Sohi Mohsen
Form 4
August 05, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Sohi Mohsen

(Last) (First) (Middle)

5960 HEISLEY ROAD

(Street)

MENTOR, OH 44060

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
STERIS CORP [STE]

3. Date of Earliest Transaction (Month/Day/Year)
08/04/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares, No Par Value	08/04/2010		A		1,159	A	$ 0	10,054 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option to Purchase Common Shares	$ 32.34	08/04/2010		A		3,133		02/04/2011	08/04/2020	Common Shares, No Par Value	3,133

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Sohi Mohsen 5960 HEISLEY ROAD MENTOR, OH 44060	X			

Signatures

Dennis P. Patton, Authorized Representative under Power of Attorney	08/05/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 1,159 of these Common Shares are restricted. The restrictions on these 1,159 Common Shares lapse on February 4, 2011.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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(3.1%)

(0.9%)

4.9%

7.9%

(1)

Below is the reconciliation of net income (loss) to EBITDA for the three months ended September 30, 2010

New York

Washington, DC

Merchandise

(Amounts in thousands)

Office

Office

Retail

Mart

Net income (loss) attributable to Vornado for the three months ended September 30, 2010

$

74,076

$

36,516

$

34,010

$

(6,621)

Interest and debt expense

31,817

34,241

26,395

	15,883
Depreciation and amortization	
	42,531
	41,394
	28,024
	12,782
Income tax expense (benefit)	
	861
	1,054
	2
	(714)
EBITDA for the three months ended September 30, 2010	

Explanation of Responses:

$

149,285

$

113,205

$

88,431

$

21,330

97

Explanation of Responses:

Related Party Transactions

Transactions with Affiliates and Officers and Trustees

Alexander's

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 5 - Investments in Partially Owned Entities to our consolidated financial statements in this Annual Report on Form 10-K.

On March 2, 2009, Mr. Roth and Mr. Fascitelli each exercised 150,000 stock appreciation rights which were scheduled to expire on March 4, 2009 and each received gross proceeds of $11,419,000.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2010, Interstate and its partners beneficially owned approximately 7.0% of the common shares of beneficial interest of Vornado and 27.2% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. We believe, based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us.

Explanation of Responses:

Liquidity and Capital Resources

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for development expenditures and acquisitions (excluding Fund acquisitions as described below) may require funding from borrowings and/or equity offerings. We may from time to time purchase or retire outstanding debt securities. Such purchases, if any, will depend on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

We have raised, and may continue to raise, capital for future Real Estate acquisitions through our real estate Fund. We are the general partner and investment manager of the Fund and it is our exclusive investment vehicle for all investments that fit within the Fund's investment parameters during its three-year investment period.

Acquisitions and Investments

Details of 2010 acquisitions and investments are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. There were no significant acquisitions or investments during 2009.

Dispositions

Details of 2010 dispositions are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations.

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building in Washington's Central Business District, for $207,800,000 in cash, which resulted in a net gain of $41,211,000, which is included as a component of "(loss) income from discontinued operations" on our consolidated statement of income.

During 2009, we sold 15 retail properties in separate transactions for an aggregate of $55,000,000 in cash, which resulted in net gains aggregating $4,073,000, which is included as a component of "(loss) income from discontinued operations" on our consolidated statement of income.

Mezzanine Loans

On January 28, 2010, we were repaid the entire $99,314,000 balance of the Equinox loan including accrued interest. This loan, which we acquired in 2006 for $57,500,000, was scheduled to mature in February 2013.

On June 1, 2009, we were repaid the entire $41,758,000 balance of the Charles Square Hotel loan including accrued interest. This loan was scheduled to mature in September 2009.

Financing Activities

Details of 2010 financings are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations.

In April 2009, we sold 17,250,000 common shares, including underwriters' over-allotment, in an underwritten public offering pursuant to an effective registration statement at an initial public offering price of $43.00 per share. We received net proceeds of $710,226,000, after underwriters' discount and offering expenses and contributed the net proceeds to the Operating Partnership in exchange for 17,250,000 Class A units of the Operating Partnership.

On September 30, 2009, we completed a public offering of $460,000,000 principal amount of 7.875% callable senior unsecured 30-year notes (NYSE: VNOD) due October 1, 2039. The notes were sold to the public at par and may be redeemed at our option, in whole or in part, beginning in October 2014 at a price equal to the principal amount plus accrued and unpaid interest. We received net proceeds of approximately $446,000,000 from the offering which were used to repay debt and for general corporate purposes.

During 2009, we purchased $1,912,724,000 (aggregate face amount) of our convertible senior debentures and $352,740,000 (aggregate face amount) of our senior unsecured notes for $1,877,510,000 and $343,694,000 in cash, respectively. This debt was acquired through tender offers and in the open market and has been retired. We also repaid $650,285,000 of existing property level debt and completed $277,000,000 of property level financings. In connection with the above, we recognized an aggregate net loss of $25,915,000 from the early extinguishment of debt on our consolidated statement of income.

Liquidity and Capital Resources – continued

Certain Future Cash Requirements

Development and Redevelopment Expenditures

We expended $156,775,000 in 2010 to complete development projects.

On October 1, 2010, Arlington County adopted a new Sector Plan for Crystal City that provides for additional density and increased building heights which would permit us to grow our assets in Crystal City from 8.0 million square feet currently to as much as 11.5 million square feet.

During 2010, we entered into agreements with Cuyahoga County, Ohio (the "County") to develop and operate the Cleveland Medical Mart and Convention Center (the "Facility"), a 1,000,000 square foot showroom, trade show and conference center in Cleveland's central business district. The County will fund the development of the Facility, using proceeds from the issuance of general obligation bonds and other sources, up to the development budget of $465,000,000 and maintain effective control of the property. During the 17-year development and operating period, we will receive net settled payments of approximately $10,000,000 per year, which is net of our $36,000,000 annual obligation to the County. Our obligation has been pledged by the County to the bondholders, but is payable by us only to the extent that we first receive at least an equal payment from the County. We engaged a contractor to construct the Facility pursuant to a guaranteed maximum price contract. Although we are ultimately responsible for cost overruns, the contractor is responsible for all costs incurred in excess of its contract and has provided a completion guaranty. Construction of the Facility is expected to be completed in 2013. Subsequent thereto, we are required to fund $11,500,000, primarily for tenant improvements, are responsible for all operating expenses and are entitled to the net operating income, if any, of the Facility. The County may terminate the operating agreement five years from the completion of development and periodically thereafter, if we fail to achieve certain performance thresholds. We plan to account for these agreements using criteria set forth in ASC 605-25, *Multiple-Element Arrangements,* as we are providing development, marketing, leasing, and other property management related services over the 17-year term. We plan to recognize development fees using the percentage of completion method of accounting.

We are also evaluating other development and redevelopment opportunities for which final plans, budgeted costs and financing have yet to be determined. These projects include the Springfield Mall in Springfield, Virginia and the Hotel Pennsylvania and 220 Central Park South in Manhattan.

There can be no assurance that any of our development projects will commence, or if commenced, be completed on schedule or within budget.

Liquidity and Capital Resources – continued

Other Capital Expenditures

The following table summarizes other anticipated 2011 capital expenditures.

(Amounts in millions, except square foot data)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Other (1)
Expenditures to maintain assets	$ 71.0	$ 25.0	$ 18.0	$ 5.0	$ 10.0	$ 13.0
Tenant improvements	135.0	40.0	45.0	11.0	37.0	2.0
Leasing commissions	34.0	12.0	10.0	4.0	7.0	1.0
Total tenant improvements and leasing commissions	169.0	52.0	55.0	15.0	44.0	3.0
Per square foot		*$ 52.00*	*$ 36.50*	*$ 15.00*	*$ 44.00* (2)	*$ 50.00*
Per square foot per annum		*$ 5.75*	*$ 5.33*	*$ 2.24*	*$ 4.40* (2)	*$ 5.60*
Total capital expenditures and leasing commissions	$ 240.0	$ 77.0	$ 73.0	$ 20.0	$ 54.0	$ 16.0
Square feet budgeted to be leased (in thousands)		*1,000*	*1,500*	*1,000*	*1,000*	
Weighted average lease term		*9*	*7*	*7*	*10*	

(1) Primarily 555 California Street, Hotel Pennsylvania and Warehouses.

(2) Tenant improvements and leasing commissions per square foot budgeted for 2011 leasing activity are $74 ($5.00 per annum) and $21 ($4.00 per annum) for Merchandise Mart office and showroom space, respectively.

The table above excludes anticipated capital expenditures of each of our partially owned non-consolidated subsidiaries, as these entities fund their capital expenditures without additional equity contributions from us.

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Liquidity and Capital Resources – continued

Dividends

On January 12, 2011, we increased our quarterly common dividend to $0.69 per common share (an indicated annual rate of $2.76 per common share. This dividend policy, if continued for all of 2011, would require us to pay out approximately $507,000,000 of cash for common share dividends. In addition, during 2011, we expect to pay approximately $57,000,000 of cash dividends on outstanding preferred shares and approximately $53,000,000 of cash distributions to unitholders of the Operating Partnership.

Financing Activities and Contractual Obligations

We believe that we have complied with the financial covenants required by our revolving credit facilities and our senior unsecured notes and that as of December 31, 2010 we have the ability to incur a substantial amount of additional indebtedness. We have an effective shelf registration for the offering of our equity securities and debt securities that is not limited in amount due to our status as a “well-known seasoned issuer.”

Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Below is a schedule of our contractual obligations and commitments at December 31, 2010.

(Amounts in thousands)		**Less than**			
Contractual cash obligations (principal and interest[(1)]):	**Total**	**1 Year**	**1 – 3 Years**	**3 – 5 Years**	**Thereafter**
Mortgages and notes payable	$ 9,885,682	$ 2,226,459	$ 2,939,211	$ 1,246,902	$ 3,473,110
Senior unsecured notes due 2039 (PINES)	1,501,469	36,225	72,450	72,450	1,320,344

Operating leases	1,193,361	30,542	62,263	61,732	1,038,824
Revolving credit facilities	884,313	211,249	673,064	-	-
Exchangeable senior debentures due 2025	525,007	19,374	505,633	-	-
Senior unsecured notes due 2015	606,250	21,250	42,500	542,500	-
Convertible senior debentures due 2026	184,731	184,731	-	-	-
Senior unsecured notes due 2011	124,820	124,820	-	-	-
Purchase obligations, primarily construction commitments	129,109	117,609	-	11,500	-
Capital lease obligations	20,253	706	1,413	1,413	16,721
Convertible senior debentures due 2027	10,598	292	10,306	-	-
Total contractual cash obligations	$ 15,065,593	$ 2,973,257	$ 4,306,840	$ 1,936,497	$ 5,848,999
Commitments:					
Capital commitments to partially owned entities	$ 199,953	$ 199,953	$ -	$ -	$ -
Standby letters of credit	30,015	28,080	1,935	-	-
Other guarantees	146	146	-	-	-
Total commitments	$ 230,114	$ 228,179	$ 1,935	$ -	$ -

(1) Interest on variable rate debt is computed using rates in effect December 31, 2010.

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Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and all risk property and rental value insurance with limits of $2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of $150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a $150,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC ("PPIC"), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological ("NBCR") acts, as defined by TRIPRA. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Our coverage for NBCR losses is up to $2 billion per occurrence, for which PPIC is responsible for a deductible of $3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Other Commitments and Contingencies

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2010, the aggregate dollar amount of these guarantees and master leases is approximately $263,178,000.

At December 31, 2010, $12,198,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

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

We are committed to fund additional capital to certain of our partially owned entities aggregating approximately $199,953,000, of which $146,622,000 is committed to our real estate Fund. In addition, we have agreed in principle to contribute up to $52,000,000 to a new investment management fund which will be managed by LNR.

As part of the process of obtaining the required approvals to demolish and develop our 220 Central Park South property into a new residential tower, we have committed to fund the estimated project cost of approximately $400,000,000 to $425,000,000.

Liquidity and Capital Resources – continued

Litigation

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters, including the matters referred to below, are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming that we had no right to reallocate and therefore continue to collect the $5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the $5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York State Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York State Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. Discovery is complete and a trial was held in November 2010, with closing arguments expected in March 2011. We intend to continue to vigorously pursue our claims against Stop & Shop.

In July 2005, we acquired H Street Building Corporation ("H Street") which has a subsidiary that owns, among other things, a 50% tenancy in common interest in land located in Arlington County, Virginia, known as "Pentagon Row," leased to two tenants, Street Retail, Inc. and Post Apartment Homes, L.P. In April 2007, H Street acquired the remaining 50% interest in that fee. On September 25, 2008, both tenants filed suit against us and the former owners claiming the right of first offer to purchase the fee interest, damages in excess of $75,000,000 and punitive damages. In April 2010, the Trial Court entered judgment in favor of the tenants, that we sell the land to the tenants for a net sales price of $14,992,000, representing the Trial Court's allocation of our purchase price for H Street. The request for damages and punitive damages was denied. As a result of the Trial Court's decision, we recorded a $10,056,000 loss accrual in the first quarter of 2010. We filed a motion to appeal the Trial Court's decision, which the appeals court refused to hear. Accordingly, in the fourth quarter of 2010, we sold the property to the tenants for $14,992,000 in cash (our reduced carrying amount) and reclassified the results of operations of this property to "(loss) income from discontinued operations," and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all periods presented in the accompanying consolidated financial statements.

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2010

Property rental income is our primary source of cash flow and is dependent upon the occupancy and rental rates of our properties. Other sources of liquidity to fund cash requirements include proceeds from debt financings, including mortgage loans, senior unsecured borrowings, and our revolving credit facilities; proceeds from the issuance of common and preferred equity; and asset sales. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, distributions to common and preferred shareholders, as well as acquisition and development costs. Our cash and cash equivalents were $690,789,000 at December 31, 2010, a $155,310,000 increase over the balance at December 31, 2009. This increase was primarily due to cash flows from operating activities as discussed below, partially offset by our investment in J.C. Penney Company, Inc.

Our consolidated outstanding debt was $10,893,639,000 at December 31, 2010, a $207,936,000 increase over the balance at December 31, 2009. As of December 31, 2010 and December 31, 2009, $874,000,000 and $852,218,000, respectively, was outstanding under our revolving credit facilities. During 2011 and 2012, $2,070,534,000 and $2,102,531,000 of our outstanding debt matures, respectively. We may refinance our maturing debt as it comes due or choose to repay it.

Cash flows provided by operating activities of $771,086,000 was comprised of (i) net income of $708,031,000, (ii) $127,922,000 of non-cash adjustments, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, income from the mark-to-market of derivative positions in marketable equity securities, litigation loss accrual and impairment losses, net gain on early extinguishment of debt, (iii) distributions of income from partially owned entities of $61,037,000, (iv) interest received on repayment on mezzanine loan of $40,467,000, partially offset by (v) the net change in operating assets and liabilities of $166,371,000, of which $144,423,000 relates to Real Estate Fund investments.

Net cash used in investing activities of $520,361,000 was comprised of (i) purchases of marketable equity securities, including J.C. Penney Company, Inc. common shares, of $504,096,000, (ii) acquisitions of real estate of $173,413,000, (iii) investments in partially owned entities of $165,170,000, (iv) development and redevelopment expenditures of $156,775,000, (v) additions to real estate of $144,794,000, (vi) investments in mezzanine loans receivable and other of $85,336,000, partially offset by (vii) proceeds from the sale of real estate and related investments of $280,462,000, (viii) restricted cash of $138,586,000, (ix) proceeds from sales of real estate and related investments of $127,736,000, (x) proceeds received from repayment of mezzanine loans receivable of $70,762,000, (xi) distributions of capital from investments in partially owned entities of $51,677,000, and (xii) proceeds from maturing short-term investments of $40,000,000.

Net cash used in financing activities of $95,415,000 was comprised of (i) repayments of borrowing, including the purchase of our senior unsecured notes, of $2,004,718,000, (ii) dividends paid on common shares of $474,299,000 (iii) purchases of outstanding preferred units of $78,954,000, (iv) dividends paid on preferred shares of $55,669,000, (v) distributions to noncontrolling interests of $53,842,000, (vi) repurchase of shares related to stock compensation agreements and related tax withholdings of $25,660,000, (vii) debt issuance costs of $14,980,000 partially offset by (viii) proceeds from borrowings of $2,481,883,000, (ix) contributions from noncontrolling interests of $103,831,000 and (x) proceeds received from exercise of employee share options of $26,993,000.

LIQUIDITY AND CAPITAL RESOURCES - continued

Capital Expenditures

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

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2010.

(Amounts in thousands)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Other
Capital Expenditures (accrual basis):						
Expenditures to maintain assets	$ 53,051	$ 20,472	$ 17,532	$ 4,838	$ 6,099	$ 4,110
Tenant improvements	116,939	50,387	17,464	9,827	31,742	7,519
Leasing commissions	30,351	15,325	6,044	2,215	4,761	2,006
Non-recurring capital expenditures	5,381	-	-	915	-	4,466
Total capital expenditures and leasing commissions (accrual basis)	205,722	86,184	41,040	17,795	42,602	18,101
Adjustments to reconcile to cash basis:						
Expenditures in the current year applicable to prior periods	64,216	35,080	13,296	6,698	4,825	4,317
Expenditures to be made in future						

periods for the current period	(87,289)	(35,051)	(13,989)	(11,358)	(20,580)	(6,311)
Total capital expenditures and leasing commissions (cash basis)	$ 182,649	$ 86,213	$ 40,347	$ 13,135	$ 26,847	$ 16,107
Tenant improvements and leasing commissions:						
Per square foot per annum	*$ 3.89*	*$ 6.70*	*$ 2.92*	*$ 1.41*	*$ 4.69*	*$ -*
Percentage of initial rent	*10.5%*	*13.5%*	*7.6%*	*5.8%*	*14.0%*	*-*
Development and Redevelopment Expenditures:						
220 Central Park South	$ 46,769	$ -	$ -	$ -	$ -	$ 46,769
Bergen Town Center	18,783	-	-	18,783	-	-
Residential condominiums	15,600	-	-	-	-	15,600
West End 25	9,997	-	9,997	-	-	-
1540 Broadway	8,091	-	-	8,091	-	-
Green Acres Mall	7,679	-	-	7,679	-	-
220 20th Street	4,097	-	4,097	-	-	-
Beverly Connection	3,695	-	-	3,695	-	-
Poughkeepsie, New York	3,054	-	-	3,054	-	-
Other	39,010	5,705	12,495	12,621	2,667	5,522
	$ 156,775	$ 5,705	$ 26,589	$ 53,923	$ 2,667	$ 67,891

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LIQUIDITY AND CAPITAL RESOURCES – continued

Cash Flows for the Year Ended December 31, 2009

Our cash and cash equivalents were $535,479,000 at December 31, 2009, a $991,374,000 decrease over the balance at December 31, 2008. This decrease was the result of the acquisition of our convertible senior debentures and senior unsecured notes during 2009, partially offset by cash flows from operating activities as discussed below.

Our consolidated outstanding debt was $10,685,703,000 at December 31, 2009, a $1,495,132,000 decrease from the balance at December 31, 2008. This decrease resulted primarily from the acquisition of our convertible senior debentures and senior unsecured notes during 2009. As of December 31, 2009 and December 31, 2008, $852,218,000 and $358,468,000, respectively, was outstanding under our revolving credit facilities.

Our share of debt of unconsolidated subsidiaries was $3,149,640,000 at December 31, 2009, a $46,945,000 decrease from the balance at December 31, 2008.

Cash flows provided by operating activities of $633,579,000 was comprised of (i) net income of $128,450,000, (ii) $620,523,000 of non-cash adjustments, including depreciation and amortization expense, non-cash impairment losses, the effect of straight-lining of rental income, equity in net income of partially owned entities and (iii) distributions of income from partially owned entities of $30,473,000, partially offset by (iv) the net change in operating assets and liabilities of $145,867,000.

Net cash used in investing activities of $242,201,000 was comprised of (i) development and redevelopment expenditures of $465,205,000, (ii) additions to real estate of $216,669,000, (iii) purchases of marketable equity securities of $90,089,000, (iv) purchases of short-term investments of $55,000,000, (v) investments in partially owned entities of $38,266,000, partially offset by, (vi) proceeds from the sale of real estate (primarily 1999 K Street) of $367,698,000, (vii) proceeds from restricted cash of $111,788,000, (viii) proceeds from the sale of marketable securities of $64,355,000, (ix) proceeds received from repayments on mezzanine loans receivable of $47,397,000, (x) proceeds from maturing short-term investments of $15,000,000 and (xi) distributions of capital from partially owned entities of $16,790,000.

Net cash used in financing activities of $1,382,752,000 was primarily comprised of (i) acquisition and retirement of convertible senior debentures and senior unsecured notes of $2,221,204,000, (ii) repayment of borrowings of $2,075,236,000, (iii) dividends paid on common shares of $262,397,000, (iv) dividends paid on preferred shares of $57,076,000, (v) distributions to noncontrolling interests of $42,451,000, (vi) repurchase of shares related to stock compensation arrangements and related tax withholdings of $32,203,000, (vii) redemption of redeemable noncontrolling interests of $24,330,000, (viii) debt issuance and other costs of $30,186,000, partially offset by, (ix) proceeds from borrowings of $2,648,175,000 and (xi) proceeds from issuance of common shares of $710,226,000.

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LIQUIDITY AND CAPITAL RESOURCES - continued

Capital Expenditures

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2009.

(Amounts in thousands)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Other
Capital Expenditures (accrual basis):						
Expenditures to maintain assets	$ 41,858	$ 15,559	$ 17,185	$ 3,406	$ 5,708	$ -
Tenant improvements	76,514	44,808	18,348	4,190	9,168	-
Leasing commissions	28,913	15,432	10,040	1,710	1,731	-
Non-recurring capital expenditures	35,917	20,741	-	53	-	15,123
Total capital expenditures and leasing commissions (accrual basis)	183,202	96,540	45,573	9,359	16,607	15,123
Adjustments to reconcile to cash basis:						
Expenditures in the current year applicable to prior periods	138,590	67,903	60,208	4,293	5,224	962
Expenditures to be made in future periods for the current period	(75,397)	(40,516)	(21,627)	(5,244)	(5,900)	(2,110)
Total capital expenditures and leasing commissions (cash basis)	$ 246,395	$ 123,927	$ 84,154	$ 8,408	$ 15,931	$ 13,975
Tenant improvements and leasing commissions:						
Per square foot per annum	$ *2.79*	$ *5.51*	$ *2.10*	$ *0.82*	$ *2.03*	$ -
Percentage of initial rent	*7.1%*	*10.5%*	*5.2%*	*3.5%*	*5.5%*	-
Development and Redevelopment Expenditures:						
West End 25	$ 64,865	$ -	$ 64,865	$ -	$ -	$ -

Bergen Town Center	57,843	-	-	57,843	-	-
Residential condominiums	49,586	-	-	-	-	49,586
220 20th Street	39,256	-	39,256	-	-	-
1999 K Street (sold in September 2009)	31,874	-	31,874	-	-	-
North Bergen, New Jersey	25,764	-	-	25,764	-	-
Manhattan Mall	21,459	-	-	21,459	-	-
Poughkeepsie, New York	20,280	-	-	20,280	-	-
Garfield, New Jersey	16,577	-	-	16,577	-	-
1540 Broadway	15,544	-	-	15,544	-	-
2101 L Street	12,923	-	12,923	-	-	-
Beverly Connection	12,854	-	-	12,854	-	-
40 East 66th Street	10,520	-	-	-	-	10,520
One Penn Plaza	9,839	9,839	-	-	-	-
Other	76,021	11,790	22,849	28,438	6,409	6,535
	$ 465,205	$ 21,629	$ 171,767	$ 198,759	$ 6,409	$ 66,641

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LIQUIDITY AND CAPITAL RESOURCES – continued

Cash Flow for the Year Ended December 31, 2008

Cash and cash equivalents were $1,526,853,000 at December 31, 2008, a $372,258,000 increase over the balance at December 31, 2007. This increase resulted from $817,812,000 of net cash provided by operating activities and $7,677,000 of net cash provided by financing activities, partially offset by $453,231,000 of net cash used in investing activities.

Our consolidated outstanding debt was $12,180,835,000 at December 31, 2008, a $719,768,000 increase over the balance at December 31, 2007. This increase resulted primarily from debt associated with property refinancings. As of December 31, 2008 and December 31, 2007, $358,468,000 and $405,656,000, respectively, was outstanding under our revolving credit facilities.

Our share of debt of unconsolidated subsidiaries was $3,196,585,000 at December 31, 2008, a $93,288,000 decrease from the balance at December 31, 2007.

Cash flows provided by operating activities of $817,812,000 was comprised of (i) net income of $411,445,000, (ii) $401,571,000 of non-cash adjustments, including depreciation and amortization expense, non-cash impairment losses, the effect of straight-lining of rental income, equity in net income of partially owned entities, and (iii) distributions of income from partially owned entities of $44,690,000, partially offset by (iv) the net change in operating assets and liabilities of $39,894,000.

Net cash used in investing activities of $453,231,000 was primarily comprised of (i) development and redevelopment expenditures of $598,688,000, (ii) additions to real estate of $207,885,000, (iii) investments in partially owned entities of $156,227,000, (iv) purchases of marketable equity securities of $164,886,000, partially offset by, (v) proceeds from the sale of real estate (primarily Americold and Tysons Dulles Plaza) of $390,468,000, (vi) distributions of capital from partially owned entities of $218,367,000, (vii) proceeds received from repayments on mezzanine loans receivable of $52,470,000 and (viii) proceeds from the sale of marketable securities of $51,185,000.

Net cash provided by financing activities of $7,677,000 was primarily comprised of (i) proceeds from borrowings of $1,721,974,000 and (ii) proceeds received from exercises of employee share options of $29,377,000, partially offset by, (iii) repayments of borrowings of $993,665,000, (iv) dividends paid on common shares of $561,981,000, (v) distributions to noncontrolling interests of $85,419,000 and (vi) dividends paid on preferred shares of $57,112,000.

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LIQUIDITY AND CAPITAL RESOURCES - continued

Capital Expenditures

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2008.

(Amounts in thousands)	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Other
Capital Expenditures (accrual basis):						
Expenditures to maintain assets	$ 50,137	$ 23,380	$ 10,341	$ 4,024	$ 10,730	$ 1,662
Tenant improvements	57,573	23,433	17,223	7,881	9,036	-
Leasing commissions	29,642	16,037	6,385	3,145	4,075	-
Non-recurring capital expenditures	70,860	28,773	20,888	4,109	11,146	5,944
Total capital expenditures and leasing commissions (accrual basis)	208,212	91,623	54,837	19,159	34,987	7,606
Adjustments to reconcile to cash basis:						
Expenditures in the current year applicable to prior periods	114,778	57,001	15,539	9,590	28,576	4,072
Expenditures to be made in future periods for the current period	(78,614)	(33,571)	(22,076)	(15,135)	(7,729)	(103)
Total capital expenditures and leasing commissions (cash basis)	$ 244,376	$ 115,053	$ 48,300	$ 13,614	$ 55,834	$ 11,575
Tenant improvements and leasing commissions:						
Per square foot per annum	$ *3.12*	$ *5.35*	$ *2.16*	$ *2.03*	$ *3.07*	$ -
Percentage of initial rent	*7.0%*	*7.5%*	*5.6%*	*5.3%*	*9.7%*	-
Development and Redevelopment Expenditures:						

Bergen Town Center	$ 126,673	$ -	$ -	$ 126,673	$ -	$ -
Residential condominiums	61,867	-	-	-	-	61,867
Manhattan Mall	51,474	-	-	51,474	-	-
1999 K Street (sold in September 2009)	45,742	-	45,742	-	-	-
40 East 66th Street	41,827	-	-	-	-	41,827
220 20th Street	36,014	-	36,014	-	-	-
220 Central Park South	30,533	-	-	-	-	30,533
West End 25	24,002	-	24,002	-	-	-
478-486 Broadway	17,182	-	-	17,182	-	-
Hotel Pennsylvania	15,591	-	-	-	-	15,591
2101 L Street	14,992	-	14,992	-	-	-
Springfield Mall	12,948	-	-	12,948	-	-
Garfield, New Jersey	12,775	-	-	12,775	-	-
North Bergen, New Jersey	10,749	-	-	10,749	-	-
Poughkeepsie, New York	10,404	-	-	10,404	-	-
Green Acres Mall	3,914	-	-	3,914	-	-
Other	82,001	25,959	27,106	20,226	8,710	-
	$ 598,688	$ 25,959	$ 147,856	$ 266,345	$ 8,710	$ 149,818

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Funds From Operations ("FFO")

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. The calculations of both the numerator and denominator used in the computation of income per share are disclosed in Note 16 – *Income per Share*, in the notes to our consolidated financial statements on page 156 of this Annual Report on Form 10-K.

FFO attributable to common shareholders plus assumed conversions was $1,149,781,000, or $6.05 per diluted share for the year ended December 31, 2010, compared to $583,596,000 or $3.36 per diluted share for the year ended December 31, 2009. FFO attributable to common shareholders plus assumed conversions was $335,759,000 or $1.76 per diluted share for the three months ended December 31, 2010 compared to $20,000, or $0.00 per diluted share for the three months ended December 31, 2009. Details of certain items that affect comparability are discussed in the financial results summary of our "Overview."

	For The Year		**For The Three Months**	
(Amounts in thousands, except per share amounts)	**Ended December 31,**		**Ended December 31,**	
Reconciliation of our net income (loss) to FFO:	**2010**	**2009**	**2010**	**2009**
Net income (loss) attributable to Vornado	$ 647,883	$ 106,169	$ 256,973	$ (136,923)
Depreciation and amortization of real property	505,806	508,572	124,024	133,023
Net gain on sales of real estate	(57,248)	(45,282)	(57,248)	(2,629)
Proportionate share of adjustments to equity in net income of				
Toys, to arrive at FFO:				
Depreciation and amortization of real property	70,174	65,358	16,878	15,527
Net gain on sales of real estate	-	(164)	-	-
Income tax effect of above adjustments	(24,561)	(22,819)	(5,907)	(5,435)
Proportionate share of adjustments to equity in net income of				
partially owned entities, excluding Toys, to arrive at FFO:	78,151	75,200	19,596	22,692

Depreciation and amortization of real property				
Net gain on sales of real estate	(5,784)	(1,188)	(5,470)	(3)
Noncontrolling interests' share of above adjustments	(39,565)	(45,344)	(6,080)	(11,963)
FFO	1,174,856	640,502	342,766	14,289
Preferred share dividends	(55,534)	(57,076)	(13,559)	(14,269)
Discount on preferred share redemptions	4,382	-	-	-
FFO attributable to common shareholders	1,123,704	583,426	329,207	20
Interest on 3.875% exchangeable senior debentures	25,917	-	6,512	-
Convertible preferred share dividends	160	170	40	-
FFO attributable to common shareholders plus assumed conversions	$ 1,149,781	$ 583,596	$ 335,759	$ 20
Reconciliation of Weighted Average Shares				
Weighted average common shares outstanding	182,340	171,595	183,308	179,832
Effect of dilutive securities:				
3.875% exchangeable senior debentures	5,736	-	5,736	-
Employee stock options and restricted share awards	1,747	1,908	1,735	2,627
Convertible preferred shares	71	75	70	-
Denominator for FFO per diluted share	189,894	173,578	190,849	182,459
FFO attributable to common shareholders plus assumed conversions per diluted share	$ 6.05	$ 3.36	$ 1.76	$ -

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to fluctuations in market interest rates. Market interest rates are sensitive to many factors that are beyond our control. Our exposure to a change in interest rates on our consolidated and non-consolidated debt (all of which arises out of non-trading activity) is as follows:

(Amounts in thousands, except per share amounts)	2010			2009	
	December 31,	Weighted Average Interest	Effect of 1% Change In	December 31,	Weighted Average Interest
Consolidated debt:	Balance	Rate	Base Rates	Balance	Rate
Variable rate	$ 2,903,510	1.76%	$ 29,035	$ 2,657,972	1.67%
Fixed rate	7,990,129	5.66%	-	8,027,731	5.87%
	$ 10,893,639	4.62%	29,035	$ 10,685,703	4.83%
Pro-rata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	$ 345,308	1.39%	3,453	$ 331,980	2.87%
Variable rate – Toys	501,623	4.95%	5,016	852,040	3.45%
Fixed rate (including $1,421,820 and $1,077,919 of Toys debt in 2010 and 2009)	2,428,986 (1)	6.86%	-	1,965,620	7.16%
	$ 3,275,917	5.99%	8,469	$ 3,149,640	5.70%
Redeemable noncontrolling interests' share of above			(2,682)		
Total change in annual net income			$ 34,822		
Per share-diluted			$ 0.19		

(1) Excludes $37 billion for our 26.2% pro rata shares of liabilities related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of December 31, 2010, variable rate debt with an aggregate principal amount of $564,707,181 and a weighted average interest rate of 2.84% was subject to LIBOR caps. These caps are based on a notional amount of $558,844,181 and cap LIBOR at a weighted average rate of 5.68%.

As of December 31, 2010, we have investments in mezzanine loans with an aggregate carrying amount of $138,434,000 that are based on variable interest rates which partially mitigate our exposure to a change in interest rates on our variable rate debt.

Fair Value of Debt

The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt. As of December 31, 2010, the estimated fair value of our consolidated debt was $11,190,189,000.

Derivative Instruments

We have, and may in the future enter into, derivative positions that do not qualify for hedge accounting treatment, including our economic interest in J.C. Penney common shares. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in “interest and other investment income (loss), net” on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense in any given period. During the year ended December 31, 2010 we recognized $130,153,000 of income from derivative instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 23, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts) **ASSETS**	**December 31, 2010**	**December 31, 2009**
Real estate, at cost:		
Land	$ 4,598,303	$ 4,472,655
Buildings and improvements	12,733,487	12,660,987
Development costs and construction in progress	218,156	313,184
Leasehold improvements and equipment	124,976	127,419
Total	17,674,922	17,574,245
Less accumulated depreciation and amortization	(2,763,997)	(2,441,344)
Real estate, net	14,910,925	15,132,901
Cash and cash equivalents	690,789	535,479
Restricted cash	200,822	293,950
Short-term investments	-	40,000
Marketable securities	766,116	380,652
Accounts receivable, net of allowance for doubtful accounts of $62,979 and $46,708	157,146	157,325
Investments in partially owned entities	927,672	799,832
Investment in Toys "R" Us	447,334	409,453
Mezzanine loans receivable, net of allowance of $73,216 and $190,738	202,412	203,286
Real Estate Fund investments	144,423	-
Receivable arising from the straight-lining of rents, net of allowance of $7,323 and $4,672	720,806	670,225
Deferred leasing and financing costs, net of accumulated amortization of $223,131 and $182,106	368,314	310,884
Identified intangible assets, net of accumulated amortization of $338,508 and $311,118	348,745	439,549
Assets related to discontinued operations	234,464	337,711
Due from officers	13,187	13,150
Other assets	384,316	461,075
	$ 20,517,471	$ 20,185,472
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Notes and mortgages payable	$ 8,259,298	$ 8,191,854
Senior unsecured notes	1,082,928	711,716
Exchangeable senior debentures	491,000	484,457
Convertible senior debentures	186,413	445,458

Revolving credit facility debt	874,000	852,218
Accounts payable and accrued expenses	438,479	475,242
Deferred compensation plan	91,549	80,443
Deferred credit	583,369	655,283
Deferred tax liabilities	13,278	16,495
Liabilities related to discontinued operations	255,922	282,770
Other liabilities	82,856	88,502
Total liabilities	12,359,092	12,284,438
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,804,202 and 13,892,313 units outstanding	1,066,974	971,628
Series D cumulative redeemable preferred units - 10,400,001 and 11,200,000 units outstanding	261,000	280,000
Total redeemable noncontrolling interests	1,327,974	1,251,628
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 32,340,009 and 33,952,324 shares	783,088	823,686
Common shares of beneficial interest: $.04 par value per share; authorized, 250,000,000 shares; issued and outstanding 183,661,875 and 181,214,161 shares	7,317	7,218
Additional capital	6,932,728	6,961,007
Earnings less than distributions	(1,480,876)	(1,577,591)
Accumulated other comprehensive income	73,453	28,449
Total Vornado shareholders' equity	6,315,710	6,242,769
Noncontrolling interest in consolidated subsidiaries	514,695	406,637
Total equity	6,830,405	6,649,406
	$ 20,517,471	$ 20,185,472

See notes to the consolidated financial statements.

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2010	2009	2008
(Amounts in thousands, except per share amounts)			
REVENUES:			
Property rentals	$ 2,271,357	$ 2,182,194	$ 2,160,073
Tenant expense reimbursements	360,448	357,186	353,602
Fee and other income	147,922	157,312	126,816
Total revenues	2,779,727	2,696,692	2,640,491
EXPENSES:			
Operating	1,099,478	1,067,229	1,048,537
Depreciation and amortization	530,704	531,637	529,134
General and administrative	214,225	231,010	193,969
Impairment losses and acquisition costs	129,458	75,963	81,447
Total expenses	1,973,865	1,905,839	1,853,087
Operating income	805,862	790,853	787,404
Income applicable to Toys "R" Us	71,624	92,300	2,380
Income (loss) from partially owned entities	22,438	(19,910)	(159,207)
(Loss) from Real Estate Fund (includes $805 of expenses that are attributable to noncontrolling interests)	(303)	-	-
Interest and other investment income (loss), net	235,315	(116,350)	(2,747)
Interest and debt expense (including amortization of deferred financing costs of $18,542, $17,593 and $17,409 respectively)	(560,270)	(617,994)	(619,531)
Net gain (loss) on early extinguishment of debt	94,789	(25,915)	9,820
Net gain on disposition of wholly owned and partially owned assets	81,432	5,641	7,757
Income before income taxes	750,887	108,625	25,876
Income tax (expense) benefit	(22,476)	(20,642)	204,644
Income from continuing operations	728,411	87,983	230,520
(Loss) income from discontinued operations	(20,380)	40,467	180,925
Net income	708,031	128,450	411,445
Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries	(4,920)	2,839	3,263

Net (income) attributable to noncontrolling interests in						
the Operating Partnership,						
including unit distributions		(55,228)		(25,120)		(55,411)
Net income attributable to Vornado		647,883		106,169		359,297
Preferred share dividends		(55,534)		(57,076)		(57,091)
Discount on preferred share redemptions		4,382		-		-
NET INCOME attributable to common shareholders	$	596,731	$	49,093	$	302,206
INCOME PER COMMON SHARE - BASIC:						
Income from continuing operations, net	$	3.38	$	0.07	$	0.89
(Loss) income from discontinued operations, net		(0.11)		0.21		1.07
Net income per common share	$	3.27	$	0.28	$	1.96
Weighted average shares		182,340		171,595		153,900
INCOME PER COMMON SHARE - DILUTED:						
Income from continuing operations, net	$	3.35	$	0.07	$	0.87
(Loss) income from discontinued operations, net		(0.11)		0.21		1.04
Net income per common share	$	3.24	$	0.28	$	1.91
Weighted average shares		184,159		173,503		158,119

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling	Tot
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Interests	Equ
Balance, December 31, 2007	33,980	$ 825,095	153,077	$ 6,140	$ 5,491,112	$ (757,177)	$ 29,772	$ 416,298	$ 6,011
Net income	-	-	-	-	-	359,297	-	3,263	362
Dividends paid on common shares	-	-	-	-	-	(561,981)	-	-	(561
Dividends paid on preferred shares	-	-	-	-	-	(57,091)	-	-	(57
Conversion of Series A preferred shares to common shares	(26)	(1,312)	36	2	1,310	-	-	-	
Deferred compensation shares and options	-	-	(5)	1	11,410	-	-	-	11
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	1,012	40	82,290	-	-	-	82
Under employees' share option plan	-	-	1,025	7	26,897	(30,345)	-	-	(3
In connection with dividend reinvestment plan	-	-	34	1	2,373	-	-	-	2
Change in unrealized net									

gain or loss on securities available-for-sale	-	-	-	-	-	-	(20,150)	-	(20
Sale of securities available-for-sale	-	-	-	-	-	-	6,128	-	6
Change in pension plans	-	-	-	-	-	-	3,251	-	3
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	400,647	-	-	-	400
Conversion of Series F-1 preferred units	-	-	107	4	9,996	-	-	-	10
Other	-	24	-	-	(59)	(43)	(25,900)	(6,648)	(32
Balance, December 31, 2008	33,954	$ 823,807	155,286	$ 6,195	$ 6,025,976	$ (1,047,340)	$ (6,899)	$ 412,913	$ 6,214

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income (Loss)	Non-controlling	Total
	Shares	Amount	Shares	Amount	Capital	Distributions		Interests	Equity
Balance, December 31, 2008	33,954	$ 823,807	155,286	$ 6,195	$ 6,025,976	$ (1,047,340)	$ (6,899)	$ 412,913	$ 6,214,6
Net income (loss)	-	-	-	-	-	106,169	-	(2,839)	103,3
Dividends paid on common shares	-	-	6,441	258	285,338	(547,993)	-	-	(262,3
Dividends paid on preferred shares	-	-	-	-	-	(57,076)	-	-	(57,0
Common shares issued:									
In connection with April 2009 public offering	-	-	17,250	690	709,536	-	-	-	710,2
Upon redemption of Class A units, at redemption value	-	-	1,768	70	90,885	-	-	-	90,9
Under employees' share option plan	-	-	468	4	1,713	(31,355)	-	-	(29,6
Conversion of Series A preferred shares to common shares	(2)	(89)	2	-	89	-	-	-	
Deferred compensation shares									

and options	-	-	(1)	1	13,091	-	-	-	13,0
Change in unrealized net gain or loss on securities available-for-sale	-	-	-	-	-	-	6,147	-	6,1
Sale of securities available-for-sale	-	-	-	-	-	-	7,715	-	7,7
Our share of partially owned entities OCI adjustments	-	-	-	-	-	-	22,052	-	22,0
Voluntary surrender of equity awards on March 31, 2009	-	-	-	-	32,588	-	-	-	32,5
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(167,049)	-	-	-	(167,0
Allocation of cash paid to the equity componenet upon repurchase of convertible senior debentures	-	-	-	-	(30,159)	-	-	-	(30,1
Other	-	(32)	-	-	(1,001)	4	(566)	(3,437)	(5,0
Balance, December 31, 2009	33,952	$ 823,686	181,214	$ 7,218	$ 6,961,007	$ (1,577,591)	$ 28,449	$ 406,637	$ 6,649,4

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling	Tot
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Interests	Equ
Balance, December 31, 2009	33,952	$ 823,686	181,214	$ 7,218	$ 6,961,007	$ (1,577,591)	$ 28,449	$ 406,637	$ 6,649
Net income	-	-	-	-	-	647,883	-	4,920	652
Dividends paid on common shares	-	-	-	-	-	(474,299)	-	-	(474
Dividends paid on preferred shares	-	-	-	-	-	(55,669)	-	-	(55
Redemption of preferred shares	(1,600)	(39,982)	-	-	-	4,382	-	-	(35
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	1,548	62	126,702	-	-	-	126
Under employees' share option plan	-	-	812	33	25,290	(25,584)	-	-	
Under dividend reinvestment plan	-	-	22	1	1,656	-	-	-	
Limited partners' contributions:									
Real Estate Fund	-	-	-	-	-	-	-	93,583	93
Other	-	-	-	-	-	-	-	8,783	8
Conversion of Series A									

preferred shares to common shares	(12)	(616)	18	1	615	-	-	-	
Deferred compensation shares and options	-	-	48	2	9,345	-	-	-	9
Change in unrealized net gain or loss on securities available-for-sale	-	-	-	-	-	-	46,447	-	46
Sale of securities available-for-sale	-	-	-	-	-	-	(13,160)		(13
Our share of partially owned entities OCI adjustments	-	-	-	-	-	-	11,853	-	1
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(191,826)	-	-	-	(191
Other	-	-	-	-	(61)	2	(136)	772	
Balance, December 31, 2010	32,340	$ 783,088	183,662	$ 7,317	$ 6,932,728	$ (1,480,876)	$ 73,453	$ 514,695	$ 6,830

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2010	2009	2008
(Amounts in thousands)			
Cash Flows from Operating Activities:			
Net income	$ 708,031	$ 128,450	$ 411,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of deferred financing costs)	556,312	559,053	577,338
(Income) loss from the mark-to-market of derivative positions in marketable securities	(130,153)	-	33,740
Litigation loss accrual and impairment losses	137,367	91,184	157,799
Net (gain) loss on early extinguishment of debt	(97,728)	25,915	(9,820)
Equity in net (income) loss of partially owned entities, including Toys “R” Us	(94,062)	(72,390)	156,459
Straight-lining of rental income	(76,926)	(98,355)	(91,060)
Amortization of below-market leases, net	(66,202)	(72,481)	(96,176)
Net gain on sale of real estate	(2,506)	(45,284)	(57,523)
Distributions of income from partially owned entities	61,037	30,473	44,690
Mezzanine loans loss accrual (reversal)	(53,100)	190,738	(10,300)
Interest received on repayment of mezzanine loan	40,467	-	-
Other non-cash adjustments	36,352	15,196	83,735
Net gain on disposition of wholly owned and partially owned assets	(81,432)	(5,641)	(7,757)
Write-off of unamortized costs from the voluntary surrender of equity awards	-	32,588	-
Reversal of H Street deferred tax liability	-	-	(222,174)
Net gain on sale of Americold Realty Trust	-	-	(112,690)
Changes in operating assets and liabilities:			
Real Estate Fund investments	(144,423)	-	-
Other assets	(66,736)	(61,878)	(27,382)
Prepaid assets	6,321	(90,519)	(12,449)
Accounts payable and accrued expenses	2,645	(3,606)	(5,207)
Accounts receivable, net	2,019	15,383	(1,646)
Other liabilities	33,803	(5,247)	6,790
Net cash provided by operating activities	771,086	633,579	817,812
Cash Flows from Investing Activities:			
Purchases of marketable securities including J.C. Penney Company, Inc. common shares and other	(504,096)	(90,089)	(164,886)

Proceeds from sales of, and return of investment in, marketable securities	280,462	64,355	51,185
Acquisitions of real estate and other	(173,413)	-	(42,642)
Investments in partially owned entities	(165,170)	(38,266)	(156,227)
Development costs and construction in progress	(156,775)	(465,205)	(598,688)
Additions to real estate	(144,794)	(216,669)	(207,885)
Restricted cash	138,586	111,788	12,004
Proceeds from sales of real estate and related investments	127,736	367,698	390,468
Investments in mezzanine loans receivable and other	(85,336)	-	(7,397)
Proceeds from repayment of mezzanine loans receivable	70,762	47,397	52,470
Distributions of capital from partially owned entities	51,677	16,790	218,367
Proceeds from maturing short-term investments	40,000	15,000	-
Purchases of short-term investments	-	(55,000)	-
Net cash used in investing activities	(520,361)	(242,201)	(453,231)

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	Year Ended December 31, 2010	2009	2008
(Amounts in thousands)			
Cash Flows from Financing Activities:			
Proceeds from borrowings	$ 2,481,883	$ 2,648,175	$ 1,721,974
Repayments of borrowings	(1,564,143)	(2,075,236)	(993,665)
Dividends paid on common shares	(474,299)	(262,397)	(561,981)
Contributions from noncontrolling interests	103,831	2,180	-
Purchases of outstanding preferred units and shares	(78,954)	(24,330)	-
Dividends paid on preferred shares	(55,669)	(57,076)	(57,112)
Distributions to noncontrolling interests	(53,842)	(42,451)	(85,419)
Repurchase of shares related to stock compensation agreements and related tax witholdings	(25,660)	(32,203)	(31,198)
Debt issuance and other costs	(14,980)	(30,186)	(14,299)
Acquisition of convertible senior debentures and senior unsecured notes	(440,575)	(2,221,204)	-
Proceeds from issuance of common shares	-	710,226	-
Proceeds received from exercise of employee share options	26,993	1,750	29,377
Net cash (used in) provided by financing activities	(95,415)	(1,382,752)	7,677
Net increase (decrease) in cash and cash equivalents	155,310	(991,374)	372,258
Cash and cash equivalents at beginning of period	535,479	1,526,853	1,154,595
Cash and cash equivalents at end of period	$ 690,789	$ 535,479	$ 1,526,853
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest (including capitalized interest of $864, $17,256 and $63,063)	$ 549,327	$ 648,829	$ 658,376
Cash payments for income taxes	$ 23,960	$ 21,775	$ 22,005
Non-Cash Investing and Financing Activities:			
Adjustments to carry redeemable Class A units at redemption value	$ (191,826)	$ (167,049)	$ 400,647
Redemption of Class A Operating Partnership units for common shares, at redemption value	126,764	90,955	82,330
Net unrealized gain (loss) on securities available for sale	46,447	6,147	(20,150)
Dividends paid in common shares	-	285,596	-
Unit distributions paid in Class A units	-	23,876	-
Financing assumed in acquisitions	102,616	-	-
Increase in assets and liabilities resulting from the consolidation of investments			

previously accounted for on the equity method:			
Real estate, net	102,804	-	197,600
Notes and mortgages payable	57,563	-	100,000
Decrease in assets and liabilities resulting from the deconsolidation of investments			
that were previously consolidated:			
Real estate, net	(401,857)	-	2,069
Notes and mortgages payable	(316,490)	-	-

See notes to consolidated financial statements.

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VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Vornado Realty Trust ("Vornado") is a fully integrated real estate investment trust ("REIT") and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 93.2% of the common limited partnership interest in the Operating Partnership at December 31, 2010. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2010, we own:

<u>Office Properties:</u>

(i) all or portions of 28 properties aggregating 17.4 million square feet in the New York City metropolitan area (primarily Manhattan);

(ii) all or portions of 82 properties aggregating 21.1 million square feet in the Washington, DC / Northern Virginia area;

(iii) a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco’s financial district, known as the Bank of America center;

Retail Properties:

(iv) 161 properties aggregating 25.6 million square feet primarily in Manhattan, the northeast states, California and Puerto Rico;

Merchandise Mart Properties:

(v) 6 properties aggregating 6.9 million square feet of showroom and office space, including the 3.5 million square foot Merchandise Mart in Chicago;

Toys "R" Us, Inc. ("Toys"):

(vi) a 32.7% interest in Toys which owns and/or operates 1,589 stores worldwide, including 857 stores in the United States and 732 stores internationally;

Other Investments:

(vii) 32.4% of the common stock of Alexander's, Inc. (NYSE: ALX), which has seven properties aggregating 3.2 million square feet in the greater New York metropolitan area;

(viii) the Hotel Pennsylvania containing 1.4 million square feet in New York City;

(ix) a 9.9% economic interest in J.C. Penney Company, Inc. (NYSE:JCP), a major retailer that operates 1,108 department stores nationwide;

(x) a 26.2% equity interest in LNR Property Corporation, an industry leading servicer and special servicer of commercial mortgage loans and CMBS and a diversified real estate, investment and finance company;

(xi) a 36.4% interest in our real estate investment fund in which we are the general partner and investment manager with aggregate equity commitments of $550 million, of which we committed $200 million; and

(xii) other real estate and investments, including marketable securities and mezzanine loans on real estate.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Vornado and the Operating Partnership. All significant inter-company amounts have been eliminated. We account for unconsolidated partially owned entities on the equity method of accounting. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Recently Issued Accounting Literature

In the fourth quarter of 2010, the Financial Accounting Standards Board ("FASB") issued an update to the guidance contained in Accounting Standards Codification ("ASC") 310, *Receivables*. The new guidance requires companies to provide more information about the credit quality of their financing receivables in the disclosures to financial statements including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. The adoption of this accounting guidance did not have a significant impact on our consolidated financial statements.

On January 21, 2010, the FASB issued an update to ASC 820, *Fair Value Measurements and Disclosures*, adding new requirements for disclosures about transfers into and out of Levels 1 and 2 fair value measurements and additional disclosures about the activity within Level 3 fair value measurements. The adoption of this guidance on January 1, 2010 did not have a material effect on our consolidated financial statements.

In June 2009, the FASB issued an update to ASC 810, *Consolidation*, which modifies the existing quantitative guidance used in determining the primary beneficiary of a variable interest entity ("VIE") by requiring entities to qualitatively assess whether an enterprise is a primary beneficiary, based on whether the entity has (i) power over the significant activities of the VIE, and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The adoption of this guidance on January 1, 2010 did not have a material effect on our consolidated financial statements.

Significant Accounting Policies

Real Estate: Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the improvement and leasing of real estate are capitalized. Maintenance and repairs are expensed as incurred. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the undepreciated net book value of the property carried forward, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is provided on a straight-line basis over estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets. Additions to real estate include interest expense capitalized during construction of $864,000 and $17,256,000, for the years ended December 31, 2010 and 2009, respectively.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate the purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known trends, and market/economic conditions.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Our properties, including any related intangible assets, are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. If our estimates of the projected future cash flows, anticipated holding periods, or market conditions change, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses. The table below summarizes non-cash impairment losses and acquisition costs recognized in the years ended December 31, 2010, 2009 and 2008.

(Amounts in thousands)	For the Year Ended December 31,		
	2010	**2009**	**2008**
Springfield Mall	$ 64,500	$ -	$ -
Condominium units held for sale (see page 126)	30,013	13,667	23,625
Other real estate assets	28,000	6,989	1,645
Acquisition costs	6,945	-	3,009
Undeveloped land	-	38,347	12,500
Real estate - development related	-	16,960	40,668
	$ 129,458	$ 75,963	$ 81,447

Partially Owned Entities: In determining whether we have a controlling interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which we have power over significant activities of the entity and the obligation to absorb losses or receive benefits that could potentially be significant to the entity. We have concluded that we do not control a partially owned entity if the entity is not considered a variable interest entity and the approval of all of the partners/members is contractually required with respect to major decisions, such as operating and capital budgets, the sale, exchange or other disposition of real property, the hiring of a chief executive officer, the commencement, compromise or settlement of any lawsuit, legal proceeding or arbitration or the placement of new or additional financing secured by assets of the venture. We account for investments on the equity method when the requirements for consolidation are not met, and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method. Investments in partially owned entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured based on the excess of the carrying amount of an investment over its estimated fair value. Impairment analyses are based on current plans, intended holding periods and available information at the time the analyses are prepared.

The table below summarizes non-cash impairment losses recognized on investments in partially owned entities in the years ended December 31, 2010, 2009 and 2008.

(Amounts in thousands)	**For the Year Ended December 31,**		
	2010	**2009**	**2008**
Investment in Lexington Realty Trust	$ -	$ -	$ 107,882
Other	11,481	17,820	96,037
	$ 11,481	$ 17,820	$ 203,919

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Identified Intangibles: We record acquired intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) and acquired intangible liabilities (including below–market leases) at their estimated fair value separate and apart from goodwill. We amortize identified intangibles that have finite lives over the period they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is measured based on the excess of carrying amount of the identified intangible over its estimated fair value. As of December 31, 2010 and 2009, the carrying amounts of identified intangible assets were $348,745,000 and $439,549,000, respectively. The carrying amounts of identified intangible liabilities, a component of "deferred credit" on our consolidated balance sheets, were $528,905,000 and $606,390,000, respectively.

Mezzanine Loans Receivable: We invest in mezzanine loans of entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discount or premium over the life of the related receivable utilizing the effective interest method or straight-line method, if the result is not materially different. We evaluate the collectability of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. Interest on impaired loans is recognized when received in cash. In the year ended December 31, 2009 we recorded a $190,738,000 loss accrual on our portfolio of mezzanine loans, $53,100,000 of which was reversed in 2010. In 2008, upon sale of a sub-participation in a loan, we reversed $10,300,000 of a $57,000,000 loss accrual recognized in 2007.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The majority of our cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. To date, we have not experienced any losses on our invested cash.

Restricted Cash: Restricted cash consists of security deposits, cash restricted in connection with our deferred compensation plan and cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

Allowance for Doubtful Accounts: We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. As of December 31, 2010 and 2009, we had $62,979,000 and $46,708,000, respectively, in allowances for doubtful accounts. In addition, as of December 31, 2010 and 2009, we had $7,323,000 and $4,672,000, respectively, in allowances for receivables arising from the straight-lining of rents.

Deferred Charges: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to successful leasing activities are capitalized and amortized on a straight line basis over the lives of the related leases. All other deferred charges are amortized on a straight line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

Stock-Based Compensation: Stock-based compensation consists of awards to certain employees and officers and consists of stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards. We account for all stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Revenue Recognition: We have the following revenue sources and revenue recognition policies:

- Base Rent — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances in which we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.

- Percentage Rent — income arising from retail tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).

- Hotel Revenue — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue is recognized when the services have been rendered.

- Trade Shows Revenue — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.

- Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

- Management, Leasing and Other Fees – income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.

Condominium Units Held For Sale: Condominium units held for sale are carried at the lower of cost or expected net sales proceeds. As of December 31, 2010 and 2009, condominiums held for sale, which are included in “other assets” on our consolidated balance sheet, aggregate $84,397,000 and $187,050,000, respectively and consist of substantially completed units at our 40 East 66th Street property in Manhattan, The Bryant in Boston and Granite Park in Pasadena. Revenue from condominium unit sales is recognized upon closing of the sale (the “completed contract method”), as all conditions for full profit recognition have been met at that time. We use the relative sales value method to allocate costs to individual condominium units. Net gains on sales of condominiums units are included in “net gains on disposition of wholly owned and partially owned assets” on our consolidated statements of income. In the years ended December 31, 2010, 2009 and 2008, we recognized non-cash impairment losses related to certain of these condominiums aggregating $30,013,000, $13,667,000 and $23,625,000, respectively, based on our assessments of the expected net sales proceeds associated with these condominium projects. These losses are included in "impairment losses and acquisition costs" on our consolidated statements of income.

Derivative Instruments and Hedging Activities: ASC 815, *Derivatives and Hedging*, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As of December 31, 2010 and 2009, our derivative instruments consisted primarily of a portion of our investment in J.C. Penney common shares (see Note 4 – Marketable Securities and Derivative Instruments) and interest rate caps. We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Income Per Share: Basic income per share is computed based on weighted average shares outstanding. Diluted income per share considers the effect of all potentially dilutive share equivalents, including outstanding employee stock options, restricted shares and convertible or redeemable securities.

Income Taxes: We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856 860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend 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. We distribute to shareholders 100% of taxable income and therefore, no provision for Federal income taxes is required. Dividends distributed for the year ended December 31, 2010, were characterized, for federal income tax income tax purposes, as 95.9% ordinary income, 2.8% as long term capital gain and 1.3% as return of capital. Dividend distributions for the year ended December 31, 2009, were characterized, for Federal income tax purposes, as 63.9% ordinary income, 0.9% long-term capital gain and 35.2% return of capital. Dividend distributions for the year ended December 31, 2008 were characterized, for Federal income tax purposes, as 70.8% ordinary income and 29.2% return of capital.

We have elected to treat certain consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as taxable REIT subsidiaries pursuant to an amendment to the Internal Revenue Code that became effective January 1, 2001. Taxable REIT subsidiaries may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to Federal and State income tax at regular corporate tax rates. Our taxable REIT subsidiaries had a combined current income tax liability of approximately $24,858,000 and $20,025,000 for the years ended December 31, 2010 and 2009, respectively, and have immaterial differences between the financial reporting and tax basis of assets and liabilities.

In connection with purchase accounting for H Street, in July 2005 and April 2007 we recorded an aggregate of $222,174,000 of deferred tax liabilities representing the differences between the tax basis and the book basis of the acquired assets and liabilities multiplied by the effective tax rate. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of January 16, 2008, we had completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008. Consequently, in the first quarter of 2008, we reversed the deferred tax liabilities and recognized an income tax benefit of $222,174,000 in our consolidated statement of income.

The following table reconciles net income attributable to common shareholders to estimated taxable income for the years ended December 31, 2010, 2009 and 2008.

(Amounts in thousands)	For the Year Ended December 31,		
	2010	**2009**	**2008**
Net income attributable to common shareholders	$ 596,731	$ 49,093	$ 302,206
Book to tax differences (unaudited):			
Depreciation and amortization	216,473	247,023	233,426
Mezzanine loans receivable	(104,727)	171,380	(51,893)
Straight-line rent adjustments	(70,606)	(83,959)	(82,901)
Earnings of partially owned entities	(62,315)	(82,382)	(50,855)
Stock options	(48,399)	(32,643)	(71,995)
Sale of real estate	12,899	3,923	3,687
Reversal of deferred tax liability	-	-	(202,267)
Derivatives	(121,120)	-	43,218
Other, net	48,915	81,936	171,763
Estimable taxable income	$ 467,851	$ 354,371	$ 294,389

The net basis of our assets and liabilities for tax reporting purposes is approximately $3.3 billion lower than its amount reported in our consolidated financial statements.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Acquisitions

Vornado Capital Partners, L.P. and Vornado Capital Partners Parallel, L.P. (the "Fund")

On July 6, 2010, we completed an initial closing of the Fund with aggregate equity commitments of $550,000,000, of which we committed $200,000,000. We expect to close on an additional $250,000,000 of equity commitments in the first quarter of 2011. We are the general partner and investment manager of the Fund and it is our exclusive investment vehicle during the three-year investment period for all investments that fit within the Fund's investment parameters, including debt, equity and other interests in real estate, and excluding (i) investments in vacant land and ground-up development; (ii) investments acquired by merger or primarily for our securities or properties; (iii) properties which can be combined with or relate to our existing properties; (iv) securities of commercial mortgage loan servicers and investments derived from any such investments; (v) noncontrolling interests in equity and debt securities; and (vi) investments located outside of North America. The Fund has a term of eight years. We consolidate the accounts of the Fund into our consolidated financial statements. In 2010, we incurred $6,482,000 for organization costs of the Fund, net of the Fund's reimbursement to us, which are included in "general and administrative" expenses on our consolidated statement of income.

The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. As of December 31, 2010, the Fund received $146,789,000 of capital from partners, including $53,378,000 from us. During the second half of 2010, the Fund made four investments aggregating approximately $145,000,000 and reimbursed us for $1,500,000 of organization costs.

Other

On October 8, 2010, we acquired 510 Fifth Avenue, a 59,000 square foot retail property located at 43rd Street and Fifth Avenue in New York, for $57,000,000, comprised of $24,700,000 in cash and $32,300,000 of existing debt. We consolidate the accounts of this property into our consolidated financial statements from the date of the acquisition.

On October 15, 2010, we acquired the 55% interest that we did not already own of a 646,000 square foot retail property located in San Jose, California, for $97,000,000, consisting of $27,000,000 in cash and $70,000,000 of existing debt. We consolidate the accounts of the property into our consolidated financial statements from the date of this acquisition.

On November 4, 2010, we acquired 11.3 acres of the land under a portion of the Borgata Hotel and Casino complex for $83,000,000 in cash. The land is leased to the partnership that controls the Borgata Hotel and Casino complex through December 2070. In January 2011, we completed a 10-year $60,000,000 financing of this land. The loan has a fixed interest rate of 5.14% and amortizes beginning in the third year, based on a 30-year schedule.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Marketable Securities and Derivative Instruments

Marketable Securities

Our portfolio of marketable securities is comprised of debt and equity securities that are classified as available for sale. Available for sale securities are presented on our consolidated balance sheets at fair value at the end of each reporting period. Gains and losses resulting from the mark-to-market of these securities are recognized as an increase or decrease in “accumulated other comprehensive income” (a component of shareholders’ equity on our consolidated balance sheet) and not recognized in income. Gains and losses are recognized in earnings only upon the sale of the securities and are recorded based on the weighted average cost of such securities.

We evaluate our portfolio of marketable securities for impairment each reporting period. For each of the securities in our portfolio with unrealized losses, we review the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold these investments for a reasonable period of time sufficient for us to recover our cost basis. We also evaluate the near-term prospects for each of these investments in relation to the severity and duration of the decline. During 2009 and 2008, we concluded that certain of our investments in marketable securities were “other-than-temporarily” impaired and recognized an aggregate of $3,361,000 and $76,352,000, respectively, of non-cash impairment losses. These charges are included as a component of “interest and other investment income (loss), net” on our consolidated statements of income. Our conclusions were based on the severity and duration of the decline in the market value of these securities and our inability to forecast a recovery in the near term. No impairment losses were recognized in the year ended December 31, 2010.

The carrying amount of marketable securities classified as available for sale and their corresponding fair values at December 31, 2010 and December 31, 2009 are as follows:

	As of December 31, 2010		As of December 31, 2009	
(Amounts in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Equity securities	$ 647,848	$ 647,848	$ 79,925	$ 79,925
Debt securities	118,268	118,268	300,727	319,393
	$ 766,116	$ 766,116	$ 380,652	$ 399,318

During 2010, 2009 and 2008 we sold certain of our marketable securities for aggregate proceeds of $281,486,000, $64,355,000 and $51,185,000, respectively. In connection therewith, we recognized $22,604,000, $3,834,000 and $2,028,000, respectively, of net gains which are included as a component of "net gain on disposition of wholly owned and partially owned assets" on our consolidated statements of income. At December 31, 2010 and December 31, 2009, our marketable securities portfolio had $45,089,000 and $13,026,000, respectively, of gross unrealized gains. There were no unrealized losses at December 31, 2010 and $1,223,000 of gross unrealized losses at December 31, 2009.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Marketable Securities and Derivative Instruments - continued

Investment in J.C. Penney Company, Inc. ("J.C. Penney") (NYSE: JCP)

We own an economic interest in 23,400,000 J.C. Penney common shares, or 9.9% of J.C. Penney's outstanding common shares. Below are the details of our investment.

We own 18,584,010 common shares at an average price of $25.70 per share, or $477,678,000 in the aggregate. These shares, which have an aggregate fair value of $600,449,000 at December 31, 2010, are included in marketable equity securities on our consolidated balance sheet and are classified as "available for sale." Of these shares, 15,500,000 were acquired through the exercise of a call option that originated on September 28, 2010 and settled on November 9, 2010. During the period in which the call option was outstanding and classified as a derivative instrument, we recognized $112,537,000 of income from the mark-to-market of the underlying common shares, which is included in "interest and other investment income (loss), net" on our consolidated statement of income. During the period from November 10 through December 31, 2010, we recognized $10,234,000 from the mark-to-market of the common shares classified as available-for-sale, which is included in "accumulated other comprehensive income" (a component of shareholders' equity on our consolidated balance sheet).

We also own an economic interest in 4,815,990 common shares through a forward contract executed on October 7, 2010, at a weighted average strike price of $28.65 per share, or $137,989,000 in the aggregate. The contract may be settled, at our election, in cash or common shares, in whole or in part, at any time prior to October 9, 2012. The counterparty may accelerate settlement, in whole or in part, upon one year's notice to us. The strike price per share increases at an annual rate of LIBOR plus 80 basis points and decreases for dividends received on the shares. The contract is a derivative instrument that does not qualify for hedge accounting treatment. Mark-to-market adjustments on the underlying common shares are recognized in "interest and other investment income (loss), net" on our consolidated statement of income. During the period from October 7, 2010 through December 31, 2010, we recognized $17,616,000 of income from the mark-to-market of this position, based on J.C.Penney's closing share price of $32.31 per share at December 31, 2010.

As of December 31, 2010, the aggregate economic net gain on our investment in J.C. Penney was $140,387,000, based on J.C. Penney's closing share price of $32.31 per share and our weighted average cost of $26.31 per share.

5. Investments in Partially Owned Entities

The following is a summary of condensed combined financial information for all of our partially owned entities, including Toys “R” Us, Alexander’s, Inc., Lexington Realty Trust and LNR Property Corporation, as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008.

(Amounts in thousands)	December 31,	
Balance Sheet:	**2010**	**2009**
Assets[1]	$ 165,183,000	$ 23,512,000
Liabilities[1]	160,203,000	18,365,000
Noncontrolling interests	124,000	230,000
Equity	4,856,000	4,917,000

	For the Years Ended December 31,		
Income Statement:	**2010**	**2009**	**2008**
Total revenue	$ 15,074,000	$ 14,397,000	$ 15,313,000
Net income (loss)	63,000	103,000	(54,000)

(1) 2010 includes $142 billion of assets and liabilities of LNR related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

LNR Property Corporation ("LNR")

On July 29, 2010, as a part of LNR's recapitalization, we acquired a 26.2% equity interest in LNR for $116,000,000 in cash and conversion into equity of our $15,000,000 mezzanine loan (the then current carrying amount) made to LNR's parent, Riley Holdco Corp. The recapitalization involved an infusion of a total of $417,000,000 in new cash equity and the reduction of LNR's total debt to $425,000,000 from $1.3 billion, excluding liabilities related to the consolidated CMBS and CDO trusts described below. We account for our equity interest in LNR under the equity method on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to receiving LNR's financial statements.

LNR consolidates certain commercial mortgage-backed securities ("CMBS") and Collateralized Debt Obligation ("CDO") trusts for which it is the primary beneficiary. The assets of these trusts (primarily commercial mortgage loans), which aggregate approximately $142 billion as of September 30, 2010, are the sole source of repayment of the related liabilities, which are non-recourse to LNR and its equity holders, including us. Changes in the fair value of these assets each period are offset by changes in the fair value of the related liabilities through LNR's consolidated income statement. As of December 31, 2010, the carrying amount of our investment in LNR does not materially differ from our share of LNR's equity.

Below is a summary of LNR's latest available financial information:

(Amounts in thousands)		As of
Balance Sheet:		**September 30, 2010**
	Assets	$ 143,266,000
	Liabilities	142,720,000
	Noncontrolling interests	37,000
	LNR Property Corporation equity	509,000
		For the Period July 29, 2010 to
Income Statement:		**September 30, 2010**
	Total revenue	$ 23,000
	Net income attributable to LNR	8,000

Toys "R" Us ("Toys")

As of December 31, 2010, we own 32.7% of Toys. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income accounts for more than 80% of its fiscal year net income. We account for our investment in Toys under the equity method and record our 32.7% share of Toys net income or loss on a one-quarter lag basis because Toys' fiscal year ends on the Saturday nearest January 31, and our fiscal year ends on December 31. As of December 31, 2010, the carrying amount of our investment in Toys does not differ materially from our share of the equity in the net assets of Toys on a purchase accounting basis.

On May 28, 2010, Toys filed a registration statement with the SEC for the offering and sale of its common stock. The offering, if completed, would result in a reduction of our percentage ownership of Toys' equity. The size of the offering and its completion are subject to market and other conditions. In August 2010, in connection with certain financing and refinancing transactions, Toys paid us an aggregate of $9,600,000 for our share of advisory fees. Since Toys has capitalized these fees and is amortizing them over the term of the related debt, we recorded the fees as a reduction of the basis of our investment in Toys and will amortize the fees into income over the term of the related debt.

Below is a summary of Toys' latest available financial information on a purchase accounting basis:

(Amounts in thousands)		**Balance as of**	
Balance Sheet:		**October 30, 2010**	**October 31, 2009**
Assets		$ 12,810,000	$ 12,589,000
Liabilities		11,317,000	11,198,000
Noncontrolling interests		-	112,000
Toys "R" Us, Inc. equity		1,493,000	1,279,000
		For the Twelve Months Ended	
Income Statement:	**October 30, 2010**	**October 31, 2009**	**November 1, 2008**
Total revenues	$ 13,749,000	$ 13,172,000	$ 14,090,000
Net (loss) income attributable to Toys	189,000	216,000	(13,000)

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Alexander's, Inc. ("Alexander's") (NYSE: ALX)

At December 31, 2010 and 2009, we owned 32.4%, respectively, of the outstanding common shares of Alexander's. We manage, lease and develop Alexander's properties pursuant to the agreements described below which expire in March of each year and are automatically renewable. At December 31, 2010 the market value ("fair value" pursuant to ASC 820) of our investment in Alexander's, based on Alexander's 2010 closing share price of $412.28, was $681,939,000, or $495,128,000 in excess of the carrying amount on our consolidated balance sheet.

As of December 31, 2010, the carrying amount of our investment in Alexander's excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander's by approximately $59,823,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander's common stock acquired over the book value of Alexander's net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander's assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander's net income or loss. The basis difference related to the land will be recognized upon disposition of our investment.

Management and Development Agreements

We receive an annual fee for managing Alexander's and all of its properties equal to the sum of (i) $3,000,000, (ii) 3% of the gross income from the Kings Plaza Regional Shopping Center, (iii) $0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) $248,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, we are entitled to a development fee of 6% of development costs, as defined, with a minimum guaranteed payment of $750,000 per annum. During the years ended December 31, 2010, 2009, and 2008, we recognized $711,000, $2,710,000 and $4,101,000, respectively, of development fee income.

Leasing Agreements

We provide Alexander's with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through twentieth year of a lease term and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. In the event third-party real estate brokers are used, our fee increases by 1% and we are responsible for the fees to the third-parties. We are also entitled to a commission upon the sale of any of Alexander's assets equal to 3% of gross proceeds, as defined, for asset sales less than $50,000,000, or 1% of gross proceeds, as defined, for asset sales of $50,000,000 or more. The total of these amounts is payable to us in annual installments in an amount not to exceed $4,000,000 with interest on the unpaid balance at one-year LIBOR plus 1.0% (1.99% at December 31, 2010).

Other Agreements

Building Maintenance Services ("BMS"), our wholly-owned subsidiary, supervises the cleaning, engineering and security services at Alexander's 731 Lexington Avenue and Kings Plaza properties for an annual fee of the costs for such services plus 6%. During the years ended December 31, 2010, 2009 and 2008, we recognized $2,775,000, $2,552,000 and $2,083,000 of income, respectively, under these agreements.

Below is a summary of Alexander's latest available financial information:

(Amounts in thousands)	Balance as of	
Balance Sheet:	**December 31, 2010**	**December 31, 2009**
Assets	$ 1,679,000	$ 1,704,000
Liabilities	1,335,000	1,389,000
Noncontrolling interests	3,000	2,000
Stockholders' equity	341,000	313,000

	For the Year Ended		
Income Statement:	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
Total revenues	$ 242,000	$ 224,000	$ 211,000
Net income attributable to Alexander's	67,000	132,000	76,000

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Lexington Realty Trust ("Lexington") (NYSE: LXP)

As of December 31, 2010, we own 18,468,969 Lexington common shares, or approximately 12.8% of Lexington's common equity. We account for our investment in Lexington on the equity method because we believe we have the ability to exercise significant influence over Lexington's operating and financial policies, based on, among other factors, our representation on Lexington's Board of Trustees and the level of our ownership in Lexington as compared to other shareholders. We record our pro rata share of Lexington's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements.

Based on Lexington's December 31, 2010 closing share price of $7.95, the market value ("fair value" pursuant to ASC 820) of our investment in Lexington was $146,828,000, or $89,558,000 in excess of the December 31, 2010 carrying amount on our consolidated balance sheet. As of December 31, 2010, the carrying amount of our investment in Lexington was less than our share of the equity in the net assets of Lexington by approximately $63,871,000. This basis difference resulted primarily from $107,882,000 of non-cash impairment charges recognized during 2008, partially offset by purchase accounting for our acquisition of an additional 8,000,000 common shares of Lexington in October 2008, of which the majority relates to our estimate of the fair values of Lexington's real estate (land and buildings) as compared to the carrying amounts in Lexington's consolidated financial statements. The basis difference related to the buildings is being amortized over their estimated useful lives as an adjustment to our equity in net income or loss of Lexington. This amortization is not material to our share of equity in Lexington's net income or loss. The basis difference attributable to the land will be recognized upon disposition of our investment.

Below is a summary of Lexington's latest available financial information:

(Amounts in thousands)	Balance as of	
Balance Sheet:	**September 30, 2010**	**September 30, 2009**
Assets	$ 3,385,000	$ 3,702,000
Liabilities	2,115,000	2,344,000

Noncontrolling interests		71,000	94,000
Shareholders’ equity		1,199,000	1,264,000

	For the Twelve Months Ended September 30,		
Income Statement:	**2010**	**2009**	**2008**
Total revenues	$ 351,000	$ 375,000	$ 447,000
Net (loss) income attributable to Lexington	(90,000)	(178,000)	49,000

Other

On October 20, 2010, we sold a 45% ownership interest in 1299 Pennsylvania Avenue (the Warner Building) and 1101 17th Street for $236,700,000, comprised of $91,000,000 in cash and the assumption of existing mortgage debt. We retained the remaining 55% ownership interest and continue to manage and lease the properties. Based on the Warner Building’s implied fair value of $445,000,000, we recognized a net gain of $54,000,000 in the fourth quarter of 2010, which is included as a component of “net gains on dispositions of wholly owned and partially owned assets,” on our consolidated statement of income. The gain on 1101 17th Street, based on an implied fair value of $81,000,000, will be recognized when we monetize our investment. We share control over major decisions with our joint venture partner. Accordingly, these properties are accounted for under the equity method from the date of sale.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Investments in partially owned entities as of December 31, 2010 and 2009 and income recognized from these investments for the years ended December 31, 2010, 2009 and 2008 are as follows:

(Amounts in thousands)	**Percentage Ownership as of December 31,**	**As of December 31,**	
Investments:	**2010**	**2010**	**2009**
Toys	32.7 %	$ 447,334	$ 409,453
Alexander's	32.4 %	$ 186,811	$ 193,174
Partially owned office buildings	(1)	181,838	158,444
LNR (see page 131)	26.2 %	132,973	-
India real estate ventures	4%-36.5%	127,193	93,322
Lexington	12.8 %	57,270	55,106
Other equity method investments	(2)	241,587	299,786
		$ 927,672	$ 799,832

	For the Years Ended December 31,		
Our Share of Net Income (Loss):	**2010**	**2009**	**2008**
Toys – 32.7% share of:			
Equity in net income before income taxes (3)	$ 16,401	$ 58,416	$ 53,867
Income tax benefit (expense)	45,418	13,185	(44,752)
Equity in net income	61,819	71,601	9,115
Non-cash purchase price accounting adjustments	-	13,946	(14,900)
Interest and other income	9,805	6,753	8,165
	$ 71,624	$ 92,300	$ 2,380
Alexander's – 32.4% share of:			
Equity in net income before income taxes and reversal of stock appreciation rights compensation expense	$ 20,059	$ 17,991	$ 17,484

Income tax benefit and reversal of stock appreciation rights compensation expense	-	24,773	6,583
Equity in net income	20,059	42,764	24,067
Management, leasing and development fees	9,125	10,765	12,604
	29,184	53,529	36,671
Lexington – 12.8% share in 2010, 15.2% share in 2009 and 17.2% share in 2008 of equity in net income (loss) (4)	11,018	(25,665)	(105,630)
LNR – 26.2% share of equity in net income (see page 131)	1,973	-	-
India real estate ventures – 4% to 36.5% range in our share of equity in net income (loss)	2,581	(1,636)	(3,336)
Other, net (5)	(22,318)	(46,138)	(86,912)
	$ 22,438	$ (19,910)	$ (159,207)

(1) Includes interests in 330 Madison Avenue (25%), 825 Seventh Avenue (50%), Warner Building (55%), Fairfax Square (20%), Kaempfer equity interests in three office buildings (2.5% to 5.0%), Rosslyn Plaza (46%) and West 57th Street properties (50%).

(2) Includes interests in Monmouth Mall, Verde Realty Operating Partnership ("Verde"), 85 10th Avenue Associates and redevelopment ventures including Harlem Park and Farley.

(3) 2009 includes $10,200 for our share of income from a litigation settlement.

(4) 2010 includes a $13,710 net gain resulting from Lexington's 2010 stock issuance. 2009 includes $19,121 for our share of impairment losses recorded by Lexington. 2008 includes $107,882 of impairment losses on our investment in Lexington.

(5) 2010 includes $11,481 of impairment losses related to our investment in properties on West 57th Street. 2009 includes $17,820 of impairment losses, substantially all of which relates to our investment in Verde, and $7,650 of expense for our share of the Downtown Crossing, Boston lease termination payment. 2008 includes $96,037 of non-cash charges for the write-off of our share of certain partially owned entities' development costs, including $37,000 for Downtown Crossing, Boston and $23,000 for the "arena move"/Moynihan East portions of the Farley Project.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities – continued

Below is a summary of the debt of our partially owned entities as of December 31, 2010 and December 31, 2009; none of which is recourse to us.

(Amounts in thousands)	Maturity	Interest Rate at December 31, 2010	100% of Partially Owned Entities' Debt at December 31, 2010	December 31, 2009
Toys (32.7% interest) (as of October 30, 2010 and October 31, 2009, respectively):				
Senior unsecured notes (Face value – $950,000)	07/17	10.75%	$ 928,045	$ 925,931
Senior unsecured notes (Face value – $725,000)	12/17	8.50%	715,577	-
$700 million secured term loan facility	09/16	6.00%	689,757	-
Senior U.K. real estate facility	04/13	5.02%	561,559	578,982
$1.85 billion credit facility	08/15	3.04%	519,810	418,777
7.625% bonds (Face value – $500,000)	08/11	8.82%	495,943	490,613
7.875% senior notes (Face value – $400,000)	04/13	9.50%	386,167	381,293
7.375% senior secured notes	09/16	7.38%	350,000	-
7.375% senior notes (Face value – $400,000)	10/18	9.99%	343,528	338,989
Japan bank loans	01/11-08/14	1.20%-2.85%	180,500	172,902
Spanish real estate facility	02/13	4.51%	179,511	191,436
Japan borrowings	03/11	0.81%	141,360	168,720
Junior U.K. real estate facility	04/13	6.84%	98,266	101,861
French real estate facility	02/13	4.51%	86,599	92,353
European and Australian asset-based revolving credit facility	10/12	5.32%	25,767	102,760
8.750% debentures (Face value – $21,600)	09/21	9.17%	21,054	21,022
Mortgage loan	n/a	n/a	-	800,000
$800 million secured term loan facility	n/a	n/a	-	797,911
$181 million unsecured term loan facility	n/a	n/a	-	180,456

Other	Various	Various	156,853	136,206
			5,880,296	5,900,212
Alexander's (32.4% interest):				
731 Lexington Avenue mortgage note payable, collaterallized by the office space (prepayable without penalty after 12/13)	02/14	5.33%	351,751	362,989
731 Lexington Avenue mortgage note payable, collateralized by the retail space (prepayable without penalty after 12/13)	07/15	4.93%	320,000	320,000
Rego Park construction loan payable	12/11	1.46%	277,200	266,411
Kings Plaza Regional Shopping Center mortgage note payable	06/11	7.46%	151,214	183,319
Rego Park mortgage note payable (prepayable without penalty)	03/12	0.75%	78,246	78,246
Paramus mortgage note payable (prepayable without penalty)	10/11	5.92%	68,000	68,000
			1,246,411	1,278,965
Lexington (12.8% interest) (as of September 30, 2010 and September 30, 2009, respectively):				
Mortgage loans collateralized by Lexington's real estate (various prepayment terms)	2010-2037	5.82%	1,927,729	2,132,253
LNR (26.2% interest) (as of September 30, 2010):				
Mortgage notes payable	2011-2043	5.75%	508,547	-
Liabilities of consolidated CMBS and CDO trusts	n/a	6.06%	142,001,333	-
			142,509,880	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

(Amounts in thousands)	Maturity	Interest Rate at December 31, 2010	100% of Partially Owned Entities' Debt at December 31, 2010	December 31, 2009
Partially owned office buildings:				
Warner Building (55% interest) mortgage note payable[1]	05/16	6.26%	$ 292,700	$ -
330 Madison Avenue (25% interest) mortgage note payable	06/15	1.79%	150,000	150,000
Kaempfer Properties (2.5% and 5.0% interests in two partnerships) mortgage notes payable, collateralized by the partnerships' real estate	11/11-12/11	5.87%	139,337	141,547
Fairfax Square (20% interest) mortgage note payable (prepayable without penalty after 07/14)	12/14	7.00%	71,764	72,500
Rosslyn Plaza (46% interest) mortgage note payable	12/11	1.26%	56,680	56,680
330 West 34th Street (34.8% interest) mortgage note payable, collateralized by land; we obtained a fee interest in the land upon foreclosure of our $9,041 mezzanine loan in 2010	07/22	5.71%	50,150	-
West 57th Street (50% interest) mortgage note payable (prepayable without penalty)	02/14	4.94%	22,922	29,000
825 Seventh Avenue (50% interest) mortgage note payable (prepayable without penalty after 04/14)	10/14	8.07%	20,565	20,773
India Real Estate Ventures:				

TCG Urban Infrastructure Holdings (25% interest) mortgage notes payable, collateralized by the entity's real estate (various prepayment terms)	2010-2022	13.43%	196,319	178,553
India Property Fund L.P. (36.5% interest) revolving credit facility, repaid upon maturity in 03/10	n/a	n/a	-	77,000
Other:				
Verde Realty Operating Partnership (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate (various prepayment terms)	2010-2025	5.85%	581,086	607,089
Green Courte Real Estate Partners, LLC (8.3% interest) (as of September 30, 2010 and 2009), mortgage notes payable, collateralized by the partnerships' real estate (various prepayment terms)	2011-2018	5.50%	296,991	304,481
Waterfront Associates (2.5% interest) up to $250 million construction and land loan payable	09/11	2.26% - 3.76%	217,106	183,742
Monmouth Mall (50% interest) mortgage note payable (prepayable without penalty after 07/15)	09/15	5.44%	164,474	165,000
Wells/Kinzie Garage (50% interest) mortgage note payable	12/17	5.00%	15,022	14,657
Orleans Hubbard Garage (50% interest) mortgage note payable	12/17	5.00%	9,508	10,101
San Jose, California (45% interest) construction loan(2)	03/13	n/a	-	132,570
Other			418,339	425,717

(1) On October 20, 2010, we sold a 45% ownership interest in this property and share control over major decisions with our joint venture partner. Accordingly, we account for this property under the equity method from the date of sale and no longer consolidate its accounts into our consolidated financial statements.

(2) On October 15, 2010, we acquired the remaining 55% interest in this property for $97,000, consisting of $27,000 in cash and the assumption of $70,000 of existing debt. Accordingly we consolidate the accounts of this property into our consolidated financial statements, from the date

of acquisition.

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities, was $40,443,346,000 and $3,149,640,000 as of December 31, 2010 and December 31, 2009, respectively. Excluding our pro rata share of LNR's liabilities related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us, our pro rata share of partially owned entities debt is $3,275,917,000 and $3,149,640,000 at December 31, 2010 and 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Mezzanine Loans Receivable

The following is a summary of our investments in mezzanine loans as of December 31, 2010 and 2009.

(Amounts in thousands) **Mezzanine Loans Receivable:**	**Maturity**	**Interest Rate as of December 31, 2010**	**Carrying Amount as of December 31, 2010**	**Carrying Amount as of December 31, 2009**
Tharaldson Lodging Companies (1)	04/11	4.56%	$ 71,084	$ 74,701
280 Park Avenue (2)	06/16	10.25%	66,513	73,750
Equinox (3)	n/a	n/a	-	97,968
Riley HoldCo Corp. (see discussion of LNR in Note 5)	n/a	n/a	-	74,437
Other, net	11/11-8/15	1.36% - 8.95%	138,031	73,168
			275,628	394,024
Valuation allowance (4)			(73,216)	(190,738)
			$ 202,412	$ 203,286

(1) On June 16, 2006, we acquired an 81.5% interest in a $95,968 mezzanine loan to Tharaldson Lodging Companies for $78,166 in cash. The loan is secured by a 107 hotel property portfolio with brands including Fairfield Inn, Residence Inn, Comfort Inn and Courtyard by Marriott. The loan is subordinate to $671,778 of debt and is senior to approximately $192,000 of other debt and equity. The loan provides for a 0.75% placement fee and bears interest at LIBOR plus 4.25% (4.56% at December 31, 2010). The borrower has a one-year extension option.

(2) On June 30, 2006, we made a $73,750 mezzanine loan secured by the equity interests in 280 Park Avenue, a 1.2 million square foot office building, located between 48th and 49th Streets in Manhattan. The loan bears interest at 10.25% and matures in June 2016. The loan is subordinate to $1.036 billion of other debt and is senior to approximately $260,000 of equity and interest reserves.

(3)

In January 2010, Equinox prepaid the entire balance of this loan which was scheduled to mature in February 2013. We received $99,314, including accrued interest, for our 50% interest in the loan which we acquired in 2006 for $57,500.

(4) Represents loan loss accruals on certain mezzanine loans based on our estimate of the net realizable value of each loan. Our estimates are based on the present value of expected cash flows, discounted at each loan's effective interest rate, or if a loan is collateralized, based on the fair value of the underlying collateral, adjusted for estimated costs to sell. The excess of the carrying amount over the net realizable value of a loan is recognized as a reduction of "interest and other investment income (loss), net" in our consolidated statements of income.

The following is a reconciliation of our valuation allowance for the years ended December 31, 2010 and 2009.

	Balance at Beginning of Year	**Additions (Reversals)**	**(Write-offs)**	**Balance at End of Year**
Year Ended December 31, 2010:				
Valuation Allowance	**$** 190,738	**$** (53,100)	**$** (64,422)	**$** 73,216
Year Ended December 31, 2009:				
Valuation Allowance	**$** 46,700	**$** 190,738	**$** (46,700)	**$** 190,738

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Discontinued Operations

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, we have reclassified the revenues and expenses of properties and businesses sold or held for sale to "(loss) income from discontinued operations" and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all periods presented in the accompanying consolidated financial statements. The net gains resulting from the sale of the properties below are included in "(loss) income from discontinued operations" on our consolidated statements of income.

On January 12, 2011, we sold 1140 Connecticut Avenue and contracted to sell 1227 25th Street, subject to customary closing conditions, for an aggregate price of $127,000,000. We will retain net proceeds of approximately $107,000,000, after repaying an existing mortgage and recognize a net gain of approximately $44,000,000 in the first quarter of 2011.

In December 2010, pursuant to a Court judgment, we sold the fee interest in land located in Arlington County, Virginia, known as Pentagon Row, to the tenants for an aggregate of $14,992,000 in cash. See *Litigation,* in Note 19 - Commitments and Contingencies, for further details.

In March 2010, we ceased making debt service payments on the mortgage loan secured by the Cannery, a retail property in California as a result of insufficient cash flow, and the loan went into default. On October 14, 2010, the special servicer foreclosed on the property, and the property and related debt were removed from our consolidated balance sheet.

In March 2010, we ceased making debt service payments on the mortgage loan secured by the High Point Complex in North Carolina as a result of insufficient cash flow and the loan went into default. In November 2010, the property was placed in receivership. While the receivership process is inherently lengthy, we anticipate that the property will be sold in the first half of 2011, at which time the assets and liabilities will be removed from our consolidated balance sheet and we will recognize a net gain of approximately $80,000,000.

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building, in Washington's Central Business District, for $207,800,000 in cash which resulted in a net gain of approximately $41,211,000.

In 2009, we sold 15 retail properties in separate transactions for an aggregate of $55,000,000 in cash which resulted in net gains aggregating $4,073,000.

On June 10, 2008, we sold our Tysons Dulles Plaza office building complex for $152,800,000 in cash which resulted in a net gain of $56,831,000.

On March 31, 2008, we sold our 47.6% interest in Americold, our Temperature Controlled Logistics segment for $220,000,000 in cash which resulted in a net gain of $112,690,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Discontinued Operations- continued

The tables below set forth the assets and liabilities related to discontinued operations at December 31, 2010 and 2009, and their combined results of operations for the years ended December 31, 2010, 2009 and 2008.

(Amounts in thousands)	**Assets Related to Discontinued Operations as of December 31,**		**Liabilities Related to Discontinued Operations as of December 31,**	
	2010	**2009**	**2010**	**2009**
High Point	$ 154,563	$ 151,065	$ 236,974	$ 218,225
1227 25th Street	43,630	43,173	-	-
1140 Connecticut Avenue	36,271	36,811	18,948	19,431
Pentagon Row	-	51,140	-	26,547
Retail properties	-	55,522	-	18,567
Total	$ 234,464	$ 337,711	$ 255,922	$ 282,770

(Amounts in thousands)	**For the Year Ended December 31,**		
	2010	**2009**	**2008**
Total revenues	$ 43,871	$ 55,752	$ 278,986
Total expenses	51,701	48,709	268,274
	(7,830)	7,043	10,712
Litigation loss accrual and impairment losses	(15,056)	(11,860)	-
Net gain on sales of real estate	2,506	45,284	170,213
(Loss) income from discontinued operations	$ (20,380)	$ 40,467	$ 180,925

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Identified Intangible Assets and Liabilities

The following summarizes our identified intangible assets (primarily acquired above-market leases) and liabilities (primarily acquired below-market leases) as of December 31, 2010 and December 31, 2009.

	Balance as of	
(Amounts in thousands)	December 31, 2010	December 31, 2009
Identified intangible assets:		
Gross amount	$ 687,253	$ 750,667
Accumulated amortization	(338,508)	(311,118)
Net	$ 348,745	$ 439,549
Identified intangible liabilities (included in deferred credit):		
Gross amount	$ 870,623	$ 913,896
Accumulated amortization	(341,718)	(307,506)
Net	$ 528,905	$ 606,390

Amortization of acquired below-market leases, net of acquired above-market leases resulted in an increase to rental income of $66,202,000, $71,954,000 and $95,532,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases for each of the five succeeding years commencing January 1, 2011 is as follows:

(Amounts in thousands)	
2011	$ 62,020
2012	51,581
2013	43,652
2014	37,800
2015	35,029

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was $60,224,000, $64,229,000 and $85,865,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years commencing January 1, 2011 is as follows:

(Amounts in thousands)		
2011	$	49,907
2012		44,737
2013		37,241
2014		18,844
2015		13,888

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases, net of above-market leases resulted in an increase to rent expense of $2,036,000, $1,831,000 and $2,654,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Estimated annual amortization of these below-market leases, net of above-market leases for each of the five succeeding years commencing January 1, 2011 is as follows:

(Amounts in thousands)		
2011	$	1,865
2012		1,865
2013		1,865
2014		1,865
2015		1,865

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt

The following is a summary of our debt:

(Amounts in thousands)		Interest Rate at December 31,	Balance at	
			December 31,	December 31,
Notes and mortgages payable:	**Maturity (1)**	**2010**	**2010**	**2009**
Fixed rate:				
New York Office:				
350 Park Avenue	01/12	5.48%	$ 430,000	$ 430,000
1290 Avenue of the Americas	01/13	5.97%	424,136	434,643
770 Broadway	03/16	5.65%	353,000	353,000
888 Seventh Avenue	01/16	5.71%	318,554	318,554
Two Penn Plaza(2)	02/11	4.97%	277,347	282,492
909 Third Avenue	04/15	5.64%	207,045	210,660
Eleven Penn Plaza	12/11	5.20%	199,320	203,198
Washington, DC Office:				
Skyline Place	02/17	5.74%	678,000	678,000
River House Apartments	04/15	5.43%	195,546	195,546
Bowen Building	06/16	6.14%	115,022	115,022
1215 Clark Street, 200 12th Street and 251 18th Street	01/25	7.09%	110,931	113,267
Universal Buildings	04/14	6.38%	103,049	106,630
Reston Executive I, II, and III	01/13	5.57%	93,000	93,000
2011 Crystal Drive	08/17	7.30%	81,362	82,178
1550 and 1750 Crystal Drive	11/14	7.08%	79,411	81,822
1235 Clark Street	07/12	6.75%	52,314	53,252
2231 Crystal Drive	08/13	7.08%	46,358	48,533
1750 Pennsylvania Avenue	06/12	7.26%	45,132	45,877
1225 Clark Street	08/13	7.08%	27,616	28,925
1800, 1851 and 1901 South Bell Street	12/11	6.91%	10,099	19,338
Warner Building(3)	n/a	n/a	-	292,700
1730 M and 1150 17th Street(4)	n/a	n/a	-	67,826
241 18th Street(5)	n/a	n/a	-	45,609

Retail:				
Cross-collateralized mortgages on 40 strip shopping centers(6)	09/20	4.18%	597,138	-
Montehiedra Town Center	07/16	6.04%	120,000	120,000
Broadway Mall	07/13	5.30%	90,227	92,601
828-850 Madison Avenue Condominium	06/18	5.29%	80,000	80,000
Las Catalinas Mall	11/13	6.97%	57,737	59,304
510 5th Avenue	01/16	5.60%	32,189	-
Springfield Mall (including present value of purchase option)(7)	n/a	n/a	-	242,583
Other	03/12-05/36	5.10%-7.33%	101,251	138,696
Merchandise Mart:				
Merchandise Mart	12/16	5.57%	550,000	550,000
Boston Design Center	09/15	5.02%	68,538	69,667
Washington Design Center	11/11	6.95%	43,447	44,247
Other:				
555 California Street	09/11	5.79%	640,911	664,117
Industrial Warehouses	10/11	6.95%	24,358	24,813
Total fixed rate notes and mortgages payable		5.65%	$ 6,253,038	$ 6,386,100

See notes on page 143.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

(Amounts in thousands)			Interest Rate at December 31,	Balance at	
Notes and mortgages payable:	**Maturity (1)**	**Spread over LIBOR**	**2010**	**December 31, 2010**	**December 31, 2009**
Variable rate:					
New York Office:					
Manhattan Mall	02/12	L+55	0.81%	$ 232,000	$ 232,000
866 UN Plaza	05/11	L+40	0.71%	44,978	44,978
Washington, DC Office:					
2101 L Street	02/13	L+120	1.49%	150,000	150,000
West End 25 (construction loan)(8)	02/11	L+130	1.60%	95,220	85,735
220 20th Street(9)	01/11	L+115	1.43%	83,573	75,629
River House Apartments	04/18	n/a (10)	1.66%	64,000	64,000
2200/2300 Clarendon Boulevard	01/15	L+75	1.01%	59,278	65,133
1730 M and 1150 17th Street(4)	06/14	L+140	1.66%	43,581	-
Retail:					
Green Acres Mall	02/13	L+140	1.69%	335,000	335,000
Bergen Town Center (construction loan)	03/13	L+150	1.79%	279,044	261,903
San Jose Strip Center(11)	03/13	L+400	4.32%	120,863	-
Beverly Connection(12)	07/12	L+350 (12)	5.00%	100,000	100,000
4 Union Square South	04/14	L+325	3.54%	75,000	75,000
Cross-collateralized mortgages on 40 strip shopping centers(6)	09/20	L+136 (6)	2.36%	60,000	-
435 Seventh Avenue(13)	08/14	L+300 (13)	5.00%	51,844	52,000
Other	11/12	L+375	4.02%	21,862	22,758
Other:					
220 Central Park South	04/11	L+235–L+245	2.64%	123,750	123,750
Other(14)	11/11-02/12	Various	2.79%-4.00%	66,267	117,868

Total variable rate notes and mortgages payable			2.17%	2,006,260	1,805,754
Total notes and mortgages payable			4.80%	$ 8,259,298	$ 8,191,854
Senior unsecured notes:					
Senior unsecured notes due 2015[15]	04/15		4.25%	$ 499,296	$ -
Senior unsecured notes due 2039[16]	10/39		7.88%	460,000	446,134
Senior unsecured notes due 2011 [17]	02/11		5.60%	100,382	117,342
Floating rate senior unsecured notes due 2011	12/11	L+200	2.26%	23,250	-
Senior unsecured notes due 2010	n/a		n/a	-	148,240
Total senior unsecured notes			5.87%	$ 1,082,928	$ 711,716
3.88% exchangeable senior debentures due 2025					
(see page 145)	04/12		5.32%	$ 491,000	$ 484,457
Convertible senior debentures: (see page 145)					
3.63% due 2026[18][19]	11/11		5.32%	$ 176,499	$ 424,207
2.85% due 2027[18][19]	04/12		5.45%	9,914	21,251
Total convertible senior debentures [20]			5.33%	$ 186,413	$ 445,458
Unsecured revolving credit facilities:					
$1.595 billion unsecured revolving credit facility	09/12	L+55	0.80%	$ 669,000	$ 427,218
$1.000 billion unsecured revolving credit facility ($12,198 reserved for outstanding letters of credit)	06/11	L+55	0.80%	205,000	425,000
Total unsecured revolving credit facilities			0.80%	$ 874,000	$ 852,218

See notes on the following page.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

Notes to preceding tabular information (Amounts in thousands):

(1) Represents the extended maturity for certain loans in which we have the unilateral right, ability and intent to extend. In the case of our convertible and exchangeable debt, represents the earliest date holders may require us to repurchase the debentures.

(2) On February 11, 2011, we completed a $425,000 refinancing of this loan. The seven-year loan bears interest at LIBOR plus 2.00%, which was swapped for this term of the loan to a fixed rate of 5.13%. The loan amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately $139,000, after repaying the existing loan and closing costs.

(3) On October 20, 2010, we sold a 45% ownership interest in this property to a joint venture and share control over major decisions with our joint venture partner. Accordingly, we account for this property under the equity method of accounting and no longer consolidate its accounts into our consolidated financial statements.

(4) On June 1, 2010, we refinanced this loan. The new loan, which is guaranteed by the Operating Partnership, has a rate of LIBOR plus 1.40% (1.66% at December 31, 2010) and matures in June 2011 with three one-year extension options.

(5) On September 1, 2010, we repaid the $44,900 outstanding balance of this loan which was scheduled to mature in October 2010.

(6) In August 2010, we sold $660,000 of 10-year mortgage notes in a single issuer securitization. The notes are comprised of a $600,000 fixed rate component and a $60,000 variable rate component and are cross-collateralized by 40 of our strip shopping centers. The variable rate portion of the debt has a LIBOR floor of 1.00%.

(7) In December 2010, we acquired this loan, which had an outstanding balance of $171,500, for $115,000 in cash. In a separate transaction, we acquired our partner's interest in the partnership that owns the mall for $25,000 in Operating Partnership units. These transactions resulted in a net gain on early

extinguishment of debt of $102,932 in our consolidated statement of income.

(8) In February 2011, we repaid a portion of this loan and extended the maturity to August 2011.

(9) On January 18, 2011, we repaid the outstanding balance of this construction loan and closed on a new $76,100 mortgage financing at a fixed rate of 4.61%. The new loan has a 7-year term and amortizes based on a 30-year schedule.

(10) This loan bears interest at the Freddie Mac Reference Note Rate plus 1.53%.

(11) On October 15, 2010, we acquired the remaining 55% interest we did not own in this property. Accordingly, we consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

(12) This loan has a LIBOR floor of 1.50%. The spread over LIBOR increases to 500 bps in July 2011.

(13) This loan has a LIBOR floor of 2.00%.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

Notes to preceding tabular information (Amounts in thousands):

(14) In October 2010, we repaid a $36,000 loan which matured on September 30, 2010.

(15) On March 26, 2010, we completed a public offering of $500,000 aggregate principal amount of 4.25% senior unsecured notes due April 1, 2015. Interest on the notes is payable semi-annually commencing on October 1, 2010. The notes were sold at 99.834% of their face amount to yield 4.287%. The notes can be redeemed without penalty beginning January 1, 2015. We retained net proceeds of approximately $496,000.

(16) These notes may be redeemed at our option in whole or in part beginning on October 1, 2014, at a price equal to the principal amount plus accrued interest. In 2010, we reclassified $13,866 of deferred financing costs to "deferred leasing and financing costs" on our consolidated balance sheet.

(17) In the third quarter of 2010, we purchased $17,000 aggregate face amount ($16,981 aggregate carrying amount) of these senior unsecured notes for $17,382 in cash, resulting in a net loss of $401 and in February 2011, upon maturity, we repaid the $100,000 balance of these notes.

(18) In 2010, we purchased $68,418 aggregate face amount ($66,916 aggregate carrying amount) of our convertible senior debentures for $68,804 in cash, resulting in a net loss of $1,888.

(19) On October 1 2010, pursuant to our September 2, 2010 tender offer, we purchased $189,827 aggregate face amount of our 3.63% convertible senior debentures and $12,246 aggregate face amount of our 2.85% convertible senior debentures for an aggregate of $206,053 in cash, resulting in a net loss of $8,493.

(20) The net proceeds from the offering of these debentures were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership fully and unconditionally guaranteed payment of these debentures. There are no restrictions which limit the Operating Partnership from making distributions to Vornado and Vornado has no independent assets

or operations outside of the Operating Partnership.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt – continued

Pursuant to the provisions of ASC 470-20, *Debt with Conversion and Other Options*, below is a summary of required disclosures related to our convertible and exchangeable senior debentures.

(Amounts in thousands, except per share amounts)	2.85% Convertible Senior Debentures due 2027		3.63% Convertible Senior Debentures due 2026		3.88% Exchangeable Senior Debentures due 2025	
Balance Sheet:	**December 31, 2010**	**December 31, 2009**	**December 31, 2010**	**December 31, 2009**	**December 31, 2010**	**December 31, 2009**
Principal amount of debt component	$ 10,233	$ 22,479	$ 179,052	$ 437,297	$ 499,982	$ 499,982
Unamortized discount	(319)	(1,228)	(2,553)	(13,090)	(8,982)	(15,525)
Carrying amount of debt component	$ 9,914	$ 21,251	$ 176,499	$ 424,207	$ 491,000	$ 484,457
Carrying amount of equity component	$ 956	$ 2,104	$ 9,604	$ 23,457	$ 32,301	$ 32,301
Effective interest rate	5.45%	5.45%	5.32%	5.32%	5.32%	5.32%
Maturity date (period through which discount is being amortized)	4/1/12		11/15/11		4/15/12	
Conversion price per share, as adjusted	$ 157.18		$ 148.46		$ 87.17	
Number of shares on which the aggregate consideration to be delivered upon conversion is determined	- (1)		- (1)		5,736	

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(1)

Our convertible senior debentures require that upon conversion, the entire principal amount is to be settled in cash, and at our option, any excess value above the principal amount may be settled in cash or common shares. Based on the December 31, 2010 closing share price of our common shares and the conversion prices in the table above, there was no excess value; accordingly, no common shares would be issued if these securities were settled on this date. The number of common shares on which the aggregate consideration that would be delivered upon conversion is 65 and 1,206 common shares, respectively.

(Amounts in thousands)	For the Year Ended December 31,		
Income Statement:	**2010**	**2009**	**2008**
2.85% Convertible Senior Debentures due 2027:			
Coupon interest	$ 553	$ 33,743	$ 39,853
Discount amortization – original issue	80	4,596	5,190
Discount amortization – ASC 470-20 implementation	374	21,514	24,296
	$ 1,007	$ 59,853	$ 69,339
3.63% Convertible Senior Debentures due 2026:			
Coupon interest	$ 13,015	$ 32,654	$ 36,216
Discount amortization – original issue	1,520	3,606	3,820
Discount amortization – ASC 470-20 implementation	4,069	9,651	10,224
	$ 18,604	$ 45,911	$ 50,260
3.88% Exchangeable Senior Debentures due 2025:			
Coupon interest	$ 19,374	$ 19,428	$ 19,374
Discount amortization – original issue	1,544	1,464	1,389
Discount amortization – ASC 470-20 implementation	4,999	4,741	4,497
	$ 25,917	$ 25,633	$ 25,260

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt – continued

The net carrying amount of properties collateralizing the notes and mortgages payable amounted to $10.7 billion in December 31, 2010. As of December 31, 2010, the principal repayments required for the next five years and thereafter are as follows:

(Amounts in thousands) **Year Ending December 31,**	**Mortgages Payable**	**Senior Unsecured Debt and Revolving Credit Facilities**
2011	$ 1,854,915	$ 328,635
2012	928,512	669,000
2013	1,482,785	-
2014	342,707	-
2015	516,328	500,000
Thereafter	3,116,181	460,000

We may refinance our maturing debt as it comes due or choose to repay it.

10. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests on our consolidated balance sheets represent Operating Partnership units held by third parties and are comprised of Class A units and Series D-10, D-11, D-14, D-15 and D-16 (collectively, "Series D") cumulative redeemable preferred units. Class A units of the Operating Partnership may be tendered for redemption to the Operating Partnership for cash; we, at our option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder. Below are the details of Operating Partnership units held by third-parties that are included in "redeemable noncontrolling interests" as of December 31, 2010 and 2009:

Unit Series	Outstanding Units at December 31, 2010	Outstanding Units at December 31, 2009	Per Unit Liquidation Preference	Preferred or Annual Distribution Rate	Conversion Rate Into Class A Units
Common:					
Class A	12,804,202	13,892,313	N/A	$ 2.76	N/A
Perpetual Preferred: (1)					
7.00% D-10 Cumulative Redeemable	3,200,000	3,200,000	$ 25.00	$ 1.75	N/A
7.20% D-11 Cumulative Redeemable	1,400,000	1,400,000	$ 25.00	$ 1.80	N/A
6.55% D-12 Cumulative Redeemable (2)	-	800,000	$ 25.00	$ 1.637	N/A
6.75% D-14 Cumulative Redeemable	4,000,000	4,000,000	$ 25.00	$ 1.6875	N/A
6.875% D-15 Cumulative Redeemable	1,800,000	1,800,000	$ 25.00	$ 1.71875	N/A
5.00% D-16 Cumulative Redeemable (3)	1	-	$ 1,000,000.00	$ 50,000.00	N/A

(1) Holders may tender units for redemption to the Operating Partnership for cash at their stated redemption amount; we, at our option, may assume that obligation and pay the holders either cash or Vornado preferred shares on a one-for-one basis. These units are redeemable at our option after the 5th anniversary of the date of issuance (ranging from November 2008 to December 2011).

(2) In 2010, we redeemed all of the outstanding Series D-12 cumulative redeemable preferred units for $16.25 per unit in cash, or $13,000,000 in the aggregate. In connection therewith, we recognized a $6,972,000 net gain which is included as a component of "net income attributable to noncontrolling interests" on our consolidated statement of income.

(3) Issued in connection with the acquisition of our partner's interest in the Springfield Mall in December 2010.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Redeemable Noncontrolling Interests - continued

Redeemable noncontrolling interests on our consolidated balance sheets are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to "additional capital" in our consolidated statements of changes in equity. Below is a table summarizing the activity of redeemable noncontrolling interests.

(Amounts in thousands)	
Balance at December 31, 2008	$ 1,177,978
Net income	25,120
Distributions	(42,451)
Conversion of Class A units into common shares, at redemption value	(90,955)
Adjustment to carry redeemable Class A units at redemption value	167,049
Other, net	14,887
Balance at December 31, 2009	$ 1,251,628
Net income	55,228
Distributions	(53,515)
Conversion of Class A units into common shares, at redemption value	(126,764)
Adjustment to carry redeemable Class A units at redemption value	191,826
Redemption of Series D-12 redeemable units	(13,000)
Other, net	22,571
Balance at December 31, 2010	$ 1,327,974

As of December 31, 2010 and 2009, the aggregate redemption value of redeemable Class A units was $1,066,974,000 and $971,628,000, respectively.

Redeemable noncontrolling interests exclude our Series G convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly the fair value of these units is included as a component of "other liabilities" on our consolidated balance sheets and aggregated $55,097,000 and $60,271,000 as of December 31, 2010 and 2009, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Shareholders' Equity

Preferred Shares

The following table sets forth the details of our preferred shares of beneficial interest outstanding as of December 31, 2010 and 2009:

	December 31,			
(Amounts in thousands, except share and per share amounts)		**2010**		**2009**
6.5% Series A: liquidation preference $50.00 per share; authorized 5,750,000 shares; issued and outstanding 40,009 and 52,324 shares	$	2,057	$	2,673
7.0% Series D-10: liquidation preference $25.00 per share; authorized 4,800,000 shares; issued and outstanding 1,600,000 shares(1)		-		39,982
7.0% Series E: liquidation preference $25.00 per share; authorized 3,450,000 shares; issued and outstanding 3,000,000 shares		72,248		72,248
6.75% Series F: liquidation preference $25.00 per share; authorized 6,000,000 shares; issued and outstanding 6,000,000 shares		144,720		144,720
6.625% Series G: liquidation preference $25.00 per share; authorized 9,200,000 shares; issued and outstanding 8,000,000 shares		193,135		193,135
6.75% Series H: liquidation preference $25.00 per share; authorized 4,600,000 shares; issued and outstanding 4,500,000 shares		108,549		108,549
6.625% Series I: liquidation preference $25.00 per share; authorized 12,050,000 shares; issued and outstanding 10,800,000 shares		262,379		262,379
	$	783,088	$	823,686

(1)

In September 2010, we purchased all of the outstanding Series D-10 preferred shares for $22.25 per share in cash, or $35,600 in the aggregate. In connection therewith, the $4,382 discount was included as “discount on preferred share redemptions” on our consolidated statement of income.

Series A Convertible Preferred Shares of Beneficial Interest

Holders of Series A Preferred Shares of beneficial interest are entitled to receive dividends in an amount equivalent to $3.25 per annum per share. These dividends are cumulative and payable quarterly in arrears. The Series A Preferred Shares are convertible at any time at the option of their respective holders at a conversion rate of 1.4334 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. In addition, upon the satisfaction of certain conditions we, at our option, may redeem the $3.25 Series A Preferred Shares at a current conversion rate of 1.4334 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. At no time will the Series A Preferred Shares be redeemable for cash.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Shareholders' Equity - continued

Series E Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series E Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 7.0% of the liquidation preference of $25.00 per share, or $1.75 per Series E Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series E Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series E Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series E Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series F Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series F Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of $25.00 per share, or $1.6875 per Series F Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series F Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series F Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series F Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series G Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series G Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of $25.00 per share, or $1.656 per Series G Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series G Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series G Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series G Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series H Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series H Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of $25.00 per share, or $1.6875 per Series H Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series H Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after June 17, 2010 (or sooner under limited circumstances), we, at our option, may redeem Series H Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series H Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series I Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series I Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of $25.00 per share, or $1.656 per Series I Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series I Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after August 31, 2010 (or sooner under limited circumstances), we, at our option, may redeem Series I Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series I Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income was $73,453,000 and $28,449,000 as of December 31, 2010 and 2009, respectively, and primarily consists of accumulated unrealized gains from the mark-to-market of marketable securities classified as available-for-sale.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fair Value Measurements

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value. Considerable judgment is necessary to interpret Level 2 and 3 inputs in determining the fair value of our financial and non-financial assets and liabilities. Accordingly, our fair value estimates, which are made at the end of each reporting period, may be different than the amounts that may ultimately be realized upon sale or disposition of these assets.

Fair Value Measurements on a Recurring Basis

Financial assets and liabilities that are measured at fair value in our consolidated financial statements consist of (i) marketable securities, (ii) derivative positions in marketable equity securities (iii) the assets of our deferred compensation plan, which are primarily marketable equity securities and equity investments in limited partnerships, (iv) Real Estate Fund investments, (v) short-term investments (CDARS classified as available-for-sale), and (vi) mandatorily redeemable instruments (Series G convertible preferred units and Series D-13 cumulative redeemable preferred units). The tables below aggregate the fair values of financial assets and liabilities by the levels in the fair value hierarchy at December 31, 2010 and 2009, respectively.

	As of December 31, 2010			
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 766,116	$ 766,116	$ -	$ -
Real Estate Fund investments	144,423	-	-	144,423
Deferred compensation plan assets (included in other assets)	91,549	43,699	-	47,850
Derivative positions in marketable equity securities	17,616	-	17,616	-
Total assets	$ 1,019,704	$ 809,815	$ 17,616	$ 192,273

Mandatorily redeemable instruments (included in other liabilities)	$ 55,097	$ 55,097	$ -	$ -

(Amounts in thousands)	As of December 31, 2009 Total	Level 1	Level 2	Level 3
Deferred compensation plan assets (included in other assets)	$ 80,443	$ 40,854	$ -	$ 39,589
Marketable equity securities	79,925	79,925	-	-
Short-term investments	40,000	40,000	-	-
Total assets	$ 200,368	$ 160,779	$ -	$ 39,589
Mandatorily redeemable instruments (included in other liabilities)	$ 60,271	$ 60,271	$ -	$ -

The table below summarizes the changes in the fair value of the level 3 assets above for the years ended December 31, 2010 and 2009.

(Amounts in thousands)	For The Years Ended December 31, 2010	2009
Beginning balance	$ 39,589	$ 34,176
Total realized/unrealized gains	3,527	4,187
Purchases, sales, other settlements and issuances, net	149,157	1,226
Ending balance	$ 192,273	$ 39,589

Purchases in the year ended December 31, 2010, include the investments of our consolidated Real Estate Fund.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fair Value Measurements - continued

Fair Value Measurements on a Nonrecurring Basis

Non-financial assets measured at fair value on a nonrecurring basis in our consolidated financial statements consist of real estate assets and investments in partially owned entities that have been written-down to estimated fair value during 2010 and 2009. See Note 2 – *Basis of Presentation and Significant Accounting Policies* for details of impairment losses recognized during 2010 and 2009. The fair values of these assets are determined using widely accepted valuation techniques, including (i) discounted cash flow analysis, which considers, among other things, leasing assumptions, growth rates, discount rates and terminal capitalization rates, (ii) income capitalization approach, which considers prevailing market capitalization rates and (iii) comparable sales activity. In general, we consider multiple valuation techniques when measuring fair values. However, in certain circumstances, a single valuation technique may be appropriate. The tables below aggregate the fair values of these assets by the levels in the fair value hierarchy.

		As of December 31, 2010		
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Real estate assets	$ 381,889	$ -	$ -	$ 381,889
Investments in partially owned entities	11,413	-	-	11,413

		As of December 31, 2009		
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Real estate assets	$ 169,861	$ -	$ -	$ 169,861
Investments in partially owned entities	36,052	-	-	36,052

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value in our consolidated financial statements include mezzanine loans receivable and debt. Estimates of the fair values of these instruments are based on our assessments of available market information and valuation methodologies, including discounted cash flow analyses. The table below summarizes the carrying amounts and fair values of these financial instruments as of December 31, 2010 and

2009.

(Amounts in thousands)	As of December 31, 2010 Carrying Amount	As of December 31, 2010 Fair Value	As of December 31, 2009 Carrying Amount	As of December 31, 2009 Fair Value
Mezzanine loans receivable	$ 202,412	$ 197,581	$ 203,286	$ 192,612
Debt:				
Notes and mortgages payable	$ 8,259,298	$ 8,450,812	$ 8,191,854	$ 7,858,873
Senior unsecured notes	1,082,928	1,119,512	711,716	718,302
Exchangeable senior debentures	491,000	554,355	484,457	547,480
Convertible senior debentures	186,413	191,510	445,458	461,275
Revolving credit facility debt	874,000	874,000	852,218	852,218
	$ 10,893,639	$ 11,190,189	$ 10,685,703	$ 10,438,148

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Stock-based Compensation

On May 13, 2010, our shareholders approved the 2010 Omnibus Share Plan (the "Plan'), which replaces the 2002 Omnibus Share Plan. Under the Plan, the Compensation Committee of the Board (the "Committee") may grant eligible participants awards of stock options, stock appreciation rights, performance shares, restricted shares and other stock-based awards and operating partnership units, certain of which may provide for dividends or dividend equivalents and voting rights prior to vesting. Awards may be granted up to a maximum of 6,000,000 shares, if all awards granted are Full Value Awards, as defined, and up to 12,000,000 shares, if all of the awards granted are Not Full Value Awards, as defined. Full Value Awards are awards of securities, such as restricted shares, that, if all vesting requirements are met, do not require the payment of an exercise price or strike price to acquire the securities. Not Full Value Awards are awards of securities, such as options, that do require the payment of an exercise price or strike price. This means, for example, if the Committee were to award only restricted shares, it could award up to 6,000,000 restricted shares. On the other hand, if the Committee were to award only stock options, it could award options to purchase up to 12,000,000 shares (at the applicable exercise price). The Committee may also issue any combination of awards under the Plan, with reductions in availability of future awards made in accordance with the above limitations.

The Plan provides for grants of incentive and non-qualified stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards. As of December 31, 2010, we have approximately 5,942,000 shares available for future grants under the Plan, if all awards granted are Full Value Awards, as defined.

In the third quarter of 2010, we recognized $2,800,000 of expense resulting from accelerating the vesting of certain Operating Partnership units and 2006 out-performance plan units, which were scheduled to fully vest in the first quarter of 2011. In the first quarter of 2009, our nine most senior executives voluntarily surrendered their 2008 out-performance plan awards and their 2007 and 2008 stock option awards resulting in $32,588,000 of expense, representing the write-off of the unamortized portion of these awards, which is included in "general and administrative expenses" on our consolidated statement of income.

Out-Performance Plans

On March 31, 2008, the Compensation Committee of our Board of Trustees approved a $75,000,000 out-performance plan (the “2008 OPP”). Under the 2008 OPP, the total return to our shareholders (the “Total Return”) resulting from both share appreciation and dividends for the four-year period from March 31, 2008 to March 31, 2012 must exceed both an absolute and a relative hurdle. The initial value from which to determine the Total Return is $86.20 per share, a 0.93% premium to the trailing 10-day average closing price on the New York Stock Exchange for our common shares on the date the plan was adopted. During the four-year performance period, participants are entitled to receive 10% of the common dividends paid on Vornado’s common shares for each 2008 OPP unit awarded, regardless of whether the units are ultimately earned. The fair value of the 2008 OPP awards on the date of grant, as adjusted for estimated forfeitures, was approximately $21,600,000, and is being amortized into expense over a five-year period beginning on the date of grant through the final vesting period, using a graded vesting attribution model, with the exception of an aggregate of $13,722,000 which was accelerated into expense in the first quarter of 2009 as a result of the voluntary surrender of such awards discussed above.

On April 25, 2006, our Compensation Committee approved a $100,000,000 Out-performance plan (the “2006 OPP”), under which 91% of the total Out-Performance Plan was awarded. The fair value of the awards on the date of grant, as adjusted for estimated forfeitures, was approximately $46,141,000 and is being amortized into expense over the five-year vesting period beginning on the date of grant, using a graded vesting attribution model. As of January 12, 2007, the maximum performance threshold under the Out-Performance Plan was achieved, concluding the performance period.

During the years ended December 31, 2010, 2009 and 2008, we recognized $5,062,000, $23,493,000 and $16,021,000 of compensation expense, respectively, for these plans. As of December 31, 2010, there was $1,250,000 of total unrecognized compensation cost related these plans, which will be recognized over a weighted-average period of 1.47 years. Distributions paid on unvested OPP Units are charged to “net income attributable to noncontrolling interests” on our consolidated statements of income and amounted to $815,000, $1,935,000 and $2,918,000 in 2010, 2009 and 2008, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Stock-based Compensation - continued

Stock Options

Stock options are granted at an exercise price equal to 100% of the average of the high and low market price of our common shares on the NYSE on the date of grant, generally vest pro-rata over four years and expire 10 years from the date of grant. Compensation expense related to stock option awards is recognized on a straight-line basis over the vesting period with the exception of an aggregate of $18,866,000 which was accelerated into expense in the first quarter of 2009 as a result of voluntary surrenders. During the years ended December 31, 2010, 2009 and 2008, we recognized $7,916,000, $25,911,000 and $9,051,000, of compensation expense, respectively, for these options. As of December 31, 2010 there was $17,606,000 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.0 years.

Below is a summary of our stock option activity under the Plan for the year ended December 31, 2010.

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2010	6,179,806	$ 47.90		
Granted	1,204,095	73.00		
Exercised	(1,856,837)	36.84		
Cancelled	(38,184)	86.15		
Outstanding at December 31, 2010	5,488,880	56.89	5.1	$ 157,071,000
Options vested and expected to vest at December 31, 2010	5,459,567	$ 56.73	5.1	$ 156,252,000
Options exercisable at December 31, 2010	3,196,309	$ 54.92	2.7	$ 98,859,000

The fair value of each option grant is estimated on the date of grant using an option-pricing model with the following weighted-average assumptions for grants in the years ended December 31, 2010, 2009 and 2008.

	December 31,		
	2010	**2009**	**2008**
Expected volatility	35.00%	28.00%	19.00%
Expected life	7.9 years	7.0 years	7.7 years
Risk free interest rate	3.60%	2.30%	3.20%
Expected dividend yield	4.90%	4.60%	4.80%

The weighted average grant date fair value of options granted during the years ended December 31, 2010, 2009 and 2008 was $16.96, $5.67 and $6.80, respectively. Cash received from option exercises for the years ended December 31, 2010, 2009 and 2008 was $25,338,000, $1,749,000 and $27,587,000, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008 was $60,923,000, $62,139,000 and $79,997,000, respectively.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Stock-based Compensation - continued

Restricted Stock

Restricted stock awards are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant and generally vest over four years. Restricted stock awards granted in 2010, 2009 and 2008 had a fair value of $3,922,000, $496,000 and $595,000, respectively. Compensation expense related to restricted stock awards is recognized on a straight-line basis over the vesting period. During the years ended December 31, 2010, 2009 and 2008, we recognized $1,432,000, $2,063,000 and $3,201,000 of compensation expense, respectively, for the portion of restricted stock awards that vested during each year. The fair value of restricted stock that vested during the years ended December 31, 2010, 2009 and 2008 was $2,186,000, $3,272,000 and $4,472,000, respectively. As of December 31, 2010, there was $4,419,000 of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 2.1 years. Dividends paid on unvested restricted stock are charged directly to retained earnings and amounted to $115,000, $161,000 and $308,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

Below is a summary of our restricted stock activity under the Plan for the year ended December 31, 2010.

Non-vested Shares	**Shares**		**Weighted-Average Grant-Date Fair Value**
Non-vested at January 1, 2010	55,618	$	76.69
Granted	48,682		80.55
Vested	(27,795)		78.08
Forfeited	(957)		82.12
Non-vested at December 31, 2010	75,548		78.60

Restricted Operating Partnership Units ("OP Units")

OP Units are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant, vest ratably over four years and are subject to a taxable book-up event, as defined. OP Units granted in 2010, 2009 and 2008 had a fair value of $31,437,000, $10,691,000, and $7,167,000, respectively. Compensation expense related to OP Units is recognized ratably over the vesting period using a graded vesting attribution model. During the years ended December 31, 2010, 2009 and 2008, we recognized $20,204,000, $8,347,000, and $6,257,000, of compensation expense, respectively, for the portion of OP Units that vested during last year. The fair value of OP Units that vested during the years ended December 31, 2010, 2009 and 2008 was $14,087,000, $4,020,000 and $1,952,000, respectively. As of December 31, 2010, there was $18,138,000 of total remaining unrecognized compensation cost related to unvested OP units, which is expected to be recognized over a weighted-average period of 1.6 years. Distributions paid on unvested OP Units are charged to "net income attributable to noncontrolling interests" on our consolidated statements of income and amounted to $2,285,000, $1,583,000, and $938,000 in 2010, 2009 and 2008, respectively.

Below is a summary of restricted OP unit activity under the Plan for the year ended December 31, 2010.

Non-Vested Units	**Units**	**Weighted-Average Grant-Date Fair Value**
Non-vested at January 1, 2010	508,080	$ 46.55
Granted	461,865	68.07
Vested	(247,333)	56.96
Forfeited	(2,155)	42.20
Non-vested at December 31, 2010	720,457	56.78

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fee and Other Income

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

(Amounts in thousands)	For the Years Ended December 31, 2010	2009	2008
Tenant cleaning fees	$ 58,053	$ 53,824	$ 56,416
Management and leasing fees	20,117	11,456	13,397
Lease termination fees	14,826	4,888	8,465
Other income	54,926	87,144 (1)	48,538
	$ 147,922	$ 157,312	$ 126,816

(1) In December 2009, an agreement to sell an 8.6 acre parcel of land in the Pentagon City area of Arlington, Virginia, was terminated and we recognized $27,089 of income representing the buyer's non-refundable purchase deposit, which is included in other income.

Fee and other income above includes management fee income from Interstate Properties, a related party, of $815,000, $782,000, and $803,000 for the years ended December 31, 2010, 2009, and 2008, respectively. The above table excludes fee income from partially owned entities which is included in income from partially owned entities (see Note 5 – Investments in Partially Owned Entities).

15. Interest and Other Investment Income (Loss), Net

The following table sets forth the details of our interest and other investment income (loss):

(Amounts in thousands)	For the Year Ended December 31, 2010	2009	2008

Income (loss) from the mark-to-market of derivative positions in marketable equity securities	$ 130,153	$ -	$ (33,602)
Mezzanine loans receivable loss reversal (accrual)	53,100	(190,738)	10,300
Dividends and interest on marketable securities	25,772	25,908	24,658
Interest on mezzanine loans	10,319	32,181	44,721
Mark-to-market of investments in our deferred compensation plan (1)	8,049	9,506	(14,204)
Impairment losses on marketable equity securities	-	(3,361)	(76,742)
Other, net	7,922	10,154	42,122
	$ 235,315	$ (116,350)	$ (2,747)

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(1) This income (loss) is entirely offset by the expense (income) resulting from the mark-to-market of the deferred compensation plan liability, which is included in "general and administrative" expense.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and potentially dilutive share equivalents. Potentially dilutive share equivalents include our Series A convertible preferred shares, employee stock options, restricted stock and exchangeable senior debentures due 2025.

(Amounts in thousands, except per share amounts)	Year Ended December 31,		
	2010	**2009**	**2008**
Numerator:			
Income from continuing operations, net of income attributable to noncontrolling interests	$ 668,289	$ 69,117	$ 194,462
(Loss) income from discontinued operations, net of income attributable to noncontrolling interests	(20,406)	37,052	164,835
Net income attributable to Vornado	647,883	106,169	359,297
Preferred share dividends	(55,534)	(57,076)	(57,091)
Discount on preferred share redemptions	4,382	-	-
Net income attributable to common shareholders	596,731	49,093	302,206
Earnings allocated to unvested participating securities	(120)	(184)	(328)
Numerator for basic income per share	596,611	48,909	301,878
Impact of assumed conversions:			
Convertible preferred share dividends	160	-	-
Numerator for diluted income per share	$ 596,771	$ 48,909	$ 301,878
Denominator:			
Denominator for basic income per share – weighted average shares	182,340	171,595	153,900
Effect of dilutive securities[(1)]:			
Employee stock options and restricted share awards	1,748	1,908	4,219
Convertible preferred shares	71	-	-

Denominator for diluted income per share – weighted average shares and assumed conversions	184,159	173,503	158,119
INCOME PER COMMON SHARE – BASIC:			
Income from continuing operations, net	$ 3.38	$ 0.07	$ 0.89
(Loss) income from discontinued operations, net	(0.11)	0.21	1.07
Net income per common share	$ 3.27	$ 0.28	$ 1.96
INCOME PER COMMON SHARE – DILUTED:			
Income from continuing operations, net	$ 3.35	$ 0.07	$ 0.87
(Loss) income from discontinued operations, net	(0.11)	0.21	1.04
Net income per common share	$ 3.24	$ 0.28	$ 1.91

(1) The effect of dilutive securities in the years ended December 31, 2010, 2009 and 2008 excludes an aggregate of 19,684, 21,276 and 25,501 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Comprehensive Income

(Amounts in thousands)	For the Years Ended December 31,		
	2010	**2009**	**2008**
Net income	$ 708,031	$ 128,450	$ 411,445
Other comprehensive income (loss)	45,004	35,348	(36,671)
Comprehensive income	753,035	163,798	374,774
Less: Comprehensive income attributable to noncontrolling interests	63,343	25,144	48,701
Comprehensive income attributable to Vornado	$ 689,692	$ 138,654	$ 326,073

Substantially all of other comprehensive income for the years ended December 31, 2010, 2009 and 2008 relates to income from the mark-to-market of marketable securities classified as available-for-sale and our share of other comprehensive income or loss of partially owned entities.

18. Leases

As lessor:

We lease space to tenants under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Office building leases generally require the tenants to reimburse us for operating costs and real estate taxes above their base year costs. Shopping center leases provide for pass-through to tenants the tenant's share of real estate taxes, insurance and maintenance. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 2010, future base rental revenue under non-cancelable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows:

(Amounts in thousands)	
Year Ending December 31:	
2011	$ 1,872,000
2012	1,693,000

2013	1,568,000
2014	1,446,000
2015	1,258,000
Thereafter	6,206,000

These amounts do not include rentals based on tenants' sales. These percentage rents approximated $8,534,000, $9,051,000 and $7,322,000, for the years ended December 31, 2010, 2009 and 2008, respectively.

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2010, 2009 and 2008.

Former Bradlees Locations

Pursuant to the Master Agreement and Guaranty, dated May 1, 1992, we are due $5,000,000 per annum of additional rent from Stop & Shop which was allocated to certain Bradlees former locations. On December 31, 2002, prior to the expiration of the leases to which the additional rent was allocated, we reallocated this rent to other former Bradlees leases also guaranteed by Stop & Shop. Stop & Shop is contesting our right to reallocate and claims that we are no longer entitled to the additional rent. At December 31, 2010, we were due an aggregate of $40,417,000. We believe the additional rent provision of the guaranty expires, at the earliest, in 2012, and we are vigorously contesting Stop & Shop's position.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Leases - continued

As lessee:

We are a tenant under operating leases for certain properties. These leases have terms that expire during the next thirty years. Future minimum lease payments under operating leases at December 31, 2010 are as follows:

(Amounts in thousands)		
Year Ending December 31:		
2011	$	30,564
2012		31,072
2013		31,254
2014		31,575
2015		30,230
Thereafter		1,061,662

Rent expense was $36,872,000, $35,463,000 and $29,320,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

We are also a lessee under capital leases for real estate. Lease terms generally range from 5-20 years with renewal or purchase options. Capitalized leases are recorded at the present value of future minimum lease payments or the fair market value of the property. Capitalized leases are depreciated on a straight-line basis over the estimated life of the asset or life of the related lease, whichever is shorter. Amortization expense on capital leases is included in "depreciation and amortization" on our consolidated statements of income. As of December 31, 2010, future minimum lease payments under capital leases are as follows:

(Amounts in thousands)		
Year Ending December 31:		
2011	$	706
2012		707
2013		706
2014		707

2015		706
Thereafter		16,721
Total minimum obligations		20,253
Interest portion		(13,539)
Present value of net minimum payments	$	6,714

At December 31, 2010 and 2009, $6,714,000 and $6,753,000, respectively, representing the present value of net minimum payments are included in “Other Liabilities” on our consolidated balance sheets. At December 31, 2010 and 2009, property leased under capital leases had a total cost of $6,216,000 and $6,216,000, respectively, and accumulated depreciation of $2,029,000 and $1,873,000, respectively.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and all risk property and rental value insurance with limits of $2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of $150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a $150,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by TRIPRA. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Our coverage for NBCR losses is up to $2 billion per occurrence, for which PPIC is responsible for a deductible of $3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Other Commitments and Contingencies

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2010, the aggregate dollar amount of these guarantees and master leases is approximately $263,178,000.

At December 31, 2010, $12,198,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

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

We are committed to fund additional capital to certain of our partially owned entities aggregating approximately $199,953,000, of which $146,622,000 is committed to our real estate Fund. In addition, we have agreed in principle to contribute up to $52,000,000 to a new investment management fund which will be managed by LNR.

As part of the process of obtaining the required approvals to demolish and develop our 220 Central Park South property into a new residential tower, we have committed to fund the estimated project cost of approximately $400,000,000 to $425,000,000.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Commitments and Contingencies - continued

During 2010, we entered into agreements with Cuyahoga County, Ohio (the "County") to develop and operate the Cleveland Medical Mart and Convention Center (the "Facility"), a 1,000,000 square foot showroom, trade show and conference center in Cleveland's central business district. The County will fund the development of the Facility, using proceeds from the issuance of general obligation bonds and other sources, up to the development budget of $465,000,000 and maintain effective control of the property. During the 17-year development and operating period, we will receive net settled payments of approximately $10,000,000 per year, which is net of our $36,000,000 annual obligation to the County. Our obligation has been pledged by the County to the bondholders, but is payable by us only to the extent that we first receive at least an equal payment from the County. We engaged a contractor to construct the Facility pursuant to a guaranteed maximum price contract. Although we are ultimately responsible for cost overruns, the contractor is responsible for all costs incurred in excess of its contract and has provided a completion guaranty. Construction of the Facility is expected to be completed in 2013. Subsequent thereto, we are required to fund $11,500,000, primarily for tenant improvements, are responsible for all operating expenses and are entitled to the net operating income, if any, of the Facility. The County may terminate the operating agreement five years from the completion of development and periodically thereafter, if we fail to achieve certain performance thresholds. We plan to account for these agreements using criteria set forth in ASC 605-25, *Multiple-Element Arrangements,* as we are providing development, marketing, leasing, and other property management related services over the 17-year term. We plan to recognize development fees using the percentage of completion method of accounting.

Litigation

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters, including the matters referred to below, are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming that we had no right to reallocate and therefore continue to collect the $5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the $5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February

13, 2001, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York State Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York State Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. Discovery is complete and a trial was held in November 2010, with closing arguments expected in March 2011. We intend to continue to vigorously pursue our claims against Stop & Shop.

In July 2005, we acquired H Street Building Corporation ("H Street") which has a subsidiary that owns, among other things, a 50% tenancy in common interest in land located in Arlington County, Virginia, known as "Pentagon Row," leased to two tenants, Street Retail, Inc. and Post Apartment Homes, L.P. In April 2007, H Street acquired the remaining 50% interest in that fee. On September 25, 2008, both tenants filed suit against us and the former owners claiming the right of first offer to purchase the fee interest, damages in excess of $75,000,000 and punitive damages. In April 2010, the Trial Court entered judgment in favor of the tenants, that we sell the land to the tenants for a net sales price of $14,992,000, representing the Trial Court's allocation of our purchase price for H Street. The request for damages and punitive damages was denied. As a result of the Trial Court's decision, we recorded a $10,056,000 loss accrual in the first quarter of 2010. We filed a motion to appeal the Trial Court's decision, which the appeals court refused to hear. Accordingly, in the fourth quarter of 2010, we sold the property to the tenants for $14,992,000 in cash (our reduced carrying amount) and reclassified the results of operations of this property to "(loss) income from discontinued operations," and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all periods presented in the accompanying consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Related Party Transactions

Transactions with Affiliates and Officers and Trustees

Alexander's

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 5 - Investments in Partially Owned Entities.

On March 2, 2009, Mr. Roth and Mr. Fascitelli each exercised 150,000 stock appreciation rights which were scheduled to expire on March 4, 2009 and each received gross proceeds of $11,419,000.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2010, Interstate and its partners beneficially owned approximately 7.0% of the common shares of beneficial interest of Vornado and 27.2% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. We believe, based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us. We earned $815,000, $782,000, and $803,000 of management fees under the agreement for the years ended December 31, 2010, 2009 and 2008.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Summary of Quarterly Results (Unaudited)

The following summary represents the results of operations for each quarter in 2010 and 2009:

				Net Income (Loss) Attributable to Common Shareholders (1)	**Net Income (Loss) Per Common Share (2)**			
		Revenues				**Basic**		**Diluted**
(Amounts in thousands, except per share amounts)								
2010								
December 31	$	712,957	$	243,414	$	1.33	$	1.31
September 30		697,467		95,192		0.52		0.52
June 30		683,989		57,840		0.32		0.31
March 31		685,314		200,285		1.10		1.09
2009								
December 31	$	706,552	$	(151,192)	$	(0.84)	$	(0.84)
September 30		661,331		126,348		0.71		0.70
June 30		661,207		(51,904)		(0.30)		(0.30)
March 31		667,602		125,841		0.81		0.80

(1) Fluctuations among quarters resulted primarily from non-cash impairment losses, mark-to-market of derivative instruments, net gains on sale of real estate and from seasonality of business operations.

(2) The total for the year may differ from the sum of the quarters as a result of weighting.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Segment Information

The financial information summarized below is presented by reportable operating segment, consistent with how we review and manage our businesses.

(Amounts in thousands)	For the Year Ended December 31, 2010						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other[3]
Property rentals	$ 2,129,284	$ 775,142	$ 566,041	$ 398,489	$ 219,882	$ -	$ 169,730
Straight-line rent adjustments	75,871	34,212	5,849	29,079	2,756	-	3,975
Amortization of acquired below-market leases, net	66,202	36,081	2,326	22,213	(75)	-	5,657
Total rentals	2,271,357	845,435	574,216	449,781	222,563	-	179,362
Tenant expense reimbursements	360,448	137,624	51,963	145,905	13,998	-	10,958
Fee and other income:							
Tenant cleaning fees	58,053	88,664	-	-	-	-	(30,611)
Management and leasing fees	20,117	6,192	15,934	1,029	156	-	(3,194)
Lease termination fees	14,826	4,270	1,148	7,641	467	-	1,300

Other	54,926	22,283	21,427	4,172	3,904	-	3,140
Total revenues	2,779,727	1,104,468	664,688	608,528	241,088	-	160,955
Operating expenses	1,099,478	470,177	213,935	224,340	125,863	-	65,163
Depreciation and amortization	530,704	176,931	142,720	110,416	46,155	-	54,482
General and administrative	214,225	18,621	25,464	29,610	26,953	-	113,577
Impairment losses and acquisition costs	129,458	-	-	72,500	20,000	-	36,958
Total expenses	1,973,865	665,729	382,119	436,866	218,971	-	270,180
Operating income (loss)	805,862	438,739	282,569	171,662	22,117	-	(109,225)
Income applicable to Toys	71,624	-	-	-	-	71,624	-
Income (loss) from partially owned entities	22,438	(6,354)	(564)	9,401	(179)	-	20,134
(Loss) from Real Estate Fund	(303)	-	-	-	-	-	(303)
Interest and other investment income, net	235,315	608	157	180	47	-	234,323
Interest and debt expense	(560,270)	(132,279)	(130,540)	(85,281)	(37,932)	-	(174,238)
Net gain (loss) on early extinguishment of debt	94,789	-	-	105,571	-	-	(10,782)
Net gain on disposition of wholly owned and	81,432	-	54,742	-	765	-	25,925

partially owned assets							
Income (loss) before income taxes	750,887	300,714	206,364	201,533	(15,182)	71,624	(14,166)
Income tax expense	(22,476)	(2,167)	(1,816)	(37)	(173)	-	(18,283)
Income (loss) from continuing operations	728,411	298,547	204,548	201,496	(15,355)	71,624	(32,449)
(Loss) from discontinued operations	(20,380)	-	(4,481)	(2,637)	(13,262)	-	-
Net income (loss)	708,031	298,547	200,067	198,859	(28,617)	71,624	(32,449)
Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries	(4,920)	(9,559)	-	(778)	-	-	5,417
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(55,228)	-	-	-	-	-	(55,228)
Net income (loss) attributable to Vornado	647,883	288,988	200,067	198,081	(28,617)	71,624	(82,260)
Interest and debt expense[2]	828,082	126,209	136,174	92,653	61,379	177,272	234,395
	729,426	170,505	159,283	114,335	51,064	131,284	102,955

Depreciation and amortization[2]							
Income tax (benefit) expense[2]	(23,036)	2,167	2,027	37	232	(45,418)	17,919
EBITDA[1]	$ 2,182,355	$ 587,869	$ 497,551	$ 405,106	$ 84,058	$ 334,762	$ 273,009
Balance Sheet Data:							
Real estate at cost	$ 17,674,922	$ 5,522,291	$ 4,237,438	$ 4,891,526	$ 1,131,528	$ -	$ 1,892,139
Investments in partially owned entities	1,375,006	97,743	149,295	11,831	4,183	447,334	664,620
Total assets	20,517,471	5,743,781	3,872,209	4,284,871	1,435,714	447,334	4,733,562

See notes on page 166.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Segment Information – continued

(Amounts in thousands)	For the Year Ended December 31, 2009						
	Total	**New York Office**	**Washington, DC Office**	**Retail**	**Merchandise Mart**	**Toys**	**Other(3)**
Property rentals	$ 2,021,072	$ 758,557	$ 526,683	$ 362,689	$ 213,911	$ -	$ 159,232
Straight-line rent adjustments	89,168	36,805	22,683	27,104	2,107	-	469
Amortization of acquired below-market leases, net	71,954	40,129	3,452	22,993	89	-	5,291
Total rentals	2,182,194	835,491	552,818	412,786	216,107	-	164,992
Tenant expense reimbursements	357,186	136,541	60,620	134,670	15,517	-	9,838
Fee and other income:							
Tenant cleaning fees	53,824	75,549	-	-	-	-	(21,725)
Management and leasing fees	11,456	4,211	8,183	1,731	88	-	(2,757)
Lease termination fees	4,888	1,840	2,224	464	221	-	139
Other	87,144	18,868	47,745	2,619	9,458	-	8,454

Total revenues	2,696,692	1,072,500	671,590	552,270	241,391	-	158,941
Operating expenses	1,067,229	452,370	220,333	204,224	125,602	-	64,700
Depreciation and amortization	531,637	173,923	142,415	101,353	51,064	-	62,882
General and administrative	231,010	22,820	26,205	30,339	31,017	-	120,629
Impairment losses and acquisition costs	75,963	-	24,875	11,789	-	-	39,299
Total expenses	1,905,839	649,113	413,828	347,705	207,683	-	287,510
Operating income (loss)	790,853	423,387	257,762	204,565	33,708	-	(128,569)
Income applicable to Toys	92,300	-	-	-	-	92,300	-
(Loss) income from partially owned entities	(19,910)	5,817	4,850	4,728	151	-	(35,456)
Interest and other investment (loss) income, net	(116,350)	876	786	69	95	-	(118,176)
Interest and debt expense	(617,994)	(133,647)	(128,039)	(89,070)	(38,009)	-	(229,229)
Net (loss) gain on early extinguishment of debt	(25,915)	-	-	769	-	-	(26,684)
Net gain on disposition of wholly owned and partially owned assets	5,641	-	-	-	-	-	5,641
Income (loss) before	108,625	296,433	135,359	121,061	(4,055)	92,300	(532,473)

income taxes							
Income tax expense	(20,642)	(1,332)	(1,482)	(319)	(2,140)	-	(15,369)
Income (loss) from continuing operations	87,983	295,101	133,877	120,742	(6,195)	92,300	(547,842)
Income (loss) from discontinued operations	40,467	-	52,308	(6,791)	(5,050)	-	-
Net income (loss)	128,450	295,101	186,185	113,951	(11,245)	92,300	(547,842)
Net loss (income) attributable to noncontrolling interests in consolidated subsidiaries	2,839	(9,098)	-	915	-	-	11,022
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(25,120)	-	-	-	-	-	(25,120)
Net income (loss) attributable to Vornado	106,169	286,003	186,185	114,866	(11,245)	92,300	(561,940)
Interest and debt expense(2)	826,827	126,968	132,610	95,990	52,862	127,390	291,007
Depreciation and amortization(2)	728,815	168,517	152,747	105,903	56,702	132,227	112,719
Income tax expense (benefit)(2)	10,193	1,332	1,590	319	2,208	(13,185)	17,929

EBITDA[(1)]	$ 1,672,004	$ 582,820	$ 473,132	$ 317,078	$ 100,527	$ 338,732	$ (140,285)
Balance Sheet Data:							
Real estate at cost	$ 17,574,245	$ 5,438,655	$ 4,593,749	$ 4,626,178	$ 1,146,997	$ -	$ 1,768,666
Investments in partially owned entities	1,209,285	128,961	119,182	22,955	6,520	409,453	522,214
Total assets	20,185,472	5,538,362	4,138,752	3,511,987	1,455,000	409,453	5,131,918

See notes on page 166.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Segment Information – continued

(Amounts in thousands)	For the Year Ended December 31, 2008						
	Total	**New York Office**	**Washington, DC Office**	**Retail**	**Merchandise Mart**	**Toys**	**Other[3]**
Property rentals	$ 1,975,838	$ 722,445	$ 497,735	$ 342,714	$ 215,854	$ -	$ 197,090
Straight-line rent adjustments	88,703	42,766	15,720	20,384	8,516	-	1,317
Amortization of acquired below-market leases, net	95,532	60,355	3,998	26,546	161	-	4,472
Total rentals	2,160,073	825,566	517,453	389,644	224,531	-	202,879
Tenant expense reimbursements	353,602	135,788	57,793	127,903	18,055	-	14,063
Fee and other income:							
Tenant cleaning fees	56,416	71,833	-	-	-	-	(15,417)
Management and leasing fees	13,397	6,411	8,940	1,673	349	-	(3,976)
Lease termination fees	8,465	3,088	2,635	2,281	461	-	-
Other	48,538	15,699	22,350	2,543	6,811	-	1,135

Total revenues	2,640,491	1,058,385	609,171	524,044	250,207	-	198,684
Operating expenses	1,048,537	439,012	211,687	198,802	127,437	-	71,599
Depreciation and amortization	529,134	190,925	135,351	90,974	46,823	-	65,061
General and administrative	193,969	20,217	26,522	29,836	29,252	-	88,142
Impairment losses and acquisition costs	81,447	-	-	595	-	-	80,852
Total expenses	1,853,087	650,154	373,560	320,207	203,512	-	305,654
Operating income (loss)	787,404	408,231	235,611	203,837	46,695	-	(106,970)
Income applicable to Toys	2,380	-	-	-	-	2,380	-
(Loss) income from partially owned entities	(159,207)	6,082	6,173	10,371	1,106	-	(182,939)
Interest and other investment (loss) income, net	(2,747)	2,288	2,108	464	329	-	(7,936)
Interest and debt expense	(619,531)	(139,146)	(125,141)	(85,895)	(38,214)	-	(231,135)
Net gain on early extinguishment of debt	9,820	-	-	-	-	-	9,820
Net gain on disposition of wholly owned and partially owned assets	7,757	-	-	-	-	-	7,757
Income (loss) before income	25,876	277,455	118,751	128,777	9,916	2,380	(511,403)

taxes							
Income tax benefit (expense)	204,644	-	221,080	(82)	(1,206)	-	(15,148)
Income (loss) from continuing operations	230,520	277,455	339,831	128,695	8,710	2,380	(526,551)
Income from discontinued operations	180,925	-	64,849	3,001	1,163	-	111,912
Net income (loss)	411,445	277,455	404,680	131,696	9,873	2,380	(414,639)
Net loss (income) attributable to noncontrolling interests in consolidated subsidiaries	3,263	(4,762)	-	157	(125)	-	7,993
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(55,411)	-	-	-	-	-	(55,411)
Net income (loss) attributable to Vornado	359,297	272,693	404,680	131,853	9,748	2,380	(462,057)
Interest and debt expense(2)	821,940	132,406	130,310	102,600	53,072	147,812	255,740
Depreciation and amortization(2)	710,526	181,699	143,989	98,238	52,357	136,634	97,609
Income tax (benefit) expense(2)	(142,415)	-	(220,965)	82	1,260	59,652	17,556
EBITDA(1)	$ 1,749,348	$ 586,798	$ 458,014	$ 332,773	$ 116,437	$ 346,478	$ (91,152)

Balance Sheet Data:							
Real estate at cost	$ 17,432,906	$ 5,362,129	$ 4,443,887	$ 4,469,378	$ 1,149,357	$ -	$ 2,008,155
Investments in partially owned entities	1,083,250	129,934	115,121	20,079	6,969	293,096	518,051
Total assets	21,418,048	5,287,544	3,934,039	3,733,586	1,468,470	293,096	6,701,313

See notes on the following page.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Segment Information - continued

Notes to preceding tabular information:

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

(2) Interest and debt expense, depreciation and amortization and income tax expense in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.

(3) The components of other EBITDA are summarized below. The totals for each of the columns below agree to the total EBITDA for the "other" column in the preceding EBITDA by segment reconciliations.

(Amounts in thousands)	For the Year Ended December 31,		
	2010	**2009**	**2008**
Alexander's	$ 57,425	$ 81,703	$ 64,683
Lexington	55,304	50,024	35,150
555 California Street	46,782	44,757	48,316
Hotel Pennsylvania	23,763	15,108	42,269
LNR (acquired in July 2010)	6,116	-	-
Industrial warehouses	2,528	4,737	5,264
Other investments	31,587	6,981	6,321
	223,505	203,310	202,003
Corporate general and administrative expenses (1)	(90,343)	(79,843)	(91,967)
Investment income and other, net (1)	65,499	78,593	109,519
Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(55,228)	(25,120)	(55,411)

Income (loss) from the mark-to-market of derivative positions in marketable equity securities	130,153	-	(33,740)
Net (loss) gain on early extinguishment of debt	(10,782)	(26,684)	-
Real Estate Fund organization costs	(5,937)	-	-
Non-cash mezzanine loans receivable loss (accrual) reversal	53,100	(190,738)	10,300
Non-cash asset write-downs:			
Investment in Lexington	-	(19,121)	(107,882)
Marketable equity securities	-	(3,361)	(76,352)
Real estate - primarily development projects:			
Wholly owned entities (including acquisition costs)	(36,958)	(39,299)	(80,852)
Partially owned entities	-	(17,820)	(96,037)
Write-off of unamortized costs from the voluntary surrender of equity awards	-	(20,202)	-
Discontinued operations of Americold (including a $112,690 net gain on sale)	-	-	129,267
	$ 273,009	$ (140,285)	$ (91,152)

(1) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

item 9. changes in and disagreements with accountants on accounting and financial disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a 15 (e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of Vornado Realty Trust, together with its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2010, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2010 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States, and that receipts and expenditures are being made only in accordance with authorizations of management and our trustees; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 168, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2010.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the internal control over financial reporting of Vornado Realty Trust, together with its consolidated subsidiaries (the "Company") as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of trustees, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2010 of the Company and our report dated February 23, 2011 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 23, 2011

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information relating to trustees of the Registrant, including its audit committee and audit committee financial expert, will be contained in a definitive Proxy Statement involving the election of trustees under the caption "Election of Trustees" which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 2010, and such information is incorporated herein by reference. Also incorporated herein by reference is the information under the caption "16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement.

The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office that run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

Name	Age	PRINCIPAL OCCUPATION, POSITION AND OFFICE (Current and during past five years with Vornado unless otherwise stated)
Steven Roth	69	Chairman of the Board; Chief Executive Officer from May 1989 to May 2009; Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 1995, a Director since 1989, and Chairman since May 2004.
Michael D. Fascitelli	54	Chief Executive Officer since May 2009; President and a Trustee since December 1996; President of Alexander's Inc. since August 2000 and Director since December 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992.
Michael J. Franco	42	

		Executive Vice President - Co-Head of Acquisitions and Capital Markets since November 2010; Managing Director (2003-2010) and Executive Director (2001-2003) of the Real Estate Investing Group of Morgan Stanley.
David R. Greenbaum	59	President of the New York City Office Division since April 1997 (date of our acquisition); President of Mendik Realty (the predecessor to the New York Office division) from 1990 until April 1997.
Christopher Kennedy	47	President of the Merchandise Mart Division since September 2000; Executive Vice President of the Merchandise Mart Division from April 1998 to September 2000; Executive Vice President of Merchandise Mart Properties, Inc. from 1994 to April 1998.
Joseph Macnow	65	Executive Vice President - Finance and Administration since January 1998 and Chief Financial Officer since March 2001; Vice President and Chief Financial Officer of the Company from 1985 to January 1998; Executive Vice President and Chief Financial Officer of Alexander's Inc. since August 1995.
Mitchell N. Schear	52	President of Vornado/Charles E. Smith L.P. (our Washington, DC Office division) since April 2003; President of the Kaempfer Company from 1998 to April 2003 (date acquired by us).
Wendy Silverstein	50	Executive Vice President - Co-Head of Acquisitions and Capital Markets since November 2010; Executive Vice President of Capital Markets since 1998; Senior Credit Officer of Citicorp Real Estate and Citibank, N.A. from 1986 to 1998.

The Registrant has adopted a Code of Business Conduct and Ethics that applies to, among others, Michael Fascitelli, its principal executive officer, and Joseph Macnow, its principal financial and accounting officer. This Code is available on our website at www.vno.com.

Item 11. Executive Compensation

Information relating to executive officer and director compensation will be contained in the Proxy Statement referred to above in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Executive Compensation” and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Principal Security Holders” and such information is incorporated herein by reference.

Equity compensation plan information

The following table provides information as of December 31, 2010 regarding our equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	6,596,962 (1)	$ 56.89	5,942,459 (2)
Equity compensation awards not approved by security holders	-	-	-

Total	6,596,962	$	56.89	5,942,459

(1) Includes 75,548 restricted common shares, 920,391 restricted Operating Partnership units and 112,143 Out-Performance Plan units which do not have an option exercise price.

(2) All of the shares available for future issuance under plans approved by the security holders may be issued as Full Value Awards or Not Full Value Awards, as defined.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information relating to certain relationships and related transactions will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Certain Relationships and Related Transactions” and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information relating to Principal Accounting fees and services will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Ratification of Selection of Independent Auditors” and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

	Pages in this Annual Report on Form 10-K
II--Valuation and Qualifying Accounts--years ended December 31, 2010, 2009 and 2008	173
III--Real Estate and Accumulated Depreciation as of December 31, 2010	174

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K.

Exhibit No.	
10.42	Form of Vornado Realty Trust 2010 Omnibus Share Plan Stock Option Agreement
10.43	Form of Vornado Realty Trust 2010 Omnibus share Plan Restricted LTIP Unit Agreement
10.44	Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted Stock Agreement
10.45	Letter Agreement between Vornado Realty Trust and Michelle Felman, dated December 21, 2010
10.46	Waiver and Release between Vornado Realty Trust and Michelle Felman, dated December 21, 2010
12	Computation of Ratios
21	Subsidiaries of Registrant
23	Consent of Independent Registered Public Accounting Firm

31.1	Rule 13a-14 (a) Certification of Chief Executive Officer
31.2	Rule 13a-14 (a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

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

VORNADO REALTY TRUST
(Registrant)

Date: February 23, 2011

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

	Signature	Title	Date
By:	/s/Steven Roth (Steven Roth)	Chairman of the Board of Trustees	February 23, 2011
By:	/s/Michael D. Fascitelli (Michael D. Fascitelli)	President and Chief Executive Officer (Principal Executive Officer)	February 23, 2011
By:	/s/Candace L. Beinecke (Candace L. Beinecke)	Trustee	February 23, 2011
By:	/s/Anthony W. Deering (Anthony W. Deering)	Trustee	February 23, 2011
By:	/s/Robert P. Kogod (Robert P. Kogod)	Trustee	February 23, 2011
By:	/s/Michael Lynne (Michael Lynne)	Trustee	February 23, 2011
By:	/s/David Mandelbaum (David Mandelbaum)	Trustee	February 23, 2011
By:	/s/Ronald G. Targan	Trustee	February 23, 2011

(Ronald G. Targan)		
By: /s/Richard R. West (Richard R. West)	Trustee	February 23, 2011
By: /s/Russell B. Wight (Russell B. Wight, Jr.)	Trustee	February 23, 2011
By: /s/Joseph Macnow (Joseph Macnow)	Executive Vice President — Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2011

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SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
December 31, 2010
(Amounts in Thousands)

Column A Description	Column B Balance at Beginning of Year	Column C Additions Charged Against Operations	Column D Uncollectible Accounts Written-off	Column E Balance at End of Year
Year Ended December 31, 2010:				
Allowance for doubtful accounts	$ 242,118	$ (23,465)	$ (75,135)	$ 143,518
Year Ended December 31, 2009:				
Allowance for doubtful accounts	$ 85,307	$ 216,712	$ (59,901)	$ 242,118
Year Ended December 31, 2008:				
Allowance for doubtful accounts	$ 79,227	$ 20,931	$ (14,851)	$ 85,307

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VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F
		Initial cost to company (1)			Gross amount at which carried at close of period			
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization
Office Buildings								
New York								
Manhattan								
1290 Avenue of the Americas	$ 424,136	$ 515,539	$ 923,653	$ 68,603	$ 515,539	$ 992,256	$ 1,507,795	$ 100,556
350 Park Avenue	430,000	265,889	363,381	25,400	265,889	388,781	654,670	38,798
One Penn Plaza	-	-	412,169	148,019	-	560,188	560,188	176,108
100 W.33rd St (Manhattan Mall)	159,361	242,776	247,970	3,608	242,776	251,578	494,354	24,828
Two Penn Plaza	277,347	53,615	164,903	78,470	52,689	244,299	296,988	93,497
770 Broadway	353,000	52,898	95,686	73,942	52,898	169,628	222,526	55,274
90 Park Avenue	-	8,000	175,890	32,211	8,000	208,101	216,101	70,516
888 Seventh Avenue	318,554	-	117,269	90,982	-	208,251	208,251	68,690
	-	38,224	25,992	111,463	38,224	137,455	175,679	46,395

640 Fifth Avenue								
Eleven Penn Plaza	199,320	40,333	85,259	45,524	40,333	130,783	171,116	45,132
1740 Broadway	-	26,971	102,890	36,891	26,971	139,781	166,752	42,261
909 Third Avenue	207,045	-	120,723	43,689	-	164,412	164,412	43,510
150 East 58th Street	-	39,303	80,216	28,657	39,303	108,873	148,176	37,385
595 Madison Avenue	-	62,731	62,888	15,500	62,731	78,388	141,119	20,961
866 United Nations Plaza	44,978	32,196	37,534	10,635	32,196	48,169	80,365	18,228
20 Broad Street	-	-	28,760	25,953	-	54,713	54,713	14,878
40 Fulton Street	-	15,732	26,388	5,758	15,732	32,146	47,878	10,999
689 Fifth Avenue	-	19,721	13,446	10,844	19,721	24,290	44,011	9,315
330 West 34th Street	-	-	8,599	12,764	-	21,363	21,363	9,426
40-42 Thompson Street	-	6,503	10,057	721	6,503	10,778	17,281	1,414
1540 Broadway Garage	-	4,086	8,914	-	4,086	8,914	13,000	1,009
Other	-	-	5,548	65,866	36,106	35,308	71,414	3,547
Total New York	2,413,741	1,424,517	3,118,135	935,500	1,459,697	4,018,455	5,478,152	932,727
Washington, DC								
2011-2451 Crystal Drive	127,720	100,935	409,920	116,865	100,228	527,492	627,720	134,079

2001 Jefferson Davis Highway, 2100/2200 Crystal Drive, 223 23rd Street, 2221 South Clark Street, Crystal City Shops at 2100, 220 20th Street	83,573	57,213	131,206	184,306	57,070	315,655	372,725	58,484
1550-1750 Crystal Drive/ 241-251 18th Street	124,883	64,817	218,330	51,019	64,652	269,514	334,166	72,441
Riverhouse Apartments	259,546	118,421	125,078	53,308	138,696	158,111	296,807	14,724
Skyline Place (6 buildings)	442,500	41,986	221,869	22,325	41,862	244,318	286,180	61,383
1215, 1225 S. Clark Street/ 200, 201 12th Street S.	93,075	47,594	177,373	25,482	47,465	202,984	250,449	52,564

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COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			CO
		Initial cost to company (1)			Gross amount at which carried at close of period			
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accu depr amo
1800, 1851 and 1901 South Bell Street	10,099	37,551	118,806	26,418	37,551	145,224	182,775	
1229-1231 25th Street	95,220	67,049	5,039	105,288	68,198	109,178	177,376	
2101 L Street	150,000	32,815	51,642	80,965	39,768	125,654	165,422	
2200-2300 Courthhouse Plaza	59,278	-	105,475	26,748	-	132,223	132,223	
Bowen Building	115,022	30,077	98,962	1,695	30,176	100,558	130,734	
1875 Connecticut Ave NW	51,900	36,303	82,004	1,428	35,886	83,849	119,735	
One Skyline Tower	134,700	12,266	75,343	31,684	12,231	107,062	119,293	
Reston Executive	93,000	15,424	85,722	8,150	15,380	93,916	109,296	
H Street - North 10-1D Land Parcel	-	104,473	55	(12,230)	87,666	4,632	92,298	
409 3rd Street	-	10,719	69,658	7,229	10,719	76,887	87,606	
1825 Connecticut Ave NW	51,149	33,090	61,316	(6,211)	32,726	55,469	88,195	
Warehouses	-	106,946	1,326	(23,394)	83,400	1,478	84,878	
Commerce Executive	-	13,401	58,705	13,902	13,363	72,645	86,008	
	52,314	15,826	53,894	13,803	15,826	67,697	83,523	

1235 S. Clark Street								
Seven Skyline Place	100,800	10,292	58,351	(3,318)	10,262	55,063	65,325	
1150 17th Street	28,728	23,359	24,876	14,363	24,723	37,875	62,598	
Crystal City Hotel	-	8,000	47,191	5,556	8,000	52,747	60,747	
1750 Pennsylvania Avenue	45,132	20,020	30,032	1,270	21,170	30,152	51,322	
1730 M Street	14,853	10,095	17,541	9,308	10,687	26,257	36,944	
Democracy Plaza I	-	-	33,628	(75)	-	33,553	33,553	
1726 M Street	-	9,450	22,062	1,686	9,455	23,743	33,198	
Crystal Drive Retail	-	-	20,465	5,792	-	26,257	26,257	
1109 South Capitol Street	-	11,541	178	26	11,597	148	11,745	
South Capitol	-	4,009	6,273	(3,271)	-	7,011	7,011	
H Street	-	1,763	641	41	1,763	682	2,445	
Other	-	-	51,767	(44,150)	-	7,617	7,617	
Total Washington, DC	2,133,492	1,045,435	2,464,728	716,008	1,030,520	3,195,651	4,226,171	
New Jersey								
Paramus	-	-	-	23,334	1,033	22,301	23,334	
California								
555 California Street	640,911	221,903	893,324	22,853	221,903	916,177	1,138,080	
Total Office Buildings	5,188,144	2,691,855	6,476,187	1,697,695	2,713,153	8,152,584	10,865,737	1,

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COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F
		Initial cost to company (1)			Gross amount at which carried at close of period			
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization
Shopping Centers								
California								
Los Angeles (Beverly Connection)	100,000	72,996	131,510	16,954	72,996	148,464	221,460	14,275
San Jose	120,863	51,846	122,688	-	51,846	122,688	174,534	767
Sacramento	-	3,897	31,370	528	3,897	31,898	35,795	4,074
Walnut Creek (1149 S. Main St)	-	2,699	19,930	-	2,699	19,930	22,629	2,555
Pasadena	-	-	18,337	546	-	18,883	18,883	1,878
San Francisco (3700 Geary Blvd)	-	11,857	4,444	27	11,857	4,471	16,328	578
Signal Hill	-	9,652	2,940	1	9,652	2,941	12,593	313
Walnut Creek (1556 Mount Diablo Blvd)	-	5,909	-	740	5,908	741	6,649	-
Redding	-	2,900	2,857	490	2,900	3,347	6,247	314
Merced	-	1,725	1,907	215	1,725	2,122	3,847	289
San Bernadino (1522 E. Highland Ave)	-	1,651	1,810	-	1,651	1,810	3,461	290
Corona	-	-	3,073	-	-	3,073	3,073	493
Vallejo	-	-	2,945	-	-	2,945	2,945	311
	-	1,597	1,119	-	1,597	1,119	2,716	180

San Bernadino (648 W. 4th St)								
Mojave	-	-	2,250	-	-	2,250	2,250	361
Barstow	-	856	1,367	-	856	1,367	2,223	219
Colton (1904 Ranchero Ave)	-	1,239	954	-	1,239	954	2,193	153
Moreno Valley	-	639	1,156	-	639	1,156	1,795	186
Rialto	-	434	1,173	-	434	1,173	1,607	188
Desert Hot Springs	-	197	1,355	-	197	1,355	1,552	217
Yucaipa	-	663	426	-	663	426	1,089	68
Riverside (9155 Jurupa Road)	-	251	783	-	251	783	1,034	126
Riverside (5571 Mission Blvd)	-	209	704	-	209	704	913	113
Total California	220,863	171,217	355,098	19,501	171,216	374,600	545,816	27,948
Connecticut								
Waterbury	14,765	667	4,504	4,787	667	9,291	9,958	5,295
Newington	11,870	2,421	1,200	860	2,421	2,060	4,481	642
Total Connecticut	26,635	3,088	5,704	5,647	3,088	11,351	14,439	5,937
Florida								
Tampa (Hyde Park)	21,862	8,000	23,293	13,476	8,000	36,769	44,769	5,015
Tampa	-	3,651	2,388	2,134	3,650	4,523	8,173	312
Total Florida	21,862	11,651	25,681	15,610	11,650	41,292	52,942	5,327

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COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	C
		Initial cost to company (1)			Gross amount at which carried at close of period				
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	co
Illinois									
Lansing	-	2,135	1,064	71	2,135	1,135	3,270	115	
Iowa									
Dubuque	-	-	1,479	-	-	1,479	1,479	156	
Maryland									
Rockville	-	3,470	20,599	123	3,470	20,722	24,192	3,019	
Baltimore (Towson)	16,502	581	3,227	8,768	581	11,995	12,576	4,061	
Annapolis	-	-	9,652	-	-	9,652	9,652	1,952	
Wheaton	-	-	5,367	-	-	5,367	5,367	570	
Glen Burnie	-	462	2,571	528	462	3,099	3,561	2,602	
Total Maryland	16,502	4,513	41,416	9,419	4,513	50,835	55,348	12,204	
Massachusetts									
Dorchester	-	12,844	3,794	(3)	12,841	3,794	16,635	403	
Springfield	6,051	2,797	2,471	595	2,797	3,066	5,863	630	
Chicopee	8,772	895	-	-	895	-	895	-	
Cambridge	-	-	-	260	-	260	260	67	
Total Massachusetts	14,823	16,536	6,265	852	16,533	7,120	23,653	1,100	
Michigan									
Roseville	-	30	6,128	1,461	30	7,589	7,619	1,569	
Battle Creek	-	1,264	2,144	(2,443)	264	701	965	75	
Midland	-	-	133	86	-	219	219	51	
	-	1,294	8,405	(896)	294	8,509	8,803	1,695	

Total Michigan									
New Hampshire									
Salem	-	6,083	-	-	6,083	-	6,083	-	
New Jersey									
Paramus (Bergen Town Center)	279,044	19,884	81,723	342,631	37,635	406,603	444,238	30,708	1
North Bergen (Tonnelle Ave)	-	24,493	-	61,363	31,430	54,426	85,856	2,656	
Union (Springfield Avenue)	30,108	19,700	45,090	-	19,700	45,090	64,790	4,039	
East Rutherford	14,359	-	36,727	(1)	-	36,726	36,726	2,481	
East Hanover I and II	45,219	2,232	18,241	10,399	2,671	28,201	30,872	12,270	
Garfield	-	45	8,068	20,809	45	28,877	28,922	1,132	
Lodi (Washington Street)	9,881	7,606	13,125	263	7,606	13,388	20,994	2,023	
Englewood	12,222	2,300	17,245	-	2,300	17,245	19,545	1,545	
Bricktown	33,755	1,391	11,179	6,123	1,391	17,302	18,693	9,775	
Totowa	26,171	1,102	11,994	4,667	1,099	16,664	17,763	10,993	1
Hazlet	-	7,400	9,413	-	7,400	9,413	16,813	843	
Carlstadt	7,442	-	16,457	12	-	16,469	16,469	1,307	

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COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	CO
		Initial cost to company (1)			Gross amount at which carried at close of period				
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	D cons
North Plainfield	-	500	13,983	1,635	500	15,618	16,118	10,173	
East Brunswick II (339-341 Route 18 S.)	12,449	2,098	10,949	2,750	2,098	13,699	15,797	7,671	
Manalapan	22,234	725	7,189	7,774	1,046	14,642	15,688	9,372	
Marlton	18,239	1,611	3,464	9,706	1,611	13,170	14,781	5,936	
Union (Route 22 and Morris Ave)	34,160	3,025	7,470	1,879	3,025	9,349	12,374	4,272	
Hackensack	42,845	692	10,219	1,266	692	11,485	12,177	8,468	
Wayne Towne Center	-	-	12,100	-	-	12,100	12,100	-	
Watchung	15,923	4,178	5,463	1,427	4,441	6,627	11,068	3,121	
South Plainfield	5,414	-	10,044	224	-	10,268	10,268	917	
Eatontown	-	4,653	4,999	277	4,653	5,276	9,929	745	
Cherry Hill	14,649	5,864	2,694	1,347	4,864	5,041	9,905	3,777	
Dover	13,896	559	6,363	2,920	559	9,283	9,842	5,481	
Lodi (Route 17 N.)	11,985	238	9,446	-	238	9,446	9,684	2,655	

East Brunswick I (325-333 Route 18 S.)	26,287	319	6,220	2,682	319	8,902	9,221	8,323
Jersey City	21,423	652	7,495	323	652	7,818	8,470	2,101
Morris Plains	22,581	1,104	6,411	852	1,104	7,263	8,367	6,683
Middeltown	18,354	283	5,248	1,238	283	6,486	6,769	4,804
Woodbridge	21,828	1,509	2,675	1,783	1,539	4,428	5,967	2,296
Delran	-	756	4,468	545	756	5,013	5,769	4,865
Lawnside	11,291	851	3,164	1,282	851	4,446	5,297	3,818
Kearny	-	309	3,376	1,151	309	4,527	4,836	3,060
Bordentown	-	498	3,176	1,102	717	4,059	4,776	4,010
Turnersville	-	900	1,342	878	900	2,220	3,120	2,092
North Bergen (Kennedy Blvd)	5,385	2,308	636	34	2,308	670	2,978	378
Montclair	2,779	66	419	381	66	800	866	654
Total New Jersey	779,923	119,851	418,275	489,722	144,808	883,040	1,027,848	185,444
New York								
Valley Stream (Green Acres Mall)	335,000	147,172	134,980	58,160	146,969	193,343	340,312	45,181
Bronx (Bruckner Blvd)	-	66,100	259,503	373	66,100	259,876	325,976	25,969
Hicksville (Broadway Mall)	90,227	126,324	48,904	5,969	126,324	54,873	181,197	6,645
Poughkeepsie	-	12,733	12,026	35,534	12,780	47,513	60,293	3,063
Huntington	17,602	21,200	33,667	186	21,200	33,853	55,053	2,674
Mount Kisco	29,382	22,700	26,700	386	23,297	26,489	49,786	2,052
Bronx (Gun Hill Road)	-	6,427	11,885	16,556	6,428	28,440	34,868	1,457
Staten Island	17,400	11,446	21,262	292	11,446	21,554	33,000	3,801
Inwood	-	12,419	19,097	524	12,419	19,621	32,040	2,919
	-	7,839	20,392	1,789	7,839	22,181	30,020	3,654

Queens (99-01 Queens Blvd)								
West Babylon	-	6,720	13,786	70	6,720	13,856	20,576	1,313
Freeport (437 E. Sunrise Highway)	22,581	1,231	4,747	1,480	1,231	6,227	7,458	4,725
Dewitt	-	-	7,116	-	-	7,116	7,116	749
Buffalo (Amherst)	-	5,743	4,056	611	5,107	5,303	10,410	4,434
Oceanside	-	2,710	2,306	-	2,710	2,306	5,016	206

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COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	C
		Initial cost to company (1)			Gross amount at which carried at close of period				
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	co
Albany (Menands)	-	460	2,091	2,313	460	4,404	4,864	3,314	
Rochester (Henrietta)	-	-	2,647	1,142	-	3,789	3,789	3,381	
Rochester	4,632	2,172	-	-	2,172	-	2,172	-	
Freeport (240 Sunrise Highway)	-	-	-	260	-	260	260	61	
Commack	-	-	43	213	-	256	256	15	
New Hyde Park	-	-	4	-	-	4	4	126	
Manhattan									
1540 Broadway	-	105,914	214,208	17,856	105,914	232,064	337,978	10,704	
Manhattan Mall	72,639	88,595	113,473	73,018	88,595	186,491	275,086	19,222	
828-850 Madison Avenue	80,000	107,937	28,261	10	107,937	28,271	136,208	4,004	
4 Union Square South	75,000	24,079	55,220	388	24,079	55,608	79,687	9,292	1
478-482 Broadway	-	20,000	13,375	26,874	20,000	40,249	60,249	2,354	
510 5th Avenue	32,189	34,200	23,175	-	34,200	23,175	57,375	143	

40 East 66th Street	-	13,616	34,635	121	13,616	34,756	48,372	4,287
25 W. 14th Street	-	29,169	17,878	341	29,169	18,219	47,388	3,166
155 Spring Street	-	13,700	30,544	1,664	13,700	32,208	45,908	2,991
435 7th Avenue	51,844	19,893	19,091	37	19,893	19,128	39,021	4,026
692 Broadway	-	6,053	22,908	1,707	6,053	24,615	30,668	3,203
715 Lexington Avenue	-	-	26,903	-	-	26,903	26,903	3,794
677-679 Madison Avenue	-	13,070	9,640	360	13,070	10,000	23,070	1,123
431 7th Avenue	-	16,700	2,751	-	16,700	2,751	19,451	258
484-486 Broadway	-	10,000	6,688	4,076	10,000	10,764	20,764	583
1135 Third Avenue	-	7,844	7,844	-	7,844	7,844	15,688	2,549
387 West Broadway	-	5,858	7,662	364	5,858	8,026	13,884	1,376
148 Spring Street	-	3,200	8,112	109	3,200	8,221	11,421	529
150 Spring Street	-	3,200	5,822	137	3,200	5,959	9,159	392
386 West Broadway	4,197	2,624	6,160	-	2,624	6,160	8,784	937
488 8th Avenue	-	10,650	1,767	(4,674)	6,859	884	7,743	67
484 8th Avenue	-	3,856	762	-	3,856	762	4,618	265
825 7th Avenue	-	1,483	697	33	1,483	730	2,213	243
Total New York	832,693	995,037	1,282,788	248,279	991,052	1,535,052	2,526,104	191,247
Pennsylvania								
Wilkes Barre	20,727	6,053	26,646	113	6,053	26,759	32,812	2,067

Philadelphia	-	933	23,650	6,228	933	29,878	30,811	8,066	
Allentown	31,670	334	15,580	348	334	15,928	16,262	11,398	
Bensalem	15,720	2,727	6,698	1,836	2,727	8,534	11,261	2,819	1
Bethlehem	5,906	827	5,200	300	839	5,488	6,327	5,483	
Wyomissing	-	-	2,646	2,411	-	5,057	5,057	2,177	
York	5,501	409	2,568	1,934	409	4,502	4,911	3,487	
Broomall	11,291	850	2,171	774	850	2,945	3,795	2,826	

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COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			CO
		Initial cost to company (1)			Gross amount at which carried at close of period			
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accu depr s amor
Lancaster	5,703	3,140	63	547	3,140	610	3,750	
Upper Mooreland	-	683	1,868	900	683	2,768	3,451	
Glenolden	7,238	850	1,820	471	850	2,291	3,141	
Levittown	-	183	1,008	377	183	1,385	1,568	
Springfield	-	-	-	167	-	167	167	
Total Pennsylvania	103,756	16,989	89,918	16,406	17,001	106,312	123,313	
South Carolina								
Charleston	-	-	3,634	-	-	3,634	3,634	
Tennessee								
Antioch	-	1,521	2,386	-	1,521	2,386	3,907	
Texas								
Texarkana	-	-	458	33	-	491	491	
Utah								
Ogden	-	1,714	2,431	(2,201)	713	1,231	1,944	
Virginia								
Springfield (Springfield Mall)	-	35,168	265,964	(23,424)	49,516	228,192	277,708	
Norfolk	-	-	3,927	15	-	3,942	3,942	
Total Virginia	-	35,168	269,891	(23,409)	49,516	232,134	281,650	
Washington								

Bellingham	-	1,831	2,136	(1,970)	922	1,075	1,997	
Washington, DC								
3040 M Street	-	7,830	27,490	45	7,830	27,535	35,365	
Wisconsin								
Fond Du Lac	-	-	174	102	-	276	276	
Puerto Rico								
Las Catalinas	57,737	15,280	64,370	8,104	15,280	72,474	87,754	
Montehiedra	120,000	9,182	66,751	3,591	9,267	70,257	79,524	
Total Puerto Rico	177,737	24,462	131,121	11,695	24,547	142,731	167,278	
Other	-	-	-	2,419	-	2,419	2,419	
Total Retail Properties	2,194,794	1,420,920	2,675,814	791,325	1,453,422	3,434,637	4,888,059	5

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E		
		Initial cost to company (1)			Gross amount at which carried at close of period		
Description	Encumbrances	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total
Merchandise Mart Properties							
Illinois							
Merchandise Mart, Chicago	550,000	64,528	319,146	159,448	64,535	478,587	543
350 North Orleans, Chicago	-	14,238	67,008	79,800	14,246	146,800	161
527 W. Kinzie, Chicago	-	5,166	-	-	5,166	-	5
Total Illinois	550,000	83,932	386,154	239,248	83,947	625,387	709
Washington, DC							
Washington Design Center	43,447	12,274	40,662	13,468	12,274	54,130	66
New York							
7 West 34th Street	-	34,614	94,167	35,785	34,614	129,952	164
MMPI Piers	-	-	-	9,156	-	9,156	9
Total New York	-	34,614	94,167	44,941	34,614	139,108	173
Massachusetts							
Boston Design Center	68,538	-	93,915	7,238	-	101,153	101
California							
Gift and Furniture Mart, Los Angeles	-	10,141	43,422	5,968	10,141	49,390	59
Other	-	-	-	3,273	-	3,273	3
Total Merchandise Mart	661,985	140,961	658,320	314,136	140,976	972,441	1,113

Warehouse/Industrial							
New Jersey							
East Hanover	24,358	576	7,752	7,061	691	14,698	15
Edison	-	-	-	4,903	704	4,199	4
Total Warehouse/Industrial	24,358	576	7,752	11,964	1,395	18,897	20
Other Properties							
Hotel Pennsylvania	-	29,903	121,712	72,410	29,904	194,121	224
220 Central Park South	123,750	115,720	16,420	111,068	115,720	127,488	243
Wasserman	43,867	28,052	-	33,436	40,238	21,250	61
40 East 66th Residential	-	29,199	85,798	(68,187)	18,194	28,616	46
677-679 Madison	-	1,462	1,058	1,294	2,212	1,602	3
Atlantic City, NJ	-	83,089	7	-	83,089	7	83
Total Other Properties	167,617	287,425	224,995	150,021	289,357	373,084	662
Leasehold Improvements							
Equipment and Other	-	-	-	124,976	-	124,976	124
Total December 31, 2010	$ 8,236,898	$ 4,541,737	$ 10,043,068	$ 3,090,117	$ 4,598,303	$ 13,076,619	$ 17,674

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VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

Notes:

(1)	Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date see Column H.
(2)	The net basis of the Company's assets and liabilities for tax purposes is approximately $3.3 billion lower than the amount reported for financial statement purposes.
(3)	Date of original construction — many properties have had substantial renovation or additional construction — see Column D.
(4)	Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to forty years.

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)

The following is a reconciliation of real estate assets and accumulated depreciation:

	Year Ended December 31,		
	2010	**2009**	**2008**
Real Estate			
Balance at beginning of period	$ 17,574,245	$ 17,432,906	$ 16,622,740
Additions during the period:			
Land	347,345	-	95,980
Buildings & improvements	324,114	601,136	1,087,944
	18,245,704	18,034,042	17,806,664
Less: Assets sold and written-off	570,782	459,797	373,758
Balance at end of period	$ 17,674,922	$ 17,574,245	$ 17,432,906
Accumulated Depreciation			
Balance at beginning of period	$ 2,441,344	$ 2,117,643	$ 1,765,443
Additions charged to operating expenses	428,788	433,785	407,753
	2,870,132	2,551,428	2,173,196
Less: Accumulated depreciation on assets sold and written-off	106,135	110,084	55,553
Balance at end of period	$ 2,763,997	$ 2,441,344	$ 2,117,643

EXHIBIT INDEX

Exhibit No.			
3.1	-	Articles of Restatement of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on July 30, 2007 - Incorporated by reference to Exhibit 3.75 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-11954), filed on July 31, 2007	*
3.2	-	Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
3.3	-	Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.4	-	Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.5	-	Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998	*
3.6	-	Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998	*

3.7	-	Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999	*
3.8	-	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999	*
3.9	-	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.10	-	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.11	-	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.12	-	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*
3.13	-	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*

* Incorporated by reference.

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3.14	-	Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999	*
3.15	-	Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000	*
3.16	-	Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000	*
3.17	-	Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000	*
3.18	-	Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*
3.19	-	Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001 11954), filed on October 12, 2001	*
3.20	-	Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8 K (File No. 001-11954), filed on October 12, 2001	*
3.21	-	Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002	*
3.22	-	Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 - Incorporated	*

		by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	
3.23	-	Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.24	-	Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003	*
3.25	-	Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 – Incorporated by reference to Exhibit 3.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004	*
3.26	-	Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 – Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004	*
3.27	-	Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 – Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*

* Incorporated by reference.

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3.28	-	Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 – Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.29	-	Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.30	-	Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.31	-	Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005	*
3.32	-	Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 21, 2005	*
3.33	-	Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 1, 2005	*
3.34	-	Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 14, 2005	*
3.35	-	Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of December 19, 2005 – Incorporated by reference to Exhibit 3.59 to Vornado Realty L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 000-22685), filed on May 8, 2006	*

3.36	-	Thirty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006	*
3.37	-	Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of May 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on May 3, 2006	*
3.38	-	Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of August 17, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on August 23, 2006	*
3.39	-	Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of October 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on January 22, 2007	*
3.40	-	Thirty-Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*

* Incorporated by reference.

3.41	-	Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.42	-	Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.43	-	Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.4 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.44	-	Forty-First Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of March 31, 2008 – Incorporated by reference to Exhibit 3.44 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (file No. 001-11954), filed on May 6, 2008	*
3.45	-	Forty-Second Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of December 17, 2010	
4.1	-	Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-11954), filed on April 28, 2005	*
4.2	-	Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee – Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Current Report on Form 8-K	*

(File No. 001-11954), filed on November 27, 2006

Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.

10.1		-	Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992	*
10.2		-	Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.3		-	Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.4	**	-	Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*

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* Incorporated by reference.
** Management contract or compensatory agreement.

10.5	**	-	Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997	*
10.6	**	-	Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005 – Incorporated by reference to Exhibit 10.15 to Vornado Realty Trust Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006	*
10.7	**	-	Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.8		-	Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002	*
10.9		-	Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002	*
10.10		-	Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated	*

			March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002	
10.11	**	-	First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.12	**	-	Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.13		-	59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.14		-	Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*

* Incorporated by reference.
** Management contract or compensatory agreement.

10.15		-	Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002	*
10.16	**	-	Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002	*
10.17	**	-	Form of Stock Option Agreement between the Company and certain employees – Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.18	**	-	Form of Restricted Stock Agreement between the Company and certain employees – Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.19	**	-	Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006	*
10.20	**	-	Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006	*
10.21	**	-	Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement – Incorporated by reference to Vornado Realty Trust's Form 8-K (Filed No. 001-11954), filed on May 1, 2006	*
10.22	**	-	Revolving Credit Agreement, dated as of June 28, 2006, among the Operating Partnership,	*

the banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas, Lasalle Bank National Association, and UBS Loan Finance LLC, as Documentation Agents and Vornado Realty Trust – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on June 28, 2006

10.23	**	-	Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006	*
10.24	**	-	Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph Macnow dated July 27, 2006 – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006	*
10.25		-	Guaranty, made as of June 28, 2006, by Vornado Realty Trust, for the benefit of JP Morgan Chase Bank – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006	*

* Incorporated by reference.
** Management contract or compensatory agreement.

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10.26	**	-	Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006	*
10.27	**	-	Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander's Inc. – Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007	*
10.28	**	-	Amendment to 59th Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. – Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007	*
10.29	**	-	Employment Agreement between Vornado Realty Trust and Mitchell Schear, as of April 19, 2007 – Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007	*
10.30		-	Revolving Credit Agreement, dated as of September 28, 2007, among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks signatory thereto, each as a Bank, JPMorgan Chase Bank, N.A. as Administrative Agent, Bank of America, N.A. as Syndication Agent, Citicorp North America, Inc., Deutsche Bank Trust Company Americas, and UBS Loan Finance LLC as Documentation Agents, and J.P. Morgan Securities Inc. and Bank of America Securities LLC as Lead Arrangers and Bookrunners.	*

- Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007

10.31		-	Second Amendment to Revolving Credit Agreement, dated as of September 28, 2007, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and J.P. Morgan Chase Bank N.A., as Administrative Agent for the Banks - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007	*
10.32	**	-	Form of Vornado Realty Trust 2002 Omnibus Share Plan Non-Employee Trustee Restricted LTIP Unit Agreement – Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-11954) filed on February 26, 2008	*
10.33	**	-	Form of Vornado Realty Trust 2008 Out-Performance Plan Award Agreement – Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-11954) filed on May 6, 2008	*
10.34	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 29, 2008. Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.35	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Joseph Macnow, dated December 29, 2008. Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*

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*	Incorporated by reference.
**	Management contract or compensatory agreement.

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Explanation of Responses:

10.36	**	-	Amendment to Employment Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.37	**	-	Amendment to Indemnification Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.38	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Mitchell N. Schear, dated December 29, 2008. Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.39	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Christopher G. Kennedy, dated December 29, 2008. Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.40	**	-	Vornado Realty Trust's 2010 Omnibus Share Plan. Incorporated by reference to Exhibit 10.41 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-11954) filed on August 3, 2010	*
10.41	**	-	Employment Agreement between Vornado Realty Trust and Michael J. Franco, dated September 24, 2010. Incorporated by reference to Exhibit 10.42 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 001-11954) filed on November 2, 2010	*
10.42	**	-	Form of Vornado Realty Trust 2010 Omnibus Share Plan Stock Option Agreement	
10.43	**	-	Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted LTIP Unit Agreement	

10.44	**	-	Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted Stock Agreement
10.45	**	-	Letter Agreement between Vornado Realty Trust and Michelle Felman, dated December 21, 2010
10.46	**	-	Waiver and Release between Vornado Realty Trust and Michelle Felman, dated December 21, 2010

* Incorporated by reference.
** Management contract or compensatory agreement.

12	-	Computation of Ratios
21	-	Subsidiaries of the Registrant
23	-	Consent of Independent Registered Public Accounting Firm
31.1	-	Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2	-	Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1	-	Section 1350 Certification fo the Chief Executive Officer
32.2	-	Section 1350 Certification fo the Chief Finacial Officer
101.INS	-	XBRL Instance Document
101.SCH	-	XBRL Taxonomy Extension Schema
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase
101.LAB	-	XBRL Taxonomy Extension Label Linkbase
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase

Explanation of Responses: