shares. The applicable Prospectus Supplement will describe the following terms of the series of Preferred Shares in respect of which this Prospectus is being delivered: (1) the title of such Preferred Shares and the number of shares offered; (2) the amount of liquidation preference per share; (3) the initial public offering price at which such Preferred Shares will be issued; (4) the dividend rate (or method of calculation), the dates on which dividends shall be payable and the dates from which dividends shall commence to cumulate, if any; (5) any redemption or sinking fund provisions; (6) any conversion or exchange rights; (7) any additional voting, dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions; (8) any listing of such Preferred Shares on any securities exchange; (9) a discussion of federal income tax considerations applicable to such Preferred Shares; (10) the relative ranking and preferences of

such Preferred Shares as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company; (11) any limitations on issuance of any series of Preferred Shares ranking senior to or on a parity with such series of Preferred Shares as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company; and (12) any limitations on direct or beneficial ownership and restrictions on transfer, in each case as may be appropriate to preserve the status of the Company as a

General

The Preferred Shares offered hereby will be issued in one or more series. The Preferred Shares, upon issuance against full payment of the purchase price therefor, will be fully paid and nonassessable. The liquidation preference is not indicative of the price at which the Preferred Shares will actually trade on or after the date of issuance.

Rank

The Preferred Shares shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up of the Company, rank prior to the Common Shares and Excess Shares (other than certain Excess Shares resulting from the conversion of Preferred Shares) and to all other classes and series of equity securities of the Company now or hereafter authorized, issued or outstanding (the Common Shares and such other classes and series of equity securities collectively may be referred to herein as the "Junior Stock"), other than any classes or series of equity securities of the Company which by their terms specifically provide for a ranking on a parity with (the "Parity Stock") or senior to (the "Senior Stock") the Preferred Shares as to dividend rights and rights upon liquidation, dissolution or winding up of the Company. The Preferred Shares shall be junior to all outstanding debt of the Company. The Preferred Shares shall be subject to creation of Senior Stock, Parity Stock and Junior Stock to the extent not expressly prohibited by the Declaration of Trust.

Dividends

Holders of Preferred Shares shall be entitled to receive, when, as and if declared by the Board of Trustees out of assets of the Company legally available for payment, dividends, or distributions in cash, property or other assets of the Company or in Securities of the Company or from any other source as the Board of Trustees in their discretion shall determine and at such dates and at such rates per share per annum as described in the applicable Prospectus Supplement. Such rate may be fixed or variable or both. Each declared dividend shall be payable to holders of record as they appear at the close of business on the books of the Company on such record dates, not more than 90 calendar days preceding the payment dates therefor, as are determined by the Board of Trustees (each of such dates, a "Record Date").

Such dividends may be cumulative or noncumulative, as described in the applicable Prospectus Supplement. If dividends on a series of Preferred Shares are noncumulative and if the Board of Trustees fails to declare a dividend in respect of a dividend period with respect to such series, then holders of such Preferred Shares will have no right to receive a dividend in respect of such dividend period, and the Company will have no obligation to pay the dividend for such period, whether or not dividends are declared payable on any future dividend payment dates. If dividends of a series of Preferred Shares are cumulative, the dividends on such shares will accrue from and after the date set forth in the applicable Prospectus Supplement.

No full dividends shall be declared or paid or set apart for payment on Preferred Shares of any series ranking, as to dividends, on a parity with or junior to the series of Preferred Shares offered by the applicable Prospectus Supplement for any period unless full dividends for the immediately preceding dividend period on such Preferred Shares (including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on such Preferred Shares are cumulative) have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment. When dividends are not so paid in full (or a sum sufficient for such full payment is not so set apart) upon such Preferred Shares and any other Preferred Shares of the Company ranking on a parity as to dividends with the Preferred Shares, dividends upon such Preferred Shares and dividends on such other Preferred Shares ranking on a parity with the Preferred Shares shall be declared pro rata so that the amount of dividends declared per share on such

Preferred Shares and such other Preferred Shares ranking on a parity with the Preferred Shares shall in all cases bear to each other the same ratio that accrued dividends for the then-current dividend period per share on such Preferred Shares (including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on such Preferred Shares are cumulative) and accrued dividends, including required or permitted accumulations, if any, on shares of such other Preferred Shares, bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment(s) on Preferred Shares which may be in arrears. Unless full dividends on the series of Preferred Shares offered by the applicable Prospectus Supplement have been declared and paid or set apart for payment for the immediately preceding dividend period (including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on such Preferred Shares are cumulative), (a) no cash dividend or distribution (other than in shares of Junior Stock) may be declared, set aside or paid on the Junior Stock, (b) the Company may not, directly or indirectly, repurchase, redeem or otherwise acquire any shares of its Junior Stock (or pay any monies into a sinking fund for the

redemption of any shares) except by conversion into or exchange for Junior Stock, and (c) the Company may not, directly or indirectly, repurchase, redeem or otherwise acquire any Preferred Shares or Parity Stock (or pay any monies into a sinking fund for the redemption of any shares of any such stock) otherwise than pursuant to pro rata offers to purchase or a concurrent redemption of all, or a pro rata portion, of the outstanding Preferred Shares and shares of Parity Stock (except by conversion into or exchange for Junior Stock).

Any dividend payment made on a series of Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to shares of such series.

Redemption

The terms, if any, on which Preferred Shares of any series may be redeemed will be set forth in the applicable Prospectus Supplement.

Liquidation

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of a series of Preferred Shares will be entitled, subject to the rights of creditors, but before any distribution or payment to the holders of Common Shares, Excess Shares (other than certain Excess Shares resulting from the conversion of Preferred Shares) or any Junior Stock on liquidation, dissolution or winding up of the Company, to receive a liquidating distribution in the amount of the liquidation preference per share as set forth in the applicable Prospectus Supplement plus accrued and unpaid dividends for the then-current dividend period (including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on such series of Preferred Shares are cumulative). If the amounts available for distribution with respect to the Preferred Shares and all other outstanding Parity Stock are not sufficient to satisfy the full liquidation rights of all the outstanding Preferred Shares and Parity Stock, then the holders of each series of such stock will share ratably in any such distribution of assets in proportion to the full respective preferential amount (which in the case of Preferred Shares may include accumulated dividends) to which they are entitled. After payment of the full amount of the liquidation distribution, the holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Company.

Voting

The Preferred Shares of a series will not be entitled to vote, except as described below or in the applicable Prospectus Supplement. Without the affirmative vote of a majority of the Preferred Shares then outstanding (voting separately as a class together with any Parity Stock), the Company may not (i) increase or decrease the aggregate number of authorized shares of such class or any security ranking prior to the Preferred Shares, (ii) increase or decrease the par value of the shares of holders of such class, or (iii) alter or change the voting or other powers, preferences or special rights of such class so as to affect them adversely. An amendment which increases the number of authorized shares of or authorizes the creation or issuance of other classes or series of Junior Stock or Parity Stock, or substitutes the surviving entity in a merger, consolidation,

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reorganization or other business combination for the Company, shall not be considered to be such an adverse change.

No Other Rights

The shares of a series of Preferred Shares will not have any preferences, voting powers or relative, participating, optional or other special rights except as set forth above or in the applicable Prospectus Supplement, the Declaration of Trust and in the applicable Articles Supplementary or as otherwise required by law.

Transfer Agent and Registrar

The transfer agent for each series of Preferred Shares will be described in the related Prospectus Supplement.

Restrictions on Ownership

As discussed below, for the Company to qualify as a REIT under the Code, not more than 50% in value of its outstanding shares of beneficial interest may be owned, directly or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year, and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (or during a proportionate part of a shorter taxable year). Therefore, the Declaration of Trust contains, and the Articles Supplementary for each series of Preferred Shares may contain, provisions restricting the ownership and transfer of the Preferred Shares.

In order to prevent any Company shareholder from owning shares in an amount which would cause more than 50% of the value of the outstanding shares of the Company to be held by five or fewer individuals, the Declaration of Trust contains a limitation that restricts shareholders from owning, under the applicable attribution rules of the Code, more than 9.9% of the outstanding Preferred Shares of any series (the "Preferred Shares Beneficial Ownership Limit"). The attribution rules which apply for purposes of the Common Shares Beneficial Ownership Limit (as defined below) also apply for purposes of the Preferred Shares Beneficial Ownership Limit. See "Description of Common Shares -- Restrictions on Ownership". Shareholders should be aware that events other than a purchase or other transfer of Preferred Shares may result in ownership, under the applicable attribution rules of the Code, of Preferred Shares in excess of the Preferred Shares Beneficial Ownership Limit. Shareholders should consult their own tax advisors concerning the application of the attribution rules of the Code in their particular circumstances.

Holders of Preferred Shares are also subject to the Constructive Ownership Limit (as defined below in "Description of Common Shares -- Restrictions on Ownership"), which restricts them from owning, under the applicable attribution rules of the Code, more than 9.9% of the outstanding Preferred Shares. The attribution rules which apply for purposes of the Constructive Ownership Limit differ from those that apply for purposes of the Preferred Shares Beneficial Ownership Limit. See "Description of Common Shares -- Restrictions on Ownership". Shareholders should be aware that events other than a purchase or other transfer of Preferred Shares may result in ownership, under the applicable attribution rules of the Code, of Preferred Shares in excess of the Constructive Ownership Limit. Shareholders should consult their own tax advisors concerning the application of the attribution rules of the Code in their particular circumstances.

The Declaration of Trust provides that a transfer of Preferred Shares that would otherwise result in ownership, under the applicable attribution rules of the Code, of Preferred Shares in excess of the Preferred Shares Beneficial Ownership Limit or the Constructive Ownership Limit, or which would cause the shares of beneficial interest of the Company to be beneficially owned by fewer than 100 persons, will be null and void and the purported transferee will acquire no rights or economic interest in such Preferred Shares. In addition, Preferred Shares that would otherwise be owned, under the applicable attribution rules of the Code, in excess of the Preferred Shares Beneficial Ownership Limit or the Constructive Ownership Limit will be automatically exchanged for Excess Shares that will be transferred, by operation of law, to the Company as trustee of a trust for the exclusive benefit of a beneficiary designated by the purported transferee or purported holder.

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While so held in trust, Excess Shares are not entitled to vote and are not entitled to participate in any dividends or distributions made by the Company. Any dividends or distributions received by the purported transferee or other purported holder of such Excess Shares prior to the discovery by the Company of the automatic exchange for Excess Shares shall be repaid to the Company upon demand.

If the purported transferee or purported holder elects to designate a beneficiary of an interest in the trust with respect to such Excess Shares, only a person whose ownership of the shares will not violate the Preferred Shares Beneficial Ownership Limit or the Constructive Ownership Limit may be designated, at which time the Excess Shares will be automatically exchanged for Preferred Shares of the same class as the Preferred Shares which were originally exchanged for such Excess Shares. The Declaration of Trust contains provisions designed to ensure that the purported transferee or other purported holder of the Excess Shares may not receive in return for such a transfer an amount that reflects any appreciation in the Preferred Shares for which such Excess Shares were exchanged during the period that such Excess Shares were outstanding but will bear the burden of any decline in value during such period. Any amount received by a purported transferee or other purported holder for designating a beneficiary in excess of the amount permitted to be received must be turned over to the Company. The Declaration of Trust provides that the Company may purchase any Excess Shares that have been automatically exchanged for Preferred Shares as a result of a purported transfer or other event. The price at which the Company may purchase such Excess Shares shall be equal to the lesser of (i) in the case of Excess Shares resulting from a purported transfer for value, the price per share in the purported transfer that resulted in the automatic exchange for Excess Shares or, in the case of Excess Shares resulting from some other event, the market price of the Preferred Shares exchanged on the date of the automatic exchange for Excess Shares and (ii) the market price of the Preferred Shares exchanged for such Excess Shares on the date that the Company purchases such Excess Shares. The Company's purchase right with respect to Excess Shares shall exist for 90 days, beginning on the date that the automatic exchange for Excess Shares occurred or, if the Company did not receive a notice concerning the purported transfer that resulted in the automatic exchange for Excess Shares, the date that the Board of Trustees determines in good faith that an exchange for Excess Shares has occurred.

The Board of Trustees may exempt certain persons from the Preferred Shares

Beneficial Ownership Limit or the Constructive Ownership Limit if evidence satisfactory to the trustees is presented showing that such exemption will not jeopardize the Company's status as a REIT under the Code. As a condition of such exemption, the Board of Trustees may require a ruling from the Internal Revenue Service and/or opinion of counsel satisfactory to it and/or representations and undertakings from the applicant with respect to preserving the REIT status of the Company.

The foregoing restrictions on transferability and ownership will not apply if the Board of Trustees determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT.

All certificates representing Preferred Shares will bear a legend referring to the restrictions described above.

All persons who own, directly or by virtue of the applicable attribution rules of the Code, more than 2% of the outstanding Preferred Shares of any series must give a written notice to the Company containing the information specified in the Declaration of Trust by January 30 of each year. In addition, each shareholder shall upon demand be required to disclose to the Company such information as the Company may request, in good faith, in order to determine the Company's status as a REIT or to comply with Treasury regulations promulgated under the REIT provisions of the Code.

DEPOSITARY SHARES

The description set forth below and in any Prospectus Supplement of certain provisions of the Deposit Agreement and of the Depositary Shares and Depositary Receipts (each as defined below) does not purport to be complete and is subject to and qualified in its entirety by reference to the forms of Deposit Agreement and Depositary Receipts relating to each series of the Preferred Stock which have been or will be filed with the Commission at or prior to the time of the offering of such series of the Preferred Stock. If so indicated in a

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Prospectus Supplement, the terms of any series of Depositary Shares may differ from the terms set forth herein.

General

The Company may, at its option, elect to offer receipts for fractional interests ("Depositary Shares") in Preferred Shares, rather than full Preferred Shares. In such event, receipts ("Depositary Receipts") for Depositary Shares, each of which will represent a fraction (to be set forth in the Prospectus Supplement relating to a particular series of Preferred Shares) of a share of a particular series of Preferred Shares, will be issued as described below.

The shares of any series of Preferred Shares represented by Depositary Shares will be deposited under a Deposit Agreement (the "Deposit Agreement") between the Company and the depositary (the "Depositary"). Subject to the terms of the Deposit Agreement, each owner of a Depositary Share will be entitled, in proportion to the applicable fraction of a Preferred Share represented by such Depositary Share, to all the rights and preferences of the Preferred Shares represented thereby (including dividend, voting, redemption, subscription and liquidation rights).

Dividends and Other Distributions

The Depositary will distribute all cash dividends or other cash distributions received in respect of the Preferred Shares to the record holders of Depositary Shares relating to such Preferred Shares in proportion to the numbers of such Depositary Shares owned by such holders.

In the event of a distribution other than in cash, the Depositary will distribute property received by it to the record holders of Depositary Shares in an equitable manner, unless the Depositary determines that it is not feasible to make such distribution, in which case the Depositary may sell such property and distribute the net proceeds from such sale to such holders.

Redemption of Depositary Shares

If a series of Preferred Shares represented by Depositary Shares is subject to redemption, the Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption, in whole or in part, of such series of Preferred Shares held by the Depositary. The redemption price per Depositary Share will be equal to the applicable fraction of the redemption price per share payable with respect to such series of the Preferred Shares. Whenever the Company redeems Preferred Shares held by the Depositary, the Depositary will redeem as of the same redemption date the number of Depositary Shares representing Preferred Shares so redeemed. If fewer than all the Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected by lot, pro rata or by any other equitable method as may be determined by the Depositary.

Voting the Preferred Shares

Upon receipt of notice of any meeting at which the holders of the Preferred Shares are entitled to vote, the Depositary will mail the information contained in such notices of meeting to the record holders of the Depositary Shares relating to such Preferred Shares. Each record holder of such Depositary Shares on the record date (which will be the same date as the record date for the Preferred Shares) will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of the Preferred Shares represented by such holder's Depositary Shares. The Depositary will endeavor, insofar as practicable, to vote the amount of the Preferred Shares represented by such Depositary Shares in accordance with such instructions, and the Company will agree to take all reasonable action which may be deemed necessary by the Depositary in order to enable the Depositary to do so. The Depositary will abstain from voting the Preferred Shares to the extent it does not receive specific instructions from the holder of Depositary Shares representing such Preferred Shares.

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Amendment and Termination of the Deposit Agreement

The form of Depositary Receipt evidencing the Depositary Shares and any provision of the Deposit Agreement may at any time be amended by agreement between the Company and the Depositary. However, any amendment which materially and adversely alters the rights of the holders of Depositary Shares will not be effective unless such amendment has been approved by the holders of at least a majority of the Depositary Shares then outstanding. The Deposit Agreement will only terminate if (i) all outstanding Depositary Shares have been redeemed or (ii) there has been a final distribution in respect of the Preferred Shares in connection with any liquidation, dissolution or winding up of the Company and such distribution has been distributed to the holders of the related Depositary Shares.

Charges of Depositary

The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. The Company will pay charges of the Depositary in connection with the initial deposit of the Preferred Shares and issuance of Depositary Receipts, all withdrawals of Preferred Shares by owners of Depositary Shares and any redemption of the Preferred Shares. Holders of Depositary Receipts will pay other transfer and other taxes and governmental charges and such other charges as are expressly provided in the Deposit Agreement to be for their accounts.

Resignation and Removal of Depositary

The Depositary may resign at any time by delivering to the Company notice of its election to do so, and the Company may at any time remove the Depositary, any such resignation or removal to take effect upon the appointment of a successor Depositary and its acceptance of such appointment. Such successor Depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

Restrictions on Ownership

In order to safeguard the Company against an inadvertent loss of REIT status, the Deposit Agreement or the Declaration of Trust will contain provisions restricting the ownership and transfer of Depositary Shares. Such restrictions will be described in the applicable Prospectus Supplement.

Miscellaneous

The Depositary will forward all reports and communications from the Company which are delivered to the Depositary and which the Company is required or otherwise determines to furnish to the holders of the Preferred Shares.

Neither the Depositary nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Company and the Depositary under the Deposit Agreement will be limited to performance in good faith of their duties thereunder and they will not be obligated to prosecute or defend any legal proceeding in respect of any Depositary Shares or Preferred Shares unless satisfactory indemnity is furnished. They may rely upon written advice of counsel or accountants, or information provided by persons presenting Preferred Shares for deposit, holders of Depositary Shares or other persons believed to be competent and on documents believed to be genuine.

DESCRIPTION OF COMMON SHARES

As of May 11, 1994, 21,615,869 Common Shares were issued and outstanding and no Preferred Shares or Excess Shares are issued and outstanding. The Common Shares of the Company are listed on the New York Stock Exchange under the symbol "VNO".

The holders of Common Shares are entitled to receive dividends when, if and as declared by the Board of Trustees of the Company out of assets legally available therefor, provided that if any Preferred Shares are at the time outstanding, the payment of dividends on Common Shares or other distributions (including purchases of Common Shares) may be subject to the declaration and payment of full cumulative dividends, and the absence of arrearages in any mandatory sinking fund, on outstanding Preferred Shares.

The holders of Common Shares are entitled to one vote for each share on all matters voted on by stockholders, including elections of trustees. There is no cumulative voting in the election of trustees, which means that the holders of a majority of the outstanding Common Shares can elect all of the trustees then standing for election. The holders of Common Shares do not have any conversion, redemption or preemptive rights to subscribe to any securities of the Company. In the event of the dissolution, liquidation or winding up, holders of Common Shares are entitled to share ratably in any assets remaining after the satisfaction in full of the prior rights of creditors, including holders of the Company's indebtedness, and the aggregate liquidation preference of any Preferred Shares then outstanding.

The Common Shares have equal dividend, distribution, liquidation and other rights, and shall have no preference, appraisal or exchange rights. All outstanding shares of Common Shares are, and any Common Shares offered by a Prospectus Supplement, upon issuance, will be, fully paid and non-assessable.

The transfer agent for the Common Shares is First Fidelity Bank, N.A., New Jersey.

Restrictions on Ownership

The Declaration of Trust contains a number of provisions which restrict the ownership and transfer of shares and which are designed to safeguard the Company against an inadvertent loss of REIT status. In order to prevent any Company shareholder from owning shares in an amount which would cause more than 50% in value of the outstanding shares of the Company to be owned by five or fewer individuals, the Declaration of Trust contains a limitation that restricts, with certain exceptions, shareholders from owning, under the applicable attribution rules of the Code, more than 2.0% of the outstanding Common Shares (the "Common Shares Beneficial Ownership Limit"). The shareholders who owned, under the applicable attribution rules of the Code, more than 2.0% of the Common Shares immediately after the merger of Vornado, Inc. into the Company in May 1993 (the "Merger") may continue to do so and may acquire additional Common Shares through stock option and similar plans or from other shareholders who owned, under the applicable attribution rules of the Code, more than 2.0% of the Common Shares immediately after the Merger, subject to the restriction that Common Shares cannot be transferred if, as a result, more than 50% in value of the outstanding shares of the Company would be owned by five or fewer individuals. While such shareholders are not generally permitted to acquire additional Common Shares from any other source, such shareholders may acquire additional Common Shares from any source in the event that additional Common Shares are issued by the Company, up to the percentage held by them immediately prior to such issuance.

Shareholders should be aware that events other than a purchase or other transfer of Common Shares can result in ownership, under the applicable attribution rules of the Code, of Common Shares in excess of the Common Shares Beneficial Ownership Limit. For instance, if two shareholders, each of whom owns, under the applicable attribution rules of the Code, 1.5% of the outstanding Common Shares, were to marry, then after their marriage both shareholders would own, under the applicable attribution rules of the Code, 3.0% of the outstanding Common Shares, which is in excess of the Common Shares Beneficial Ownership Limit. Similarly, if a shareholder who owns, under the applicable attribution rules of the Code, 1.9% of the outstanding Common Shares were to purchase a 50% interest in a corporation which owns 1.8% of the outstanding Common Shares, then the shareholder would own, under the applicable attribution rules of the Code, 2.8% of the outstanding Common Shares. Shareholders should consult their own tax advisers concerning the application of the attribution rules of the Code in their particular circumstances.

Under the Code, rental income received by a REIT from persons in which the REIT is treated, under the applicable attribution rules of the Code, as owning a 10% or greater interest does not constitute qualifying income for purposes of the income requirements that REITs must satisfy. For these purposes, a REIT is treated as owning any stock owned, under the applicable attribution rules of the Code, by a person that owns

10% or more of the value of the outstanding shares of the REIT. Therefore, in order to ensure that rental income of the Company will not be treated as nonqualifying income under the rule described above, and thus to ensure that there will not be an inadvertent loss of REIT status as a result of the ownership of shares by a tenant, or a person that holds an interest in a tenant,

the Declaration of Trust also contains an ownership limit that restricts, with certain exceptions, shareholders from owning, under the applicable attribution rules of the Code (which are different from those applicable with respect to the Common Shares Beneficial Ownership Limit), more than 9.9% of the outstanding shares of any class (the "Constructive Ownership Limit"). The shareholders who owned, under the applicable attribution rules of the Code, shares in excess of the Constructive Ownership Limit immediately after the Merger generally are not subject to the Constructive Ownership Limit. Subject to an exception for tenants and subtenants from whom the REIT receives, directly or indirectly, rental income that is not in excess of a specified threshold, the Declaration of Trust also contains restrictions that are designed to ensure that the shareholders who owned, under the applicable attribution rules of the Code, shares in excess of the Constructive Ownership Limit immediately after the Merger will not, in the aggregate, own an interest in a tenant or subtenant of the REIT of sufficient magnitude to cause rental income received, directly or indirectly, by the REIT from such tenant or subtenant to be treated as nonqualifying income for purposes of the income requirements that REITs must satisfy.

Shareholders should be aware that events other than a purchase or other transfer of shares can result in ownership, under the applicable attribution rules of the Code, of shares in excess of the Constructive Ownership Limit. As the attribution rules that apply with respect to the Constructive Ownership Limit differ from those that apply with respect to the Common Shares Beneficial Ownership Limit, the events other than a purchase or other transfer of shares which can result in share ownership in excess of the Constructive Ownership Limit can differ from those which can result in share ownership in excess of the Common Shares Beneficial Ownership Limit. Shareholders should consult their own tax advisers concerning the application of the attribution rules of the Code in their particular circumstances.

The Declaration of Trust provides that a transfer of Common Shares that would otherwise result in ownership, under the applicable attribution rules of the Code, of Common Shares in excess of the Common Shares Beneficial Ownership Limit or the Constructive Ownership Limit, or which would cause the shares of beneficial interest of the Company to be beneficially owned by fewer than 100 persons, will be null and void and the purported transferee will acquire no rights or economic interest in such Common Shares. In addition, Common Shares that would otherwise be owned, under the applicable attribution rules of the Code, in excess of the Common Shares Beneficial Ownership Limit or the Constructive Ownership Limit will be automatically exchanged for Excess Shares that will be transferred, by operation of law, to the Company as trustee of a trust for the exclusive benefit of a beneficiary designated by the purported transferee or purported holder. While so held in trust, Excess Shares are not entitled to vote and are not entitled to participate in any dividends or distributions made by the Company. Any dividends or distributions received by the purported transferee or other purported holder of such Excess Shares prior to the discovery by the Company of the automatic exchange for Excess Shares shall be repaid to the Company upon demand.

If the purported transferee or purported holder elects to designate a beneficiary of an interest in the trust with respect to such Excess Shares, only a person whose ownership of the shares will not violate the Common Shares Beneficial Ownership Limit or the Constructive Ownership Limit may be designated, at which time the Excess Shares will be automatically exchanged for Common Shares. The Declaration of Trust contains provisions designed to ensure that the purported transferee or other purported holder of the Excess Shares may not receive in return for such a transfer an amount that reflects any appreciation in the Common Shares for which such Excess Shares were exchanged during the period that such Excess Shares were outstanding but will bear the burden of any decline in value during such period. Any amount received by a purported transferee or other purported holder for designating a beneficiary in excess of the amount permitted to be received must be turned over to the Company. The Declaration of Trust provides that the Company may purchase any Excess Shares that have been automatically exchanged for Common Shares as a result of a purported transfer or other event. The price at which the Company may purchase such Excess Shares shall be equal to the lesser of (i) in the case of Excess Shares resulting from a purported transfer for value, the price per share in the purported transfer that resulted in the automatic exchange for Excess Shares or, in the case of Excess Shares

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resulting from some other event, the market price of the Common Shares exchanged on the date of the automatic exchange for Excess Shares and (ii) the market price of the Common Shares exchanged for such Excess Shares on the date that the Company purchases such Excess Shares. The Company's purchase right with respect to Excess Shares shall exist for 90 days, beginning on the date that the automatic exchange for Excess Shares occurred or, if the Company did not receive a notice concerning the purported transfer that resulted in the automatic exchange for Excess Shares, the date that the Board of Trustees determines in good faith that an exchange for Excess Shares has occurred.

The Board of Trustees of the Company may exempt certain persons from the Common Shares Beneficial Ownership Limit or the Constructive Ownership Limit, including the limitations applicable to holders who owned in excess of 2.0% of the Common Shares immediately after the Merger, if evidence satisfactory to the

Board of Trustees is presented showing that such exemption will not jeopardize the Company's status as a REIT under the Code. As a condition of such exemption, the Board of Trustees may require a ruling from the Internal Revenue Service and/or an opinion of counsel satisfactory to it and/or representations and undertakings from the applicant with respect to preserving the REIT status of the Company.

The foregoing restrictions on transferability and ownership will not apply if the Board of Trustees determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT.

All persons who own, directly or by virtue of the applicable attribution rules of the Code, more than 2% of the outstanding Common Shares must give a written notice to the Company containing the information specified in the Declaration of Trust by January 31 of each year. In addition, each shareholder shall upon demand be required to disclose to the Company such information as the Company may request, in good faith, in order to determine the Company's status as a REIT or to comply with Treasury regulations promulgated under the REIT provisions of the Code.

The ownership restrictions described above may have the effect of precluding acquisition of control of the Company unless the Board of Trustees determines that maintenance of REIT status is no longer in the best interests of the Company.

DESCRIPTION OF DEBT WARRANTS

The Company may issue Debt Warrants to purchase Debt Securities ("Debt Warrants"). Debt Warrants may be issued independently or together with any Debt Securities and may be attached to or separate from such Debt Securities. The Debt Warrants are to be issued under warrant agreements (each a "Warrant Agreement") to be entered into between the Company and a bank or trust company, as warrant agent (the "Warrant Agent"), all as shall be set forth in the Prospectus Supplement relating to Debt Warrants being offered pursuant thereto. If so indicated in a Prospectus Supplement, the terms of any Debt Warrants may differ from the terms set forth below.

The applicable Prospectus Supplement will describe the terms of Debt Warrants offered thereby, the Warrant Agreement relating to such Debt Warrants and the debt warrant certificates representing such Debt Warrants, including the following: (1) the title of such Debt Warrants; (2) the aggregate number of such Debt Warrants; (3) the price or prices at which such Debt Warrants will be issued; (4) the currency or currencies, including composite currencies or currency units, in which the price of such Debt Warrants may be payable; (5) the designation, aggregate principal amount and terms of the Debt Securities purchasable upon exercise of such Debt Warrants, and the procedures and conditions relating to the exercise of such Debt Warrants; (6) the designation and terms of any related Debt Securities with which such Debt Warrants are issued, and the number of such Debt Warrants issued with each such Debt Security; (7) the currency or currencies, including composite currencies or currency units, in which the principal of (or premium, if any), or interest, if any, on the Debt Securities purchasable upon exercise of such Debt Warrants will be payable; (8) the date, if any, on and after which such Debt Warrants and the related Debt Securities will be separately transferable; (9) the principal amount of Debt Securities purchasable upon exercise of each Debt Warrant, and the price at which and the currency, including composite currency or currency unit, in which such

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principal amount of Debt Securities may be purchased upon such exercise; (10) the date on which the right to exercise such Debt Warrants shall commence, and the date on which such right shall expire; (11) the maximum or minimum number of such Debt Warrants which may be exercised at any time; (12) a discussion of material federal income tax considerations, if any; and (13) any other terms of such Debt Warrants and terms, procedures and limitations relating to the exercise of such Debt Warrants.

Debt warrant certificates will be exchangeable for new debt warrant certificates of different denominations and Debt Warrants may be exercised at the corporate trust office of the Warrant Agent or any other office indicated in the Prospectus Supplement. Prior to the exercise of their Debt Warrants, holders of Debt Warrants will not have any of the rights of holders of the Debt Securities purchasable upon such exercise and will not be entitled to payments of principal of (or premium, if any) or interest, if any, on the Debt Securities purchasable upon such exercise.

EXERCISE OF DEBT WARRANTS

Each Debt Warrant will entitle the holder of such Debt Warrant to purchase for cash such principal amount of Debt Securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the Prospectus Supplement relating to the Debt Warrants offered thereby. Debt Warrants may be exercised at any time up to the close of business on the expiration date set forth in the Prospectus Supplement relating to the Debt Warrants offered thereby. After the close of business on the expiration date,

unexercised Debt Warrants will become void.

Debt Warrants may be exercised as set forth in the Prospectus Supplement relating to the Debt Warrants offered thereby. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the Warrant Agent or any other office indicated in the Prospectus Supplement, the Company will, as soon as practicable, forward the Debt Securities purchasable upon such exercise. If less than all of the Debt Warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining Debt Warrants.

PLAN OF DISTRIBUTION

The Company may sell the Securities to one or more underwriters for public offering and sale by them or may sell the Securities to investors directly or through agents. Any such underwriter or agent involved in the offer and sale of the Securities will be named in the related Prospectus Supplement. The Company has reserved the right to sell the Securities directly to investors on its own behalf in those jurisdictions where it is authorized to do so.

Underwriters may offer and sell the Securities at a fixed price or prices that may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Company also may, from time to time, authorize dealers, acting as the Company's agents, to offer and sell the Securities upon such terms and conditions as set forth in the related Prospectus Supplement. In connection with the sale of the Securities, underwriters may receive compensation from the Company in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the Securities for whom they may act as agent. Underwriters may sell the Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concession or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agents.

Any underwriting compensation paid by the Company to underwriters or agents in connection with the offering of the Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in the related Prospectus Supplement. Dealers and agents participating in the distribution of the Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be

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entitled, under agreements entered into with the Company, to indemnification against and contribution towards certain civil liabilities, including any liabilities under the Securities Act.

If so indicated in the related Prospectus Supplement, the Company will authorize dealers acting as the Company's agents to solicit agreements by certain institutions to purchase the Securities from the Company at the public offering price set forth in the related Prospectus Supplement pursuant to delayed delivery contracts ("Contracts") providing for payment and delivery on the date or dates stated in a Prospectus Supplement. Each Contract will be for an amount specified in the applicable Prospectus Supplement. Institutions, with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions, but will in all cases be subject to the approval of the Company. Contracts will not be subject to any conditions except that (i) the purchase by an institution of the Securities covered by Contracts will not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject and (ii) if the Securities are being sold to Underwriters, the Company shall have sold to such Underwriters such amount specified in the applicable Prospectus Supplement.

Any Securities issued hereunder (other than Common Shares) will be new issues of securities with no established trading market. Any underwriters or agents to or through whom such Securities are sold by the Company for public offering and sale may make a market in such Securities, but such underwriters or agents will not be obligated to do so and may discontinue any market at any time without notice. No assurance can be given as to the liquidity of the trading market for any such Securities.

Certain of the underwriters, dealers or agents and their associates may engage in transactions with, and perform services for, the Company and certain of its affiliates in the ordinary course of business.

EXPERTS

The consolidated financial statements and the related consolidated financial statement schedules incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1993 have been audited by Deloitte & Touche, independent auditors, as stated in their report which is incorporated herein by reference, and have been so incorporated

in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

The validity of any Debt Securities or Debt Warrants issued hereunder will be passed upon for the Company by Sullivan & Cromwell, New York, New York, counsel to the Company, and the validity of any Preferred Shares, Depositary Shares or Common Shares issued hereunder will be passed upon for the Company by Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland, counsel to the Company. The validity of any Securities issued hereunder will be passed upon for any underwriters by the counsel named in the applicable Prospectus Supplement.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. NEITHER THE PROSPECTUS SUPPLEMENT NOR THE PROSPECTUS CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES DESCRIBED IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF SUCH INFORMATION.

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2,500,000 SHARES

VORNADO REALTY TRUST

COMMON SHARES
OF BENEFICIAL INTEREST

PROSPECTUS SUPPLEMENT

MERRILL LYNCH & CO.

ALEX. BROWN & SONS
INCORPORATED

DEAN WITTER REYNOLDS INC.

GOLDMAN, SACHS & CO.
APRIL , 1995

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