

VORNADO REALTY TRUST

Form 424B5

April 13, 2011

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 Registration No. 333-162775

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities, nor a solicitation of an offer to buy these securities, in any jurisdiction where the offering is not permitted.

SUBJECT TO COMPLETION. DATED APRIL 13, 2011

Preliminary Prospectus Supplement
 (To Prospectus Dated October 30, 2009)

Shares

**% Series J Cumulative Redeemable Preferred Shares
 (Liquidation Preference \$25.00 Per Share)**

We are offering to the public _____ of our _____ % Series J Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, which we refer to as the Series J Preferred Shares . The underwriters named in this prospectus supplement may purchase up to _____ additional Series J Preferred Shares from us to cover over-allotments, if any.

Dividends on the Series J Preferred Shares will be cumulative from but excluding the date of original issue and payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2011, at the rate of _____ % of the liquidation preference per annum, or \$ _____ per Series J Preferred Share per annum.

Except in instances relating to preservation of our status as a real estate investment trust, the Series J Preferred Shares are not redeemable until April _____, 2016. On and after April _____, 2016, we may redeem the Series J Preferred Shares in whole at any time or in part from time to time at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series J Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed.

We intend to file an application to list the Series J Preferred Shares on the New York Stock Exchange. If this application is approved, trading of the Series J Preferred Shares on the New York Stock Exchange is expected to begin within 30 days following initial delivery of the Series J Preferred Shares.

See Risk Factors beginning on page S-5 of this prospectus supplement and under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 for a discussion of the risks relevant to an investment in our Series J Preferred Shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price(1)	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) Plus accrued dividends, if any, from but excluding the date of original issue.

The underwriters may also purchase up to an additional _____ shares of the Series J Preferred Shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments, if any.

The underwriters expect that the Series J Preferred Shares will be ready for delivery in book-entry form through The Depository Trust Company on or about April _____, 2011.

Joint Book-Running Managers

BofA Merrill Lynch

Citi

Morgan Stanley

UBS Investment Bank

Wells Fargo Securities

Co-Managers

Deutsche Bank Securities

Goldman, Sachs & Co.

J.P. Morgan

RBC Capital Markets

April , 2011

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus, including the information incorporated by reference in the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to give you different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus supplement or the information incorporated by reference in the accompanying prospectus is accurate as of any date after their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus. The second part, the prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus supplement, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, you should rely on the information in this prospectus supplement.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading Available Information, in the accompanying prospectus.

All dollar amounts are in U.S. dollars unless otherwise noted.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus supplement and the accompanying prospectus, or incorporated by reference in the accompanying prospectus, constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as approximates, believes, expects, anticipates, estimates, plans, would, may or other similar expressions in this prospectus supplement and the accompanying prospectus or the documents incorporated by reference in the accompanying prospectus. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements and our future results and financial condition, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2010.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this prospectus supplement, the accompanying prospectus or any document incorporated by reference in the accompanying prospectus, as applicable. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this prospectus supplement or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we file from time to time with the SEC. See Available Information in the accompanying prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

The following information may not contain all the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference in the accompanying prospectus, before making an investment decision. All references to we, our, us and Vornado in this prospectus supplement and the accompanying prospectus mean Vornado Realty Trust and its consolidated subsidiaries, except where it is clear that the term means only the parent company. All references to the Operating Partnership in this prospectus supplement and the accompanying prospectus mean Vornado Realty L.P. Unless indicated otherwise, all references to areas of properties provided in square feet or cubic feet in this prospectus supplement and the accompanying prospectus are approximations.

Vornado and the Operating Partnership

We are a fully integrated real estate investment trust organized under the laws of Maryland. We conduct our business through, and substantially all of our interests in properties are held by, the Operating Partnership. We are the sole general partner of, and owned an approximately 93.2% of the common limited partnership interest in, the Operating Partnership as of December 31, 2010.

As of December 31, 2010, Vornado Realty Trust, through the Operating Partnership, owned directly or indirectly:

Office Properties:

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

all or portions of 82 office properties aggregating 21.1 million square feet in the Washington, DC / Northern Virginia areas; and

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:

161 properties aggregating approximately 25.6 million square feet primarily in Manhattan, the northeastern states, California and Puerto Rico;

Merchandise Mart Properties:

six properties aggregating approximately 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.:

a 32.7% interest in Toys R Us, Inc., which owns and/or operates 1,589 stores worldwide, including 857 stores in the United States and 732 stores internationally;

Other Real Estate Investments:

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;

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

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

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;

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

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

Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 894-7000.

Recent Development

On February 24, 2011, we closed \$250 million of additional commitments to Vornado Capital Partners. After the closing, we owned a 25.0% interest in Vornado Capital Partners with aggregate equity commitments of \$800 million. Vornado Capital Partners is our exclusive investment vehicle for real estate and real estate-related investments that fit within the investment parameters of Vornado Capital Partners during its three-year investment period.

The Offering

Issuer	Vornado Realty Trust.
Shares Offered	_____ of our Series J Preferred Shares (_____ shares if the underwriters over-allotment option is exercised in full).
Dividends	Dividends on each Series J Preferred Share will be cumulative from but excluding the date of original issue and are payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing July 1, 2011, at the rate of _____ % of the liquidation preference per annum, or \$ _____ per Series J Preferred Share per annum.
Liquidation Preference	\$25.00 per share, plus an amount equal to accrued and unpaid dividends (whether or not earned or declared).
Maturity	The Series J Preferred Shares have no maturity date, and we are not required to redeem the Series J Preferred Shares. Accordingly, the Series J Preferred Shares will remain outstanding indefinitely unless we decide to redeem them. We are not required to set aside funds to redeem the Series J Preferred Shares.
Ranking	The Series J Preferred Shares will rank senior to our common shares and any other junior shares that we may issue in the future, and on parity with our Series A Convertible Preferred Shares, Series E Cumulative Redeemable Preferred Shares, Series F Cumulative

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Redeemable Preferred Shares, Series G Cumulative Redeemable Preferred Shares, Series H Cumulative Redeemable Preferred Shares, Series I Cumulative Redeemable Preferred Shares and any other parity shares that we may issue in the future, in each case with respect to payment of dividends and distribution of assets upon liquidation, dissolution or winding up. We intend to contribute the net proceeds from the offering to the Operating Partnership in exchange for preferred units in the Operating Partnership (with economic terms that mirror the terms of the Series J Preferred Shares). These preferred units will rank, as to distributions and upon liquidation, senior to the Class A Common Units of limited partnership interest in the Operating Partnership and on parity with the other preferred units in the Operating Partnership.

Conversion Rights

The Series J Preferred Shares are not convertible into or exchangeable for any property or any of our other securities.

Redemption at Option of Vornado

Except in instances relating to preservation of our status as a real estate investment trust, the Series J Preferred Shares are not redeemable until April , 2016. On and after April , 2016, we may redeem the Series J Preferred Shares, in whole at any time or in part from time to time, at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series J Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed.

Voting Rights

You will generally have no voting rights. However, if dividends on the Series J Preferred Shares are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of the Series J Preferred Shares (voting separately as a class with holders of all other series of parity preferred stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional trustees to serve on our Board of Trustees until such dividend arrearage is eliminated. In addition, certain changes that would be material and adverse to the rights of holders of the Series J Preferred Shares cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding Series J Preferred Shares and all other series of parity preferred shares upon which like voting rights have been conferred and are exercisable, voting as a single class. If any such changes would be material and adverse to holders of some but not all series of parity preferred shares, a vote of at least two-thirds of the holders of only the series materially and adversely affected would be required.

Listing

We intend to file an application to list the Series J Preferred Shares on the New York Stock Exchange.

Use of Proceeds

We will contribute the net proceeds from this offering to the Operating Partnership in exchange for preferred units of the

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Operating Partnership. The Operating Partnership will use the proceeds for general business purposes, which may include payment of the redemption or repurchase price for preferred stock and units.

Restrictions on Ownership

In order to maintain our qualification as a real estate investment trust for federal income tax purposes, ownership by any person of more than 9.9% of the outstanding preferred shares of any class is prohibited by our Amended and Restated Declaration of Trust.

Settlement Date

Delivery of the shares of Series J Preferred Shares will be made against payment therefor on or about April , 2011.

Form

The Series J Preferred Shares will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except under limited circumstances.

Risk Factors

See Risk Factors beginning on page S-5 of this prospectus supplement, as well as Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, for a discussion of certain considerations relevant to an investment in our Series J Preferred Shares. The discussion under Risk Factors in this prospectus supplement updates, and to the extent inconsistent therewith supersedes, the discussion under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010.

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of Series J Preferred Shares could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement, the accompanying prospectus and the documents incorporated in the accompanying prospectus by reference also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010.

Series J Preferred Shares Are Equity and Are Subordinate to Our Existing and Future Indebtedness.

Series J Preferred Shares are equity interests in Vornado Realty Trust and do not constitute indebtedness. As such, Series J Preferred Shares will rank junior to all indebtedness and other non-equity claims on Vornado Realty Trust with respect to assets available to satisfy claims on Vornado Realty Trust, including in a liquidation of Vornado Realty Trust.

Your Interests Could Be Diluted by the Issuance of Additional Preferred Shares and by Other Transactions.

Our Board of Trustees has the power to reclassify unissued preferred shares, and to amend our Declaration of Trust, without any action by our shareholders, to increase the aggregate number of shares or the number of shares of any class or series, including preferred shares, that we have authority to issue. The issuance of additional preferred shares on parity with or senior to Series J Preferred Shares would dilute the interests of the holders of Series J Preferred Shares, and any issuance of preferred stock senior to Series J Preferred Shares or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on Series J Preferred Shares. Series J Preferred Shares do not contain any provisions affording the holders of Series J Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of Series J Preferred Shares, so long as the rights of the holders of Series J Preferred Shares are not materially and adversely affected.

Series J Preferred Shares May Not Have an Active Trading Market.

Series J Preferred Shares are a new issue with no established trading market. Although we plan to apply to have Series J Preferred Shares listed on the New York Stock Exchange, there is no guarantee that we will be able to list Series J Preferred Shares. Even if Series J Preferred Shares are listed, there may be little or no secondary market for Series J Preferred Shares. Even if a secondary market for Series J Preferred Shares develops, it may not provide significant liquidity and transaction costs in any secondary market could be high. As a result, the difference between bid and asked prices in any secondary market could be substantial.

Holders of Series J Preferred Shares Will Have Limited Voting Rights.

Holders of Series J Preferred Shares have no voting rights with respect to matters that generally require the approval of voting shareholders. However, holders of Series J Preferred Shares will have the right to vote as a class on certain limited matters, as described under Description of the Series J Preferred Shares Voting Rights below. In addition, if dividends on Series J Preferred Shares have not been declared or paid for the equivalent of six dividend payments, whether or not for consecutive dividend periods, holders of the outstanding shares of Series J Preferred Shares, together with holders of any other series of our preferred stock ranking on parity with Series J Preferred Shares with similar voting rights, will

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be entitled to vote for the election of two additional trustees, subject to the terms and to the limited extent described under Description of the Series J Preferred Shares Voting Rights below. Series J Preferred Shares place no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the limited voting rights referred to above.

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The net proceeds from the sale of the Series J Preferred Shares are estimated to be approximately \$, after deducting underwriting discounts and estimated offering expenses payable by us (approximately \$ if the underwriter's over-allotment option is exercised in full).

We intend to contribute the net proceeds from this offering to the Operating Partnership in exchange for units of % Series J Preferred Units (the Series J Preferred Units) in the Operating Partnership equal to the number of Series J Preferred Shares offered and sold hereby. The Operating Partnership will use the net proceeds from that issuance for general business purposes which may include redemption or repurchase of outstanding preferred stock and units. Pending such use, the net proceeds may be invested in short-term income-producing investments. The Series J Preferred Units will have a distribution preference equal to the distribution preference on the Series J Preferred Shares and will rank, as to distributions and upon liquidation, senior to the Class A Common Units of limited partnership interest in the Operating Partnership and on a parity with other preferred units in the Operating Partnership. See Description of the Series J Preferred Shares Ranking for information about the ranking of the Series J Preferred Units.

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

Our consolidated ratios of earnings to combined fixed charges and preference dividends for each of the fiscal years ended December 31, 2006, 2007, 2008, 2009 and 2010 were as follow:

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Ratio of earnings to combined fixed charges and preference dividends	2.06	1.50	1.11	0.96	1.99

For purposes of calculating these ratios, (a) earnings represent income from continuing operations before income taxes, plus fixed charges, and (b) fixed charges represent interest expense on all indebtedness, including amortization of deferred debt issuance costs, and the portion of operating lease rental expense that management considers representative of the interest factor, which is one-third of operating lease rentals.

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DESCRIPTION OF THE SERIES J PREFERRED SHARES

The summary of certain terms and provisions of the % Series J Cumulative Redeemable Preferred Shares of beneficial interest, with a liquidation preference of \$25.00 per share (the Series J Preferred Shares), of Vornado Realty Trust contained in this prospectus supplement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our Declaration of Trust, as amended and restated (the

Declaration of Trust), our Bylaws and the Articles Supplementary setting forth the particular terms of the Series J Preferred Shares (the Articles Supplementary), copies of which are filed or incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus form a part and are available from us. The following description of the particular terms of the Series J Preferred Shares supplements, and to the extent inconsistent with, replaces, the description of the general terms and provisions of our preferred shares of beneficial interest, no par value per share (the Preferred Shares), set forth in the accompanying prospectus.

General

The Declaration of Trust authorizes the issuance of up to 720,000,000 shares of beneficial interest, consisting of 250,000,000 common shares of beneficial interest, \$.04 par value per share (the Common Shares), 110,000,000 Preferred Shares and 360,000,000 excess shares, \$.04 par value per share. The Preferred Shares may be issued from time to time in one or more series, without shareholder approval, with such designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof as established by our Board of Trustees.

As permitted by Maryland law, the Declaration of Trust authorizes our Board of Trustees, without any action by our shareholders, to amend the Declaration of Trust from time to time to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of beneficial interest of any class that we are authorized to issue. The effect of this provision in our Declaration of Trust is to permit our Board of Trustees, without shareholder action, to increase or decrease (a) the total number of authorized shares of beneficial interest of Vornado Realty Trust and/or (b) the number of authorized shares of beneficial interest of any one or more classes. Maryland law permits a real estate investment trust to have shares of beneficial interest that are assigned to a particular class as well as shares that are not assigned to a particular class but are available to be classified by the Board of Trustees at a later time. Thus, the total number of authorized shares of beneficial interest may exceed the total number of authorized shares of all classes. Currently, all of our authorized shares of beneficial interest are assigned to one of the three classes set forth above.

Prior to the completion of the offering, the Board of Trustees will supplement our Declaration of Trust to classify of our authorized Preferred Shares as Series J Preferred Shares and authorize the issuance thereof. We may from time to time, without notice to or the consent of holders of Series J Preferred Shares, issue additional Series J Preferred Shares. All such additional Series J Preferred Shares issued hereafter would be deemed to form a single series with Series J Preferred Shares being offered hereby. When issued, the Series J Preferred Shares will be validly issued, fully paid and nonassessable. The holders of Series J Preferred Shares will have no preemptive rights with respect to any shares of beneficial interest of Vornado Realty Trust or any other securities of Vornado Realty Trust convertible into or carrying rights or options to purchase any such shares. The Series J Preferred Shares will not be subject to any sinking fund and we have no obligation to redeem or retire the Series J Preferred Shares. Unless redeemed by us, the Series J Preferred Shares will have a perpetual term, with no maturity.

Our income (including income available for distribution on the Series J Preferred Shares) consists primarily of our share of the income of the Operating Partnership, and our cash flow consists primarily of our share of distributions from the Operating Partnership. Distributions by the Operating Partnership are determined by our Board of Trustees and are dependent on a number of factors, including funds from operations available for distribution, the Operating Partnership's financial condition, any decision by our Board of Trustees to reinvest funds rather than to distribute such funds, the Operating Partnership's capital

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expenditures, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended (the Code), and such other factors as our Board of Trustees deems relevant. See Item 1.A. Risk Factors Our Organizational and Financial Structure Gives Rise to Operational and Financial Risks on page 17 in our Annual Report on Form 10-K for the year ended December 31, 2010 for further information regarding the availability of income to us.

We intend to file an application to list the Series J Preferred Shares on the New York Stock Exchange. See Underwriting for a discussion of the expected trading of the Series J Preferred Shares on the New York Stock Exchange.

Ranking

The Series J Preferred Shares will rank senior to the Junior Shares (as defined under Dividends below), including the Common Shares, with respect to payment of dividends and amounts upon liquidation, dissolution or winding up. While any Series J Preferred Shares are outstanding, we may not authorize, create or increase the authorized amount of any class or series of beneficial interest that ranks senior to the Series J Preferred Shares with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up without the consent of the holders of two-thirds of the outstanding Series J Preferred Shares and all other shares of Voting Preferred Shares (as defined under

Voting Rights below), voting as a single class. However, we may create additional classes of beneficial interest, increase the authorized number of Preferred Shares or issue series of Preferred Shares ranking on a parity with the Series J Preferred Shares with respect, in each case, to the payment of dividends and amounts upon liquidation, dissolution or winding up (Parity Shares) without the consent of any holder of Series J Preferred Shares. See Voting Rights below for a discussion of the voting rights applicable if we seek to create any class or series of beneficial interest senior to the Series J Preferred Shares.

The following series of shares of beneficial interest are Parity Shares with respect to each other:

\$3.25 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share;

7.00% Series D-10 Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share;

7.20% Series D-11 Cumulative Redeemable Preferred Shares;

3.00% Series D-13 Cumulative Redeemable Preferred Shares;

6.75% Series D-14 Cumulative Redeemable Preferred Shares;

6.875% Series D-15 Cumulative Redeemable Preferred Shares;

7.0% Series E Cumulative Redeemable Preferred Shares;

6.75% Series F Cumulative Redeemable Preferred Shares;

6.625% Series G Cumulative Redeemable Preferred Shares;

6.75% Series H Cumulative Redeemable Preferred Shares;

6.625% Series I Cumulative Redeemable Preferred Shares; and
% Series J Cumulative Redeemable Preferred Shares, described in this prospectus supplement.

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As of December 31, 2010, 40,009 Series A Preferred Shares, 3,000,000 Series E Preferred Shares, 6,000,000 6.75% Series F Preferred Shares, 8,000,000 6.625% Series G Preferred Shares, 4,500,000 6.75% Series H Preferred Shares and 10,800,000 6.625% Series I Preferred Shares were issued and outstanding. The Series D Preferred Shares may be issued, at our option, to satisfy requests for redemption of an equivalent number of units of the Operating Partnership with terms that substantially mirror the economic terms of the shares to be issued. The Series A Preferred Shares are listed on the NYSE under the symbol VNO Pr A , the Series E Preferred Shares are listed on the NYSE under the symbol VNO Pr E , the Series F Preferred Shares are listed on the NYSE under the symbol VNO Pr F , the Series G Preferred Shares are listed on the NYSE under the symbol VNO Pr G , the Series H Preferred Shares are listed on the NYSE under the symbol VNO Pr H and the Series I Preferred Shares are listed on the NYSE under the symbol VNO Pr I. No Series D-10, Series D-11, Series D-13, Series D-14 or Series D-15 Preferred Shares were issued and outstanding as of December 31, 2010.

Ranking of Series J Preferred Units

We intend to contribute the net proceeds from the offering of the Series J Preferred Shares to the Operating Partnership in exchange for a number of Series J Preferred Units equal to the number of Series J Preferred Shares offered and sold hereby. The Series J Preferred Units to be acquired by us will substantially mirror the economic terms of the Series J Preferred Shares and will rank senior to the Class A Common Units of limited partnership interest in the Operating Partnership with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up of the Operating Partnership.

The Series J Preferred Units will rank on parity with the following classes of units of the Operating Partnership as well as any other units issued in the future and designated as Parity Units, in each case with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up of the Operating Partnership, without preference or priority of one over the other:

- Series A Preferred Units;
- 7.00% Series D-10 Cumulative Redeemable Preferred Units;
- 7.20% Series D-11 Cumulative Redeemable Preferred Units;
- 3.00% Series D-13 Cumulative Redeemable Preferred Units;
- 6.75% Series D-14 Cumulative Redeemable Preferred Units;
- 6.875% Series D-15 Cumulative Redeemable Preferred Units;
- 5.00% Series D-16 Cumulative Redeemable Preferred Units;
- 7.00% Series E Cumulative Redeemable Preferred Units;
- 6.75% Series F Cumulative Redeemable Preferred Units;
- 6.625% Series G Cumulative Redeemable Preferred Units;
- Floating Rate Series G-1 Preferred Units;
- 5.50% Series G-2 Preferred Units;
- Floating Rate Series G-3 Preferred Units;
- 5.50% Series G-4 Preferred Units;

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6.75% Series H Cumulative Redeemable Preferred Units; and

6.625% Series I Cumulative Redeemable Preferred Units.

The following table summarizes the Operating Partnership's outstanding preferred units as of December 31, 2010:

Unit	Number of	Per Unit	Preferred or	Conversion
Series	Units	Liquidation	Annual	Rate Into
		Preference	Distribution	Class A
			Rate	Units
Convertible Preferred:				
Series A Preferred ⁽¹⁾	40,009	\$ 50.00	\$ 3.25	1.4334
Series D-13 Preferred ⁽²⁾	1,867,311	\$ 25.00	\$ 0.75	N/A
Perpetual Preferred:				
Series D-10 Preferred ⁽³⁾	3,200,000	\$ 25.00	\$ 1.75	N/A
Series D-11 Preferred ⁽³⁾	1,400,000	\$ 25.00	\$ 1.80	N/A
Series D-14 Preferred ⁽³⁾	4,000,000	\$ 25.00	\$ 1.6875	N/A
Series D-15 Preferred ⁽³⁾	1,800,000	\$ 25.00	\$ 1.71875	N/A
Series D-16 Preferred ⁽⁴⁾	1	\$ 1,000,000.00	\$ 50,000.00	N/A
Series E Preferred ⁽⁵⁾	3,000,000	\$ 25.00	\$ 1.75	N/A
Series F Preferred ⁽⁵⁾	6,000,000	\$ 25.00	\$ 1.6875	N/A
Series G Preferred ⁽⁵⁾	8,000,000	\$ 25.00	\$ 1.65625	N/A
Series G-1 Preferred ⁽⁶⁾	5,828	25.00	Floating	N/A
		\$ ⁽⁵⁾	Rate ⁽⁷⁾	
Series G-2 Preferred ⁽⁶⁾	32,423	\$ 25.00 ⁽⁵⁾	\$ 1.3750	N/A
Series G-3 Preferred ⁽⁶⁾	104,013	25.00	Floating	N/A
		\$ ⁽⁵⁾	Rate ⁽⁷⁾	
Series G-4 Preferred ⁽⁶⁾	194,290	\$ 25.00 ⁽⁵⁾	\$ 1.3750	N/A
Series H Preferred ⁽⁵⁾	4,500,000	\$ 25.00	\$ 1.6875	N/A
Series I Preferred ⁽⁵⁾	10,800,000	\$ 25.00	\$ 1.65625	N/A

- (1) Distributions are cumulative and payable quarterly in arrears. The Series A Preferred Units are convertible at any time at the option of their respective holders at a conversion rate of 1.4334 Class A unit per Series A Preferred Unit, subject to adjustment in certain circumstances. In addition, upon the satisfaction of certain conditions the Operating Partnership, at its option, may redeem the \$3.25 Series A Preferred Units at a current conversion rate of 1.4334 Class A unit per Series A Preferred Unit, subject to adjustment in certain circumstances. At no time are the Series A Preferred Units redeemable for cash.
- (2) Holders have the right to require the Operating Partnership to redeem the outstanding Series D-13 Cumulative Redeemable Preferred Units commencing December 30, 2006 for cash equal to the Liquidation Preference of \$25.00 per share, although we may determine to deliver, instead of cash, at our option, common shares with a value equal to the Liquidation Preference of \$25.00 per share.
- (3) Distributions are cumulative and payable quarterly in arrears. These units are generally redeemable by us for cash, at our option, after the fifth anniversary of the date of issuance (ranging from November 17, 2008, in the case of the Series D-10 Preferred Units, to May 2, 2011, in the case of the Series D-15 Preferred Units) and at the option of the holder after the 10th anniversary of the date of issuance for cash or, at our option, an equivalent amount of preferred shares. These units have no maturity date and will remain outstanding indefinitely unless they are redeemed.

- (4) Issued in connection with the acquisition of the interest of the Operating Partnership's partner in the Springfield Mall in Fairfax County, Virginia, in December 2010. Distributions are cumulative and payable quarterly in arrears. The Series D-16 Preferred Units are redeemable for cash (i) at our option and (ii) at the option of the holder, in each case following certain events for \$25 million less the aggregate amount of debt-financed distributions. The Series D-16 Preferred Units have no maturity date and will remain outstanding indefinitely unless they are redeemed.
- (5) These units are held by us and we may require the Operating Partnership to redeem these units for cash in connection with the redemption of Series E Preferred Shares, Series F Preferred Shares, Series G Preferred Shares, Series H

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Preferred Shares and Series I Preferred Shares, as the case may be, and are otherwise redeemable by us at our option for cash.

- (6) Distributions are cumulative and payable quarterly in arrears. Redeemable (i) at the option of the Operating Partnership on or after the tenth anniversary from the date of issuance and (ii) at the option of the holder after the fourth anniversary from the date of issuance, in each case at a redemption price of \$25.00 per unit (subject to increase to \$37.50 per unit or decrease to \$12.50 per unit based on the per share price of the Common Shares at the time of redemption (with respect to Series G-2 and Series G-3) or capital account balances of the holder (with respect to Series G-1 and Series G-4)), plus any accrued and unpaid distributions. The redemption price payable upon a redemption at the option of the holder will be in cash or qualified debt financed distribution by the Operating Partnership to the holder, while the redemption price payable upon a redemption at the option of the Operating Partnership will be in cash, qualified debt financed distribution or Class A units of the Operating Partnership. These units have no maturity date and will remain outstanding indefinitely unless they are redeemed.
- (7) LIBOR plus 90 basis points.

The Operating Partnership may create additional classes of Parity Units or issue additional units of any series of Parity Units without the consent of any holder of Series J Preferred Shares or any other series of Preferred Shares of Vornado.

Dividends

Holders of Series J Preferred Shares will be entitled to receive, when, as and if authorized by our Board of Trustees, out of funds of Vornado Realty Trust legally available for payment, and declared by us, cumulative cash dividends at the rate per annum of % per share of the liquidation preference thereof (equivalent to \$ per Series J Preferred Share per annum). Dividends on each Series J Preferred Share will be cumulative from but excluding the date of original issue and are payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing July 1, 2011 (and, in the case of any accrued but unpaid dividends, at such additional times and for such interim periods, if any, as determined by the Board of Trustees), at such annual rate; *provided, however*, that if any dividend payment date falls on any day other than a business day, as defined in the Articles Supplementary, the dividend due on such dividend payment date shall be paid on the first business day immediately following such dividend payment date. Each dividend is payable to holders of record as they appear on our share records at the close of business on the record date, not exceeding 30 days preceding the payment dates thereof as fixed by our Board of Trustees. Dividends are cumulative from the most recent dividend payment date to which dividends have been paid, whether or not in any dividend period or periods there shall be funds of Vornado Realty Trust legally available for the payment of such dividends. Accumulations of dividends on Series J Preferred Shares will not bear interest. Dividends payable on the Series J Preferred Shares for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series J Preferred Shares for each full dividend period will be computed by dividing the annual dividend rate by four.

No dividend will be declared or paid on any Parity Shares unless full cumulative dividends have been declared and paid or are contemporaneously declared and funds sufficient for payment set aside on the Series J Preferred Shares for all prior dividend periods; *provided, however*, that if accrued dividends on the Series J Preferred Shares for all prior dividend periods have not been paid in full, then any dividend declared on the Series J Preferred Shares for any dividend period and on any Parity Shares will be declared ratably in proportion to accrued and unpaid dividends on the Series J Preferred Shares and such Parity Shares.

We will not (i) declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any Junior Shares (as defined below) (other than in shares of Junior Shares) or (ii) redeem, purchase or otherwise acquire for consideration any Junior Shares through a sinking fund or otherwise (other than a redemption or purchase or other acquisition of Common Shares made for purposes of an employee incentive or benefit plan of Vornado or any subsidiary, or a conversion into or exchange for Junior Shares or redemptions for the purpose of preserving our qualification as a REIT), unless (A) all cumulative dividends with respect to the Series J Preferred Shares and any Parity Shares at the time such dividends are payable have been paid or funds have been set apart for payment of such

dividends and

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(B) sufficient funds have been paid or set apart for the payment of the dividend for the then current dividend period with respect to the Series J Preferred Shares and any Parity Shares.

As used herein, (i) the term *dividend* does not include dividends payable solely in shares of Junior Shares on Junior Shares, or in options, warrants or rights to holders of Junior Shares to subscribe for or purchase any Junior Shares, and (ii) the term *Junior Shares* means the Common Shares, and any other class of capital stock of Vornado now or hereafter issued and outstanding that ranks junior as to the payment of dividends or amounts upon liquidation, dissolution and winding up to the Series J Preferred Shares.

Redemption

Except as otherwise provided under the Declaration of Trust to protect our status as a REIT, Series J Preferred Shares will not be redeemable by Vornado prior to April , 2016. On and after April , 2016, the Series J Preferred Shares will be redeemable at our option, in whole or in part, at any time or from time to time, at a redemption price of \$25.00 per Series J Preferred Share, plus any accrued and unpaid dividends to the date fixed for redemption.

A notice of redemption will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series J Preferred Shares at their respective addresses as they appear on our transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the redemption of any Series J Preferred Shares except as to the holder to whom notice was defective or not given. Each notice will state:

the redemption date;

the redemption price;

the number of Series J Preferred Shares to be redeemed;

the place or places where the certificates evidencing the Series J Preferred Shares are to be surrendered for payment of the redemption price; and

that distributions on the shares to be redeemed will cease to accrue on such redemption date.

If fewer than all the Series J Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of Series J Preferred Shares to be redeemed from such holder. If fewer than all of the outstanding Series J Preferred Shares are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or in some other equitable manner determined by us.

On the redemption date, we must pay on each Series J Preferred Share to be redeemed any accrued and unpaid dividends, in arrears, for any dividend period ending on or prior to the redemption date. In the case of a redemption date falling after a dividend payment record date and prior to the related payment date, the holders of Series J Preferred Shares at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding dividend payment date, notwithstanding the redemption of such shares prior to such dividend payment date. Except as provided for in the preceding sentence, no payment or allowance will be made for accrued dividends on any Series J Preferred Shares called for redemption.

If full cumulative dividends on the Series J Preferred Shares and any Parity Shares have not been paid or declared and set apart for payment, the Series J Preferred Shares may not be redeemed in part and we may not purchase, redeem or otherwise acquire Series J Preferred Shares or any Parity Shares other than in exchange for Junior Shares; *provided, however*, that the foregoing shall not prevent the purchase by us of

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Excess Shares in order to ensure that we continue to meet the requirements for qualification as a REIT. See Restrictions on Ownership for a discussion of such purchases of Excess Shares by us.

On and after the date fixed for redemption, *provided* that we have made available at the office of the registrar and transfer agent a sufficient amount of cash to effect the redemption, dividends will cease to accrue on the Series J Preferred Shares called for redemption (except that, in the case of a redemption date after a dividend payment record date and prior to the related payment date, holders of Series J Preferred Shares on the dividend payment record date will be entitled on such dividend payment date to receive the dividend payable on such shares), such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series J Preferred Shares shall cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

Liquidation Preference

The holders of Series J Preferred Shares will be entitled to receive in the event of any liquidation, dissolution or winding up of Vornado, whether voluntary or involuntary, \$25.00 per Series J Preferred Share (the Liquidation Preference) plus an amount per Series J Preferred Share equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders.

Until the holders of the Series J Preferred Shares have been paid the Liquidation Preference and all accrued and unpaid dividends in full, no payment will be made to any holder of Junior Shares upon the liquidation, dissolution or winding up of Vornado. If, upon any liquidation, dissolution or winding up of Vornado, the assets of Vornado, or proceeds thereof, distributable among the holders of the Series J Preferred Shares are insufficient to pay in full the Liquidation Preference and all accrued and unpaid dividends and the liquidation preference and all accrued and unpaid dividends with respect to any other shares of Parity Shares, then such assets, or the proceeds thereof, will be distributed among the holders of Series J Preferred Shares and any such Parity Shares ratably in accordance with the respective amounts which would be payable on such Series J Preferred Shares and any such Parity Shares if all amounts payable thereon were paid in full. None of (i) a consolidation or merger of Vornado with one or more entities, (ii) a statutory share exchange by Vornado or (iii) a sale or transfer of all or substantially all of Vornado's assets will be considered a liquidation, dissolution or winding up, voluntary or involuntary, of Vornado.

Voting Rights

Except as indicated below, the holders of Series J Preferred Shares will have no voting rights.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series J Preferred Shares or any other Parity Shares are in arrears, whether or not earned or declared, the number of trustees then constituting our Board of Trustees will be increased by two and the holders of Series J Preferred Shares, voting together as a class with the holders of any other series of Parity Shares (any such other series, the Voting Preferred Shares), will have the right to elect these two additional trustees at an annual meeting of shareholders or a properly called special meeting of the holders of the Series J Preferred Shares and such Voting Preferred Shares and at each subsequent annual meeting of shareholders until all such dividends and dividends for the then current quarterly period on the Series J Preferred Shares and such other Voting Preferred Shares have been paid or declared and set aside for payment. Whenever all arrears in dividends on the Series J Preferred Shares and the Voting Preferred Shares then outstanding have been paid and full dividends on the Series J Preferred Shares and the Voting Preferred Shares for the then current quarterly dividend period have been paid in full or declared and set apart for payment in full, then the right of the holders of the Series J Preferred Shares and the Voting Preferred Shares to elect these two additional trustees will cease, the terms of office of these two trustees will forthwith terminate and the number of members of the Board of Trustees will be reduced accordingly. However, the right of the holders of the Series J Preferred Shares and the Voting Preferred Shares to elect two additional trustees will again vest if and whenever six quarterly dividends are in arrears, as described above.

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The approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series J Preferred Shares and all other series of Voting Preferred Shares, acting as a single class regardless of Series either at a meeting of shareholders or by written consent, is required in order (i) to amend, alter or repeal any provisions of the Declaration of Trust or Articles Supplementary, whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the holders of the Series J Preferred Shares or the Voting Preferred Shares, unless in connection with any such amendment, alteration or repeal, each Series J Preferred Share remains outstanding without the terms thereof being materially changed in any respect adverse to the holders thereof or is converted into or exchanged for preferred stock of the surviving entity having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof identical to those of the Series J Preferred Shares, or (ii) to authorize, create, or increase the authorized amount of, any class or series of beneficial interest having rights senior to the Series J Preferred Shares with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up (*provided* that if such amendment affects materially and adversely the rights, preferences, privileges or voting powers of one or more but not all of the series of Voting Preferred Shares, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected is required in lieu of (or, if such consent is required by law, in addition to) the consent of the holders of two-thirds of the Voting Preferred Shares as a class). However, Vornado may create additional classes of Parity Shares and Junior Shares, increase the authorized number of shares of Parity Shares and Junior Shares and issue additional series of Parity Shares and Junior Shares without the consent of any holder of Series J Preferred Shares.

Conversion Rights

The Series J Preferred Shares are not convertible into or exchangeable for any other property or securities of Vornado.

Restrictions on Ownership

For us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares of beneficial interest may be owned, beneficially or constructively, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of a taxable year, and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (or during a proportionate part of a shorter taxable year). For this and other reasons, the Declaration of Trust and the Articles Supplementary contain provisions that restrict the ownership and transfer of shares of beneficial interest.

Our Declaration of Trust contains a Preferred Share ownership limit that restricts shareholders from owning, under the applicable attribution rules of the Code, more than 9.9% of the outstanding Preferred Shares of any class or series and a Common Share ownership limit that generally restricts shareholders from owning, under the applicable attribution rules of the Code, more than 6.7% of the Outstanding Common Shares. Shares owned in excess of these limits will be automatically exchanged for Excess Shares pursuant to our Declaration of Trust. Excess Shares will be held in trust by us and, while held in trust, will not be entitled to vote or participate in dividends or distributions made by us. For a more detailed discussion of the restrictions on ownership of the shares of beneficial interest, see

Description of Shares of Beneficial Interest of Vornado Realty Trust Description of Preferred Shares of Vornado Realty Trust Restrictions on Ownership and Description of Shares of Beneficial Interest of Vornado Realty Trust Description of Common Shares of Vornado Realty Trust Restrictions on Ownership of Common Shares in the accompanying prospectus.

Transfer Agent, Registrar, Dividend Disbursing Agent and Redemption Agent

The transfer agent, registrar, dividend disbursing agent and redemption agent for the Series J Preferred Shares is American Stock Transfer & Trust Company, New York, New York.

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FEDERAL INCOME TAX CONSIDERATIONS

The following discussion supplements, and, to the extent inconsistent therewith, amends, the discussion set forth in the accompanying prospectus under the heading Federal Income Tax Considerations and is subject to the limitations and exceptions set forth therein.

We urge you to consult with your own tax advisors regarding the tax consequences to you of acquiring, owning and selling Series J Preferred Shares, including the Federal, state, local and foreign tax consequences of acquiring, owning and selling these securities in your particular circumstances and potential changes in applicable laws.

Medicare Tax. For taxable years beginning after December 31, 2012, a U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. person's net investment income for the relevant taxable year and (2) the excess of the U.S. person's modified gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's filing status). A holder's net investment income will generally include its dividend income and its net gains from the disposition of shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. person that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the shares.

Withholding on Return of Capital Dividends. In addition to the withholding on non-U.S. shareholders described in the accompanying prospectus, Vornado could potentially be required to withhold at least 10% of any distribution in excess of Vornado's current and accumulated earnings and profits, even if the non-U.S. shareholder is not liable for U.S. tax on the receipt of that distribution. However, a non-U.S. shareholder may seek a refund of these amounts from the IRS if the non-U.S. shareholder's tax liability with respect to the distribution is less than the amount withheld. Such withholding should generally not be required if a non-U.S. shareholder would not be taxed under the Foreign Investment in Real Property Tax Act upon a sale or exchange of Series J Preferred Shares. See discussion in the accompanying prospectus under Federal Income Tax Considerations Taxation of Holders of Common Shares or Preferred Shares Sales of Shares.

Reporting of Dividend Payments to Non-U.S. Shareholders. If you are a non-U.S. shareholder, we and other payors are required to report payments of dividends on IRS Form 1042-S even if the payments are exempt from withholding.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities. Under recently enacted legislation, a 30% withholding tax would be imposed on certain payments that are made after December 31, 2012 to certain foreign financial institutions, investment funds and other non-U.S. persons that fail to comply with information reporting requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. Such payments would include U.S.-source dividends and the gross proceeds from the sale or other disposition of stock that can produce U.S.-source dividends.

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UNDERWRITING

Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, UBS Securities LLC and Wells Fargo Securities, LLC are acting as joint book-running managers of our Series J Preferred Shares offering. Subject to the terms and conditions stated in the underwriting agreement dated as of the date of this prospectus supplement, each of the underwriters named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the respective number of shares of our Series J Preferred Shares set forth opposite the underwriter's name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Wells Fargo Securities, LLC	
Deutsche Bank Securities Inc.	
Goldman, Sachs & Co.	
J.P. Morgan Securities LLC	
RBC Capital Markets, LLC	

Total

The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the Series J Preferred Shares offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Series J Preferred Shares offered hereby (other than those covered by the underwriters' overallotment option described below) if any such shares are taken.

The underwriters propose to offer the Series J Preferred Shares directly to the public initially at the public offering price set forth on the cover page of this prospectus supplement and to selected dealers at such price less a concession not to exceed \$ _____ per share. The underwriters may allow, and such selected dealers may reallow, a concession not to exceed \$ _____ per share. The Series J Preferred Shares will be available for delivery, when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject any order for purchase of the shares in whole or in part. After the commencement of this offering, the underwriters may change the public offering price and other selling terms.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of _____ additional Series J Preferred Shares at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the Series J Preferred Shares offered hereby. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We intend to file an application to list the Series J Preferred Shares on the NYSE. Trading of the Series J Preferred Shares on the NYSE, if listing is approved, is expected to commence within 30 days after initial delivery of the Series J Preferred Shares. The underwriters have advised us that they intend to make a market in the Series J Preferred Shares prior to the commencement of trading on the NYSE. However, the underwriters will have no obligation to make a market in the Series J Preferred Shares and may cease market-making activities, if commenced, at any time.

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In order to facilitate the offering of the Series J Preferred Shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series J Preferred Shares. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the Series J Preferred Shares for its own account. In addition, to cover over-allotments or to stabilize the price of the Series J Preferred Shares, the underwriters may bid for, and purchase, Series J Preferred Shares in the open market. Finally, the underwriters may reclaim selling concessions allowed to a dealer for distributing the Series J Preferred Shares in the offering, if the underwriters repurchase previously distributed Series J Preferred Shares in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series J Preferred Shares above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We expect to deliver the Series J Preferred Shares against payment for the Shares on or about the date specified in the next to last paragraph on the cover page of this prospectus supplement, which will be the fifth business day following the date of the pricing of the sale of the Series J Preferred Shares to the several underwriters. Since trades in the secondary market generally settle in three business days, purchasers who wish to trade the Series J Preferred Shares on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Series J Preferred Shares initially will settle in T + 5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of Series J Preferred Shares who wish to trade the securities on the date of pricing should consult their own advisors.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), other than Germany, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state, an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) by the underwriters to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,
provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and includes any relevant implementing measure in each relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

We estimate that the total expenses of the offering, excluding the underwriting discount, will be approximately \$300,000.

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The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters or their respective affiliates have provided banking and other financial services to us or our affiliates from time to time for which they have received customary fees and expenses. Certain of the underwriters or their respective affiliates are lenders under our credit facility. The underwriters or their respective affiliates will in the future continue to provide banking and other financial services to us or our affiliates for which they will receive customary compensation. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

VALIDITY OF THE SERIES J PREFERRED SHARES

The validity of the Series J Preferred Shares offered hereby will be passed upon for us by Venable LLP, Baltimore, Maryland, and by Sullivan & Cromwell LLP, New York, New York. Certain legal matters will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Sullivan & Cromwell LLP will rely upon the opinion of Venable LLP with respect to certain matters of Maryland law.

EXPERTS

The consolidated financial statements as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010, the related financial statement schedules incorporated in this prospectus by reference from Vornado Realty Trust's Annual Report on Form 10-K, as amended, for the year ended December 31, 2010, and the effectiveness of Vornado Realty Trust's internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports included an unqualified opinion), which are incorporated in the accompanying prospectus by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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VORNADO REALTY TRUST

Debt Securities

Common Shares

Preferred Shares

Depository Shares

VORNADO REALTY L.P.

Debt Securities

Guarantees

Vornado Realty Trust from time to time may offer to sell debt securities, common shares and preferred shares. The debt securities of Vornado Realty Trust may be convertible into common or preferred shares of Vornado Realty Trust and the payment of principal, premium, if any, and interest on the debt securities may be fully and unconditionally guaranteed by Vornado Realty L.P. The preferred shares may either be sold separately or represented by depository shares. Vornado Realty L.P. from time to time may offer to sell debt securities. The debt securities of Vornado Realty L.P. may be exchangeable for common or preferred shares of Vornado Realty Trust, and the preferred shares of Vornado Realty Trust may be convertible into common shares or into preferred shares of another series.

Vornado Realty Trust and Vornado Realty L.P. may offer and sell these securities to or through one or more underwriters, dealers and agents or directly to purchasers, on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. The specific terms of any securities to be offered, and the specific manner in which they may be offered, will be described in a supplement to this prospectus.

Vornado Realty Trust's common shares are listed on the New York Stock Exchange under the symbol VNO, its Series A Preferred Shares are listed on the NYSE under the symbol VNO Pr A, its Series E Preferred Shares are listed on the NYSE under the symbol VNO Pr E, its Series F Preferred Shares are listed on the NYSE under the symbol VNO Pr F, its Series G Preferred Shares are listed on the NYSE under the symbol VNO Pr G, its Series H Preferred Shares are listed on the NYSE under the symbol VNO Pr H and its Series I Preferred Shares are listed on the NYSE under the symbol VNO Pr I. Where applicable, the prospectus supplement will contain information on any listing on a securities exchange of securities covered by that prospectus supplement.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated October 30, 2009.

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You should rely only on the information contained in this prospectus and the accompanying prospectus supplement or incorporated by reference in these documents. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. If anyone provides you with different, inconsistent or unauthorized information or representations, you must not rely on them. This prospectus and the accompanying prospectus supplement are an offer to sell only the securities offered by these documents, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or any prospectus supplement is current only as of the date on the front of those documents.

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AVAILABLE INFORMATION

Vornado Realty Trust and Vornado Realty L.P. are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any documents filed by us at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov> and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which Vornado Realty Trust's common shares and Series A, Series E, Series F, Series G, Series H and Series I Preferred Shares are listed.

We have filed registration statements on Form S-3 with the SEC relating to the securities covered by this prospectus. This prospectus is a part of the registration statements and does not contain all of the information in the registration statements. Whenever a reference is made in this prospectus to a contract or other document, please be aware that the reference is only a summary and that you should refer to the exhibits that are a part of the registration statements for a copy of the contract or other document. You may review a copy of the registration statements at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

The SEC's rules allow us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

Vornado Realty Trust and Vornado Realty L.P. incorporate by reference into this prospectus the following documents or information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

- (1) Annual report of Vornado Realty Trust on Form 10-K for the fiscal year ended December 31, 2008 (File No. 001-11954), filed with the SEC on February 24, 2009;
- (2) Annual report of Vornado Realty Trust on Form 10-K/A for the fiscal year ended December 31, 2008 (File No. 001-11954), filed with the SEC on March 2, 2009;
- (3) Annual report of Vornado Realty L.P. on Form 10-K for the fiscal year ended December 31, 2008 (File No. 000-22685), filed with the SEC on March 10, 2009;
- (4) Quarterly reports of Vornado Realty Trust on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 (File No. 001-11954), filed with the SEC on May 5, 2009 and August 4, 2009, respectively;
- (5) Quarterly reports of Vornado Realty Trust on Form 10-Q/A for the quarter ended June 30, 2009 (File No. 001-11954), filed with the SEC on August 21, 2009;
- (6) Quarterly reports of Vornado Realty L.P. on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 (File No. 000-22685), filed with the SEC on May 8, 2009 and August 6, 2009, respectively;
- (7) Current reports on Form 8-K of Vornado Realty Trust, dated January 14, 2009, February 20, 2009, March 11, 2009, April 20, 2009, April 22, 2009, April 30, 2009, April 30, 2009, May 14, 2009, June 11, 2009, September 14, 2009, and October 13, 2009 (File No. 001-11954) filed with the SEC on January 16, 2009, February 23, 2009, March 13, 2009, April 20, 2009,

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April 29, 2009, April 30, 2009, May 8, 2009, May 15, 2009, June 11, 2009, September 16, 2009 and October 13, 2009, respectively;

- (8) Current reports on Form 8-K of Vornado Realty L.P., dated January 14, 2009, February 20, 2009, April 20, 2009, April 27, 2009, April 30, 2009, April 30, 2009, May 14, 2009, and October 16, 2009 (File No. 000-22685), filed with the SEC on January 16, 2009, February 23, 2009, April 20, 2009, April 28, 2009, April 30, 2009, May 8, 2009, May 15, 2009, and October 16, 2009 respectively;
- (9) The description of Vornado Realty Trust's common shares contained in Vornado Realty Trust's registration statement on Form 8-B (File No. 001-11954), filed with the SEC on May 10, 1993;
- (10) The description of Vornado Realty Trust's Series A Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on April 3, 1997;
- (11) The description of Vornado Realty Trust's Series E Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on April 20, 2004;
- (12) The description of Vornado Realty Trust's Series F Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on November 17, 2004;
- (13) The description of Vornado Realty Trust's Series G Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on December 21, 2004;
- (14) The description of Vornado Realty Trust's Series H Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on June 16, 2005;
- (15) The description of Vornado Realty Trust's Series I Preferred Shares contained in Vornado Realty Trust's registration statement on Form 8-A (File No. 001-11954), filed with the SEC on August 30, 2005; and
- (16) All documents filed by Vornado Realty Trust and Vornado Realty L.P. under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the termination of this offering or after the date of the initial registration statement and before effectiveness of the registration statement, except that the information referred to in Item 402(a)(8) of Regulation S-K of the SEC is not incorporated by reference into this prospectus.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from our corporate secretary, 888 Seventh Avenue, New York, New York 10019, telephone (212) 894-7000. Alternatively, copies of these documents may be available on our website (*www.vno.com*). Any other documents available on our website are not incorporated by reference into this prospectus.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference in it, contains forward-looking statements with respect to our financial condition, results of operations and business. These statements may be made directly in this document or they may be made part of this document by reference to other documents filed with the SEC, which is known as incorporation by reference. You can find many of these statements by looking for words such as believes, expects, anticipates, estimates, intends, plans or similar expressions in this prospectus or the documents incorporated by reference. Unless the context otherwise requires or as otherwise specified, references in this prospectus to Vornado, we, us or our refer to Vornado Realty Trust and its subsidiaries, including Vornado Realty L.P., except where we make clear that we mean only the parent company, Vornado Realty Trust. In addition, we sometimes refer to Vornado Realty L.P. as the Operating Partnership.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, those listed under the caption Risk Factors in the Annual Reports on Form 10-K and, to the extent applicable, the Quarterly Reports on Form 10-Q of each of Vornado Realty Trust and the Operating Partnership, and any applicable prospectus supplement, as well as the following possibilities:

- national, regional and local economic conditions;
- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our properties;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we are able to pass some or all of any increased operating costs through to tenants;
- changes in real estate taxes and other expenses;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- availability of financing on acceptable terms or at all;
- fluctuations in interest rates;
- our ability to secure adequate insurance;
- changes in taxation or zoning laws;
- government regulation;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- potential liability under environmental or other laws or regulations; and

general competitive factors.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these items are beyond our ability to control or predict. For these statements, we claim the protection of the safe

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harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this prospectus or, if applicable, the date of the applicable document incorporated by reference.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events. For more information on the uncertainty of forward-looking statements, see **Risk Factors** in the Annual Reports on Form 10-K and, to the extent applicable, the Quarterly Reports on Form 10-Q, of each of Vornado Realty Trust and the Operating Partnership and any applicable prospectus supplement.

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VORNADO REALTY TRUST AND VORNADO REALTY L.P.

Vornado Realty Trust is a fully integrated real estate investment trust organized under the laws of Maryland. Vornado conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P. Vornado Realty Trust is the sole general partner of, and owned approximately 91.9% of the common limited partnership interest in, Vornado Realty L.P. as of June 30, 2009.

Vornado Realty Trust, through Vornado Realty L.P., currently owns directly or indirectly:

Office Properties:

all or portions of 28 office properties aggregating approximately 16.2 million square feet in the New York City metropolitan area (primarily Manhattan);

all or portions of 82 office properties aggregating 18.1 million square feet in the Washington, D.C. and Northern Virginia areas; and

a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco's financial district;

Retail Properties:

173 retail properties in 21 states, Washington, D.C. and Puerto Rico aggregating approximately 22.4 million square feet, including the 3.7 million square feet built by tenants on land leased from us;

Merchandise Mart Properties:

eight properties in five states aggregating approximately 8.9 million square feet of showroom and office space, including the 3.5 million square foot Merchandise Mart in Chicago;

Toys 'R Us, Inc.:

a 32.7% interest in Toys 'R Us, Inc., which owns and/or operates 1,552 stores worldwide, including 849 stores in the United States and 703 stores internationally;

Other Real Estate Investments:

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

the Hotel Pennsylvania in New York City consisting of a hotel portion containing 1.0 million square feet with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space;

mezzanine loans to entities that have significant real estate assets; and

interests in other real estate, including interests in office, industrial and retail properties net leased to major corporations; six dry warehouse/industrial properties in New Jersey containing approximately 1.2 million square feet; and other investments and marketable securities.

Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 894-7000.

Table of Contents**CONSOLIDATED RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDEND REQUIREMENTS**

Vornado Realty Trust's consolidated ratios of earnings to combined fixed charges and preference dividends for each of the fiscal years ended December 31, 2004, 2005, 2006, 2007 and 2008 and the six months ended June 30, 2009 are as follows:

	2004	Year Ended December 31,			2008	Six Months Ended June 30, 2009
		2005	2006	2007		
Ratio of earnings to combined fixed charges and preference dividends (unaudited)	2.49	2.21	2.04	1.51	1.12(1)	1.01(1)

(1) Excluding non-cash impairment charges recognized in the year ended December 31, 2008 and the six months ended June 30, 2009, the ratio of earnings to combined fixed charges and preference dividends was 1.31 and 1.34, respectively.

For purposes of calculating these ratios, (a) earnings represent income from continuing operations before income taxes, plus fixed charges, and (b) fixed charges represent interest expense on all indebtedness, including amortization of deferred debt issuance costs, and the portion of operating lease rental expense that management considers representative of the interest factor, which is one-third of operating lease rentals.

CONSOLIDATED RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DISTRIBUTION REQUIREMENTS

Vornado Realty L.P.'s consolidated ratios of earnings to combined fixed charges and preference distributions for each of the fiscal years ended December 31, 2004, 2005, 2006, 2007 and 2008 and the six months ended June 30, 2009 are as follows:

	2004	Year Ended December 31,			2008	Six Months Ended June 30, 2009
		2005	2006	2007		
Ratio of earnings to combined fixed charges and preference distributions (unaudited)	2.49	2.21	2.04	1.51	1.12(1)	1.01(1)

(1) Excluding non-cash impairment charges recognized in the year ended December 31, 2008 and the six months ended June 30, 2009, the ratio of earnings to combined fixed charges and preference distributions was 1.31 and 1.34, respectively.

For purposes of calculating these ratios, (a) earnings represent income from continuing operations before income taxes, plus fixed charges, and (b) fixed charges represent interest expense on all indebtedness, including amortization of deferred debt issuance costs, and the portion of operating lease rental expense that management considers representative of the interest factor, which is one-third of operating lease rentals.

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USE OF PROCEEDS

Vornado Realty Trust is required by the terms of the partnership agreement of Vornado Realty L.P. to contribute the net proceeds of any sale of common shares, preferred shares or depositary shares to Vornado Realty L.P. in exchange for additional units or preferred units, as the case may be. If Vornado Realty Trust issues any debt securities, it may lend those proceeds to Vornado Realty L.P. As will be more fully described in the applicable prospectus supplement, Vornado Realty Trust and Vornado Realty L.P. intend to use the net proceeds from the sale of securities for general trust or partnership purposes or other uses. These other uses may include, among others, the funding of an acquisition or the repayment of indebtedness.

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DESCRIPTION OF DEBT SECURITIES OF VORNADO REALTY L.P.

Please note that in this section entitled Description of Debt Securities of Vornado Realty L.P., references to the issuer, we, our and us refer either to Vornado Realty Trust or to Vornado Realty L.P., as the case may be, as the issuer of the applicable series of debt securities and not to any subsidiaries unless the context requires otherwise. Also, in this section, references to holders mean those who own debt securities registered in their own names on the books that we or the trustee maintain for this purpose and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositories. Owners of beneficial interests in the debt securities should read the section below entitled Legal Ownership and Book-Entry Issuance.

Debt Securities May Be Senior or Subordinated

Vornado Realty Trust and Vornado Realty L.P. may issue senior or subordinated debt securities. Neither the senior debt securities nor the subordinated debt securities will be secured by any property or assets of Vornado Realty Trust, Vornado Realty L.P. or any of their respective subsidiaries. Thus, by owning a debt security, you are an unsecured creditor of Vornado Realty Trust or Vornado Realty L.P., as the case may be.

Neither any limited or general partner of Vornado Realty L.P., including Vornado Realty Trust, nor any principal, shareholder, officer, director, trustee or employee of any limited or general partner of Vornado Realty L.P. or of any successor of any limited or general partner of Vornado Realty L.P. has any obligation for payment of debt securities or for any of Vornado Realty Trust's or Vornado Realty L.P.'s obligations, covenants or agreements contained in the debt securities or the applicable indenture. By accepting the debt securities, you waive and release all liability of this kind. The waiver and release are part of the consideration for the issuance of debt securities. This waiver and release will not apply to the liability of Vornado Realty L.P. solely in its capacity of guarantor of any series of debt securities of Vornado Realty Trust and solely to the extent of any such guarantee.

The senior debt securities of Vornado Realty Trust and the senior debt securities of Vornado Realty L.P. will be issued under the applicable senior debt indenture, as described below, and will rank equally with all of Vornado Realty Trust's or Vornado Realty L.P.'s, as the case may be, other senior unsecured and unsubordinated debt.

The subordinated debt securities of Vornado Realty Trust and the subordinated debt securities of Vornado Realty L.P. will be issued under the applicable subordinated debt indenture, as described below, and will be subordinate in right of payment to all of Vornado Realty Trust's or Vornado Realty L.P.'s senior indebtedness, as defined in the applicable subordinated debt indenture. The prospectus supplement for any series of subordinated debt securities or the information incorporated in this prospectus by reference will indicate the approximate amount of senior indebtedness outstanding as of the end of Vornado Realty Trust's or Vornado Realty L.P.'s, as the case may be, most recent fiscal quarter. As of June 30, 2009, \$2,176,978,000 aggregate principal amount of Vornado Realty Trust's total indebtedness constituted senior indebtedness, all of which is guaranteed by Vornado Realty L.P. As of June 30, 2009, \$3,688,815,000 aggregate principal amount of Vornado Realty L.P.'s total indebtedness constituted senior indebtedness. None of the indentures limit Vornado Realty Trust's or Vornado Realty L.P.'s ability to incur additional senior indebtedness, unless otherwise described in the prospectus supplement relating to any series of debt securities.

Vornado Realty Trust senior indebtedness will be structurally subordinate to the indebtedness of Vornado Realty L.P. (unless Vornado Realty L.P. guarantees such indebtedness and solely to the extent of any such guarantee), and will be structurally subordinate to the indebtedness of the subsidiaries of Vornado Realty L.P. Vornado Realty L.P.'s senior indebtedness is, and any additional senior indebtedness of Vornado Realty L.P. will be, structurally subordinate to the indebtedness of Vornado Realty L.P.'s subsidiaries and will be structurally senior to any indebtedness of Vornado Realty Trust, unless Vornado Realty L.P. guarantees such indebtedness of Vornado Realty Trust. See

Vornado

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Realty Trust s and Vornado Realty L.P. s Debt Securities Are Structurally Subordinated to Indebtedness of Vornado Realty L.P. and Vornado Realty L.P. s Subsidiaries below.

When we refer to senior debt securities in this prospectus, we mean both the senior debt securities of Vornado Realty Trust and the senior debt securities of Vornado Realty L.P., unless the context requires otherwise. When we refer to subordinated debt securities in this prospectus, we mean both the subordinated debt securities of Vornado Realty Trust and the subordinated debt securities of Vornado Realty L.P., unless the context requires otherwise. When we refer to debt securities in this prospectus, we mean both the senior debt securities and the subordinated debt securities, unless the context requires otherwise.

The Senior Debt Indenture and the Subordinated Debt Indenture of Vornado Realty L.P.

The senior debt securities and the subordinated debt securities of Vornado Realty L.P. are each governed by a document called an indenture the senior debt indenture, in the case of the senior debt securities, and the subordinated debt indenture, in the case of the subordinated debt securities. Each indenture is a contract between Vornado Realty L.P. and The Bank of New York Mellon, which will initially act as trustee. These indentures governing the debt securities of Vornado Realty L.P. are substantially identical, except for the provisions relating to subordination, which are included only in the subordinated debt indenture.

The trustee under each indenture has two main roles:

First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, which we describe later under Default, Remedies and Waiver of Default.

Second, the trustee performs administrative duties for us, such as sending interest payments and notices.

See Vornado Realty Trust s and Vornado Realty L.P. s Relationship with the Trustee below for more information about the trustee.

When we refer to the indenture or the trustee with respect to any debt securities of Vornado Realty L.P., we mean the indenture under which those debt securities are issued and the trustee under that indenture.

The Senior Debt Indenture and the Subordinated Debt Indenture of Vornado Realty Trust

The senior debt securities and the subordinated debt securities of Vornado Realty Trust are each governed by a document called an indenture the senior debt indenture, in the case of the senior debt securities, and the subordinated debt indenture, in the case of the subordinated debt securities. Each indenture is a contract between Vornado Realty Trust as the issuer of the debt securities, Vornado Realty L.P. as the guarantor of the debt securities, if applicable, and The Bank of New York Mellon, which will initially act as trustee. These indentures governing the debt securities of Vornado Realty Trust are substantially identical, except for the provisions relating to subordination, which are included only in the subordinated debt indenture.

Vornado Realty L.P. may, under each indenture, guarantee (either fully and unconditionally or in a limited manner) the due and punctual payment of principal of, and interest on, one or more series of debt securities of Vornado Realty Trust. See Description of Vornado Realty L.P. Guarantee below for more information. If such debt securities are so guaranteed, the existence and terms of such guarantee will be set forth in the prospectus supplement for such debt securities.

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The trustee under each indenture has two main roles:

First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, which we describe later under Default, Remedies and Waiver of Default.

Second, the trustee performs administrative duties for us, such as sending interest payments and notices.

See Vornado Realty Trust's and Vornado Realty L.P.'s Relationship with the Trustee below for more information about the trustee.

When we refer to the indenture, the guarantor or the trustee with respect to any debt securities of Vornado Realty Trust, we mean the indenture under which those debt securities are issued, the guarantor of those debt securities and the trustee under that indenture.

We May Issue Many Series of Debt Securities

We may issue as many distinct series of debt securities under a debt indenture as we wish. This section of the prospectus summarizes terms of the securities that apply generally to all series. The provisions of each indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under that indenture, but also to reopen a previous issue of a series of debt securities and issue additional debt securities of that series. We will describe most of the financial and other specific terms of a series including any additional terms of any guarantee, if applicable, whether it be a series of the senior debt securities or subordinated debt securities, in the prospectus supplement accompanying this prospectus. Those terms may vary from the terms described here.

As you read this section of the prospectus, please remember that the specific terms of your debt security will be described in the accompanying prospectus supplement and, if applicable, that description may modify or replace the general terms described in this section. If there are any differences between your prospectus supplement and this prospectus, your prospectus supplement will control. Thus, the statements we make in this section may not apply to your debt security.

When we refer to a series of debt securities, we mean a series issued under the applicable indenture. When we refer to your prospectus supplement, we mean the prospectus supplement describing the specific terms of the debt security you purchase. The terms used in your prospectus supplement have the meanings described in this prospectus, unless otherwise specified.

Amounts That We May Issue

None of the indentures limit the aggregate amount of debt securities that we may issue or the number of series or the aggregate amount of any particular series. In addition, the indentures and the debt securities do not limit either Vornado Realty Trust's or Vornado Realty L.P.'s ability to incur other indebtedness or to issue other securities, unless otherwise described in the prospectus supplement relating to any series of debt securities. Also, neither Vornado Realty Trust nor Vornado Realty L.P. are subject to financial or similar restrictions by the terms of the debt securities, unless otherwise described in the prospectus supplement relating to any series of debt securities.

Principal Amount, Stated Maturity and Maturity

The principal amount of a debt security means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a debt security is its face amount. Any debt securities owned by us or any of our affiliates are not deemed to be outstanding for certain determinations under the indenture.

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The term **stated maturity** with respect to any debt security means the day on which the principal amount of the debt security is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the debt security. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the **maturity** of the principal.

We also use the terms **stated maturity** and **maturity** to refer to the days when other payments become due. For example, we refer to a regular interest payment date when an installment of interest is scheduled to become due as the **stated maturity** of that installment.

When we refer to the **stated maturity** or the **maturity** of a debt security without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Vornado Realty Trust's and Vornado Realty L.P.'s Debt Securities Are Structurally Subordinated to Indebtedness of Vornado Realty

L.P. and Vornado Realty L.P.'s Subsidiaries

Vornado Realty Trust's indebtedness is structurally subordinate to debt of Vornado Realty L.P., except to the extent of any guarantee of such indebtedness by Vornado Realty L.P. In addition, because Vornado Realty Trust's assets consist principally of interests in Vornado Realty L.P. and because Vornado Realty L.P.'s assets consist principally of interests in the subsidiaries through which we own our properties and conduct our businesses, our right to participate as an equity holder in any distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or otherwise, and thus the ability of our security holders to benefit from the distribution, is junior to creditors of the subsidiary, except to the extent that any claims we may have as a creditor of the subsidiary are recognized. Furthermore, because some of our subsidiaries are partnerships in which we are a general partner, we may be liable for their obligations. We may also guarantee some obligations of our subsidiaries. Any liability we may have for our subsidiaries' obligations could reduce our assets that are available to satisfy our direct creditors, including investors in our debt securities.

This Section Is Only a Summary

The indentures and their associated documents, including your debt security, contain the full legal text of the matters described in this section and your prospectus supplement. We have filed forms of the indentures with the SEC as exhibits to our registration statements. See **Available Information** above for information on how to obtain copies of them.

This section and your prospectus supplement summarize all of the material terms of the indentures and your debt security. They do not, however, describe every aspect of the indentures and your debt security. For example, in this section and your prospectus supplement, we use terms that have been given special meaning in the indentures, but we describe the meaning for only the more important of those terms.

Governing Law

The indentures, the debt securities and any guarantees of those debt securities will be governed by New York law.

Currency of Debt Securities

Amounts that become due and payable on a debt security in cash will be payable in a currency, currencies or currency units specified in the accompanying prospectus supplement. We refer to this currency, currencies or currency units as a **specified currency**. The specified currency for a debt security will be U.S. dollars, unless your prospectus supplement states otherwise. Some debt securities may have different specified currencies for principal and interest. You will have to pay for your debt securities by delivering the requisite amount of the specified currency for the principal to us or the

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underwriters, agents or dealers that we name in your prospectus supplement, unless other arrangements have been made between you and us or you and that firm. We will make payments on a debt security in the specified currency, except as described below in **Payment Mechanics for Debt Securities**.

Form of Debt Securities

We will issue each debt security in global i.e., book-entry form only, unless we specify otherwise in the applicable prospectus supplement. Debt securities in book-entry form will be represented by a global security registered in the name of a depositary, which will be the holder of all of the debt securities represented by that global security. Those who own beneficial interests in a global debt security will do so through participants in the depositary's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depositary and its participants. We describe book-entry securities below under **Legal Ownership and Book-Entry Issuance**.

In addition, we will issue each debt security in fully registered form, without coupons.

Types of Debt Securities

We may issue any of the following types of senior debt securities or subordinated debt securities:

Fixed Rate Debt Securities

A debt security of this type will bear interest at a fixed rate described in your prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price usually significantly lower than the principal amount. See **Original Issue Discount Debt Securities** below for more information about zero coupon and other original issue discount debt securities.

Each fixed rate debt security, except any zero coupon debt security, will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a fixed rate debt security at the fixed yearly rate stated in the applicable prospectus supplement, until the principal is paid or made available for payment or the debt security is exchanged. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. We will compute interest on fixed rate debt securities on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described below under **Payment Mechanics for Debt Securities**.

Floating Rate Debt Securities

A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If a debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be specified in the applicable prospectus supplement.

Each floating rate debt security will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a floating rate debt security at the yearly rate determined according to the interest rate formula stated in the applicable prospectus supplement, until the principal is paid or made available for payment or the security is exchanged. We will pay interest on

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each interest payment date and at maturity as described below under Payment Mechanics for Debt Securities.

Calculation of Interest. Calculations relating to floating rate debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. The prospectus supplement for a particular floating rate debt security will name the institution that we have appointed to act as the calculation agent for that debt security as of its original issue date. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

For each floating rate debt security, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable prospectus supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period i.e., the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate debt security by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable prospectus supplement.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide for that debt security the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates.

Indexed Debt Securities

A debt security of this type provides that the principal amount payable at its maturity, and the amount of interest payable on an interest payment date, will be determined by reference to:

securities of one or more issuers;

one or more currencies;

one or more commodities;

any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; or

one or more indices or baskets of the items described above.

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If you are a holder of an indexed debt security, you may receive an amount at maturity that is greater than or less than the face amount of your debt security depending upon the value of the applicable index at maturity. The value of the applicable index will fluctuate over time.

If you purchase an indexed debt security, your prospectus supplement will include information about the relevant index and about how amounts that are to become payable will be determined by reference to the price or value of that index. The prospectus supplement will also identify the calculation agent that will calculate the amounts payable with respect to the indexed debt security. The calculation agent may exercise significant discretion in determining such amounts.

Original Issue Discount Debt Securities

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount debt security may be a zero coupon debt security. A debt security issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount debt security, regardless of the amount payable upon redemption or acceleration of maturity. The U.S. federal income tax consequences of owning an original issue discount debt security may be described in the applicable prospectus supplement.

Information in the Prospectus Supplement

A prospectus supplement will describe the specific terms of a particular series of debt securities, which will include some or all of the following:

whether the issuer of the debt securities is Vornado Realty Trust or Vornado Realty L.P.;

the title of the debt securities;

whether they are senior debt securities or subordinated debt securities and, if they are subordinated debt securities, any changes in the subordination provisions described in this prospectus applicable to those subordinated debt securities;

any limit on the aggregate principal amount of the debt securities of the same series;

the person to whom any interest on any debt security of the series will be payable, if other than the person in whose name the debt security is registered at the close of business on the regular record date;

the stated maturity;

the specified currency, currencies or currency units for principal and interest, if not U.S. dollars;

the price at which we originally issue the debt securities, expressed as a percentage of the principal amount, and the original issue date;

whether the debt securities are fixed rate debt securities, floating rate debt securities or indexed debt securities;

if the debt securities are fixed rate debt securities, the yearly rate at which the debt securities will bear interest, if any, and the interest payment dates;

the regular record date for any interest payable on any interest payment date;

the place or places where the principal of, premium, if any, and interest on the debt securities will be payable;

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the denominations in which the debt securities will be issuable, if other than denominations of \$1,000 and any integral multiple of \$1,000;

if the debt securities are floating rate debt securities, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate; the interest reset, determination, calculation and payment dates; the day count used to calculate interest payments for any period; and the calculation agent;

any index or formula used to determine the amount of payments of principal of and any premium and interest on the debt securities;

if the debt securities may be converted, in the case of debt securities of Vornado Realty Trust, or exchanged, in the case of debt securities of Vornado Realty L.P., for common or preferred shares of Vornado Realty Trust or other securities, the terms on which such conversion or exchange may occur, including whether such conversion or exchange is mandatory, at the option of the holder or at our option, the period during which such conversion or exchange may occur, the initial conversion or exchange rate and the circumstances or manner in which the amount of common or preferred shares issuable upon conversion or exchange may be adjusted or calculated according to the market price of Vornado Realty Trust common or preferred shares or such other securities;

if the debt securities are original issue discount debt securities, the yield to maturity;

if other than the principal amount, the portion of the principal amount of the debt securities of the series which will be payable upon acceleration of the maturity of the debt securities;

if applicable, the circumstances under which the debt securities may be mandatorily redeemed by us, redeemed at our option or repaid at the holder's option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s);

if the principal amount of the debt securities which will be payable at the maturity of the debt securities will not be determinable as of any date before maturity, the amount which will be deemed to be the outstanding principal amount of the debt securities;

the applicability of any provisions described under **Defeasance and Covenant Defeasance** ;

the depositary for the debt securities, if other than DTC, and any circumstances under which the holder may request securities in non-global form;

the applicability of any provisions described under **Default, Remedies and Waiver of Default** ;

any additional covenants applicable to the debt securities and any elimination of or modification to the covenants described under **Covenants** ;

the names and duties of any co-trustees, depositaries, authenticating agents, paying agents, transfer agents or registrars for the debt securities;

the U.S. federal income tax consequences to holders of fixed rate debt securities that are zero coupon or original issue discount debt securities, floating rate debt securities, indexed debt securities or original issue discount debt securities;

if the debt securities are issued by Vornado Realty Trust, whether Vornado Realty L.P. will guarantee the due and punctual payment of principal of, premium, if any, and interest on the debt securities and the extent of any such guarantee; and

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any other terms of the debt securities or any applicable guarantee, which could be different from those described in this prospectus.

Redemption and Repayment

Unless otherwise indicated in the applicable prospectus supplement, a debt security will not be entitled to the benefit of any sinking fund that is, we will not deposit money on a regular basis into any separate custodial account to repay the debt securities. In addition, we will not be entitled to redeem a debt security before its stated maturity unless the prospectus supplement specifies a redemption commencement date. You will not be entitled to require us to buy a debt security from you before its stated maturity unless your prospectus supplement specifies one or more repayment dates.

If your applicable prospectus supplement specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of the debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If we redeem less than all of the debt securities of any series, we will, at least 60 days before the redemption date set by us or any shorter period that is satisfactory to the trustee, notify the trustee of the redemption date, of the principal amount of debt securities to be redeemed and if applicable, of the tenor of the debt securities to be redeemed. The trustee will select from the outstanding securities of the series the particular debt securities to be redeemed not more than 60 days before the redemption date. This procedure will not apply to any redemption of a single debt security.

If your prospectus supplement specifies a redemption commencement date, the debt security will be redeemable at our option at any time on or after that date or at a specified time or times. If we redeem the debt security, we will do so at the specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which the debt security is redeemed.

If your prospectus supplement specifies a repayment date, the debt security will be repayable at the holder's option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any debt security, we will give to the holder written notice of the principal amount of the debt security to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date. We will give the notice in the manner described below in Notices.

If a debt security represented by a global debt security is subject to repayment at the holder's option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect owners who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Street name and other indirect owners should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

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We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold or canceled.

Mergers and Similar Transactions

Each of Vornado Realty L.P. and Vornado Realty Trust are generally permitted to merge or consolidate with another entity. Each of Vornado Realty L.P. and Vornado Realty Trust are also permitted to sell their assets substantially as an entirety to another entity. With regard to any series of debt securities, however, unless otherwise indicated in the applicable prospectus supplement, the issuer of the debt securities, whether Vornado Realty Trust or Vornado Realty L.P., as the case may be, may not take any of these actions unless all of the following conditions are met:

If the successor entity in the transaction is not the issuer, the successor entity must be a corporation, partnership or trust organized under the laws of the United States, any state in the United States or the District of Columbia and must expressly assume the obligations of the issuer under the debt securities of that series and the indenture with respect to that series.

Immediately after giving effect to the transaction, no default under the debt securities of that series has occurred and is continuing. For this purpose, default under the debt securities of that series means an event of default with respect to that series or any event that would be an event of default with respect to that series if the requirements for giving us a default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under Default, Remedies and Waiver of Default.

The issuer or the successor entity, as the case may be, must take such steps as will be necessary to secure the debt securities of that series equally and ratably with or senior to all new indebtedness if, as a result of the transaction, properties or assets of the issuer, would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not be permitted by the applicable indenture.

The issuer and the guarantor, if applicable, have delivered to the trustee an officers certificate and opinion of counsel, each stating that the transaction complies in all respects with the indenture.

If the conditions described above are satisfied with respect to the debt securities of any series, Vornado Realty Trust or Vornado Realty L.P., as the case may be, as issuer of those debt securities will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell its assets. Also, these conditions will apply only if the issuer of those debt securities wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The issuer of those debt securities will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which the issuer acquires the stock or assets of another entity, any transaction that involves a change of control of the issuer but in which the issuer does not merge or consolidate and any transaction in which the issuer sells less than substantially all of its assets.

Any limitation applicable to the ability of Vornado Realty L.P., in its capacity as guarantor of debt securities of any series of Vornado Realty Trust, to participate in any of the actions described above will be set forth in the prospectus supplement for such series of debt securities.

Subordination Provisions

Holders of subordinated debt securities should recognize that contractual provisions in the subordinated debt indenture may prohibit the issuer of the subordinated debt securities from making payments on those securities. Subordinated debt securities are subordinate and junior in right of payment, to the extent and in the manner stated in the subordinated debt indenture or in the

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provisions of the applicable debt securities, to all of the issuer's senior debt, as defined in the subordinated debt indenture, including all debt securities the issuer has issued and will issue under the senior debt indenture.

The subordinated debt indenture defines senior debt as the principal of and premium, if any, and interest on all indebtedness of the issuer, other than the subordinated debt securities, whether outstanding on the date of the indenture or thereafter created, incurred or assumed, which is (a) for money borrowed, (b) evidenced by a note or similar instrument given in connection with the acquisition of any businesses, properties or assets of any kind or (c) obligations of the issuer, as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles or leases of property or assets made as part of any sale and lease-back transaction to which the issuer is a party. For the purpose of this definition, interest includes interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the issuer, to the extent that the claim for post-petition interest is allowed in the proceeding. Also for the purpose of this definition, indebtedness of the issuer includes indebtedness of others guaranteed by the issuer and amendments, renewals, extensions, modifications and refundings of any indebtedness or obligation of the kinds described in the first sentence of this paragraph. However, indebtedness of the issuer for the purpose of this definition does not include any indebtedness or obligation if the instrument creating or evidencing the indebtedness or obligation, or under which the indebtedness or obligation is outstanding, provides that the indebtedness or obligation is not superior in right of payment to the subordinated debt securities.

The subordinated debt indenture provides that, unless all principal of and any premium or interest on the senior debt has been paid in full, no payment or other distribution may be made in respect of any subordinated debt securities in the following circumstances:

in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceeding involving the issuer or its assets;

in the event of any liquidation, dissolution or other winding-up of the issuer, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy;

in the event of any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the issuer;

if any subordinated debt securities of issuer have been declared due and payable before their stated maturity; or

(a) in the event and during the continuation of any default in the payment of principal, premium or interest on any senior debt beyond any applicable grace period or if any event of default with respect to any senior debt of the issuer has occurred and is continuing, permitting the holders of that senior debt of the issuer or a trustee to accelerate the maturity of that senior debt, unless the event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded, or (b) if any judicial proceeding is pending with respect to a payment default or an event of default described in (a).

If the trustee under the subordinated debt indenture or any holders of the subordinated debt securities receive any payment or distribution that they know is prohibited under the subordination provisions, then the trustee or the holders will have to repay that money to the holders of the senior debt.

Even if the subordination provisions prevent us from making any payment when due on the subordinated debt securities of any series, we will be in default on our obligations under that series if we do not make the payment when due. This means that the trustee under the subordinated debt

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indenture and the holders of that series can take action against us, but they will not receive any money until the claims of the holders of senior debt have been fully satisfied.

Covenants

The following covenants apply to Vornado Realty Trust or Vornado Realty L.P., as applicable, with respect to the debt securities of each series it issues unless otherwise specified in the applicable prospectus supplement. As used in this section, we refers to either Vornado Realty Trust or Vornado Realty L.P., as issuer of the applicable debt securities.

Maintenance of Properties. We must maintain all properties used in our business in good condition. However, we may discontinue the maintenance or operation of any of our properties if in our judgment, discontinuance is desirable in the conduct of our business and is not disadvantageous in any material respect to the holders of debt securities.

Insurance. We must keep all of our insurable properties insured against loss or damage with insurers of recognized responsibility. The insurance must be in commercially reasonable amounts and types.

Existence. Except as described under Mergers and Similar Transactions, we must do or cause to be done all things necessary to preserve and keep in full force and effect our existence, rights and franchises. However, we are not required to preserve any right or franchise if we determine that the preservation of the right or franchise is no longer desirable in the conduct of our business and that the loss of the right or franchise is not disadvantageous in any material respect to the holders of the debt securities.

Payment of Taxes and Other Claims. We are required to pay or discharge or cause to be paid or discharged (a) all taxes, assessments and governmental charges levied or imposed upon us or any subsidiary or upon our income, profits or property or the income, profits or property of any subsidiary and (b) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon our property or the property of any subsidiary. We must pay these taxes and other claims before they become delinquent. However, we are not required to pay or discharge or cause to be paid or discharged any tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Provision of Financial Information. We will file with the trustee, within 15 days after we file the same with the SEC, copies of the annual reports and of the information, documents and other reports that we may be required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act. If we are not required to file with the SEC information, documents or reports pursuant to either of those sections, then we will file with the trustee and the SEC such reports, if any, as may be prescribed by the SEC at such time.

Additional covenants described in the applicable prospectus supplement may apply to the issuer of the debt securities and, if applicable, Vornado Realty L.P. in its capacity as guarantor of debt securities of Vornado Realty Trust, with respect to a particular series of debt securities.

Defeasance and Covenant Defeasance

The provisions for full defeasance and covenant defeasance described below apply to each senior and subordinated debt security, and any applicable guarantee, if so indicated in the applicable prospectus supplement. In general, we expect these provisions to apply to each debt security that has a specified currency of U.S. dollars and is not a floating rate or indexed debt security.

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Full Defeasance. If there is a change in U.S. federal tax law, as described below, we can legally release ourselves and any guarantor from all payment and other obligations on any debt securities. This is called full defeasance. For us to do so, each of the following must occur:

The issuer of your debt securities must deposit in trust for the benefit of all holders of those debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates;

(a) No event of default under the indenture applicable to such debt securities may have occurred and be continuing and (b) no event of default described in the sixth bullet point under **Default, Remedies and Waiver of Default Events of Default** may have occurred and be continuing at any time during the 90 days following the deposit in trust;

There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders of the debt securities to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves. Under current federal tax law, the deposit and our legal release from your debt security would be treated as though we took back your debt security and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on your debt security; and

We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

If we ever fully defeased your debt security, you would have to rely solely on the trust deposit for payments on your debt security. You would not be able to look to us for payment if there was any shortfall.

Covenant Defeasance. Under current U.S. federal tax law, we can make the same type of deposit described above and we and any guarantor will be released from the restrictive covenants relating to your debt security listed in the bullets below and any additional restrictive covenants that may be described in your prospectus supplement. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any debt securities, we must take the same steps as are required for full defeasance.

If we accomplish covenant defeasance with regard to your debt security, the following provisions of the applicable indenture and your debt security would no longer apply:

The requirement to secure the debt securities equally and ratably with all new indebtedness of the issuer of your debt securities in the event of a merger or consolidation;

The covenants regarding existence, maintenance of properties, payment of taxes and other claims, insurance and provision of financial information applicable to us or the guarantor, if applicable;

Any additional covenants that your prospectus supplement states are applicable to your debt security; and

The events of default resulting from a breach of covenants, described below in the fourth, fifth and seventh bullet points under **Default, Remedies and Waiver of Default Events of Default**.

If we accomplish covenant defeasance on your debt security, we must still repay your debt security if there is any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your debt security became immediately due and

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payable, there may be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Default, Remedies and Waiver of Default

You will have special rights if an event of default with respect to your series of debt securities occurs and is continuing, as described in this subsection.

Events of Default. Unless your prospectus supplement says otherwise, when we refer to an event of default with respect to any series of debt securities, we mean any of the following:

The issuer of your debt securities does not pay interest on any debt security of that series within 30 days after the due date;

The issuer of your debt securities does not pay the principal or any premium of any debt security of that series on the due date;

The issuer of your debt securities does not deposit a sinking fund payment with regard to any debt security of that series on the due date, but only if the payment is required under the applicable prospectus supplement;

The issuer of your debt securities or the guarantor of your debt securities, if applicable, remains in breach of any covenant it makes in the indenture for the benefit of the relevant series for 90 days after it receives a written notice of default stating that it is in breach and requiring it to remedy the breach. The notice must be sent by the trustee or the holders of at least 25% in principal amount of the relevant series of debt securities;

The issuer of your debt securities does not pay an indebtedness of \$50,000,000 or more in principal amount outstanding when due after the expiration of any applicable grace period, or we default on an indebtedness of this amount resulting in acceleration of the indebtedness, in either case within ten days after written notice of the default is sent to us. The notice must be sent by the trustee or the holders of at least 25% in principal amount of the relevant series of debt securities;

The issuer of your debt securities or, if applicable, the guarantor of your debt securities, files for bankruptcy or other events of bankruptcy, insolvency or reorganization relating to the issuer or, if applicable, the guarantor of your debt securities, occur; or

If your prospectus supplement states that any additional event of default applies to the series, that event of default occurs.

Remedies If an Event of Default Occurs

If you are the holder of a subordinated debt security, all of the remedies available upon the occurrence of an event of default under the subordinated debt indenture will be subject to the restrictions on the subordinated debt securities described above under Subordination Provisions.

If an event of default has occurred with respect to any series of debt securities and has not been cured or waived, the trustee or the holders of not less than 25% in principal amount of outstanding debt securities of that series may declare the entire principal amount of the debt securities of that series to be due immediately. If the event of default occurs because of events in bankruptcy, insolvency or reorganization relating to the issuer of your debt securities the entire principal amount of the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder.

Each of the situations described above is called an acceleration of the maturity of the affected series of debt securities. If the maturity of any series is accelerated, a judgment for payment has not yet

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been obtained, we pay or deposit with the trustee an amount sufficient to pay all amounts due on the securities of the series, and all events of default with respect to the series, other than the nonpayment of the accelerated principal, have been cured or waived, then the holders of a majority in principal amount of the outstanding debt securities of that series may cancel the acceleration for the entire series.

If an event of default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the relevant indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the relevant indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of all debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee with respect to that series. These majority holders may also direct the trustee in performing any other action under the applicable indenture with respect to the debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to any debt security or any guarantee, all of the following must occur:

The holder of your debt security must give the trustee written notice of a continuing event of default;

The holders of not less than 25% in principal amount of all debt securities of your series must make a written request that the trustee take action because of the default, and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action;

The trustee must not have taken action for 60 days after the above steps have been taken; and

During those 60 days, the holders of a majority in principal amount of the debt securities of your series must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of the debt securities of your series.

You are entitled at any time, however, to bring a lawsuit for the payment of money due on your debt security on or after its due date.

Waiver of Default. The holders of not less than a majority in principal amount of the outstanding debt securities of a series may waive a default for all debt securities of that series. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your debt security or a covenant or provision of the indenture that cannot be modified or amended without the consent of the holder of each outstanding debt security of the series, however, without the approval of the particular holder of that debt security.

Annual Provision of Information to the Trustee About Defaults. The issuer, and if the due and punctual payment of principal of, and interest on one or more series of debt securities is guaranteed, the guarantor, will furnish to each trustee every year a written statement of two of our officers certifying that to their knowledge the issuer and the guarantor, if applicable, are in compliance with the applicable indenture and the debt securities issued under it, or else specifying any default under the indenture.

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Book-entry and other indirect owners should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity. Book-entry and other indirect owners are described below under Legal Ownership and Book-Entry Issuance.

Changes of the Indentures Requiring Each Holder's Approval

There are certain changes that cannot be made without the approval of each holder of a debt security affected by the change under a particular indenture. Here is a list of those types of changes:

change the stated maturity for any principal or interest payment on a debt security;

reduce the principal amount or the interest rate or the premium payable upon the redemption of any debt security;

reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of its maturity;

change the currency of any payment on a debt security;

change the place of payment on a debt security;

impair a holder's right to sue for payment of any amount due on its debt security;

modify or affect in any adverse manner the terms and conditions of the obligations of Vornado Realty L.P. in respect of its guarantee, if any, of the due and punctual payment of principal of, or any premium or interest on, or any sinking fund or additional amounts with respect to any guaranteed debt securities of Vornado Realty Trust;

reduce the percentage in principal amount of the debt securities of any series, the approval of whose holders is needed to change the applicable indenture or those debt securities;

reduce the percentage in principal amount of the debt securities of any series, the consent of whose holders is needed to waive our compliance with the applicable indenture or to waive defaults; and

change the provisions of the applicable indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval of the holder of each affected debt security.

Modification of Subordination Provisions

Neither Vornado Realty Trust nor Vornado Realty L.P. may amend the subordinated debt indenture governing the subordinated debt securities it has issued to alter the subordination of any outstanding subordinated debt securities it has issued without the consent of each holder of senior debt then outstanding who would be adversely affected. In addition, neither Vornado Realty Trust nor Vornado Realty L.P. may modify the subordination provisions of the subordinated debt indenture governing the subordinated debt securities it has issued in a manner that would adversely affect the outstanding subordinated debt securities it has issued of any one or more series in any material respect, without the consent of the holders of a majority in aggregate principal amount of all affected series, voting together as one class.

Changes of the Indentures Not Requiring Approval

Another type of change does not require any approval by holders of the debt securities of an affected series. These changes are limited to clarifications and changes that would not adversely affect

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the debt securities of that series in any material respect. Nor do we need any approval to make changes that affect only debt securities or any guarantees of that series to be issued under the applicable indenture after the changes take effect or to add a guarantee to any outstanding debt securities not guaranteed or to comply with the rules or regulations of any securities exchange or automated quotation system on which any of the debt securities may be listed or traded.

We may also make changes or obtain waivers that do not adversely affect a particular debt security or the guarantee of that debt security, even if they affect other debt securities and guarantees. In those cases, we do not need to obtain the approval of the holder of the unaffected debt security; we need only obtain any required approvals from the holders of the affected debt securities.

Changes of the Indentures Requiring Majority Approval

Any other change to a particular indenture and the debt securities issued under that indenture would require the following approval:

If the change affects only the debt securities of a particular series, it must be approved by the holders of a majority in principal amount of the debt securities of that series.

If the change affects the debt securities of more than one series of debt securities issued under the applicable indenture, it must be approved by the holders of a majority in principal amount of each series affected by the change.

The same majority approval would be required for us or the guarantor, if applicable, to obtain a waiver of any of the applicable covenants in the indenture. The covenants include the promises we or the guarantor, if applicable, make about merging and similar transactions, which are described above under Mergers and Similar Transactions. If the requisite holders approve a waiver of a covenant, neither we nor the guarantor, as the case may be, will have to comply with it. The holders, however, cannot approve a waiver of any provision in a particular debt security, or in the applicable indenture as it affects that debt security, that cannot be changed without the approval of the holder of that debt security as described above in Changes of the Indentures Requiring Each Holder's Approval, unless that holder approves the waiver.

Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change an indenture or any debt securities or request a waiver.

Special Rules for Action by Holders

When holders take any action under a debt indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

Only Outstanding Debt Securities Are Eligible

Only holders of outstanding debt securities of the applicable series will be eligible to participate in any action by holders of debt securities of that series. Also, we will count only outstanding debt securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a debt security will not be outstanding :

if it has been surrendered for cancellation or cancelled;

if we have deposited or set aside, in trust for its holder, money for its payment or redemption;

if we have fully defeased it as described above under Defeasance and Covenant Defeasance Full Defeasance ;

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if it has been exchanged for other debt securities of the same series due to mutilation, destruction, loss or theft; or

if we or one of our affiliates is the owner, unless the debt security is pledged under certain circumstances described in the indenture.

Eligible Principal Amount of Some Debt Securities

In some situations, we may follow special rules in calculating the principal amount of a debt security that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency, increases over time or is not to be fixed until maturity.

For any debt security of the kind described below, we will decide how much principal amount to attribute to the debt security as follows:

For an original issue discount debt security, we will use the principal amount that would be due and payable on the action date if the maturity of the debt security were accelerated to that date because of a default;

For a debt security whose principal amount is not determinable, we will use any amount that we indicate in the applicable prospectus supplement for that debt security. The principal amount of a debt security may not be determinable, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date; or

For debt securities with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

Determining Record Dates for Action by Holders

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under either indenture. In certain limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global debt security may be set in accordance with procedures established by the depositary from time to time. Accordingly, record dates for global debt securities may differ from those for other debt securities.

Form, Exchange and Transfer of Debt Securities

Unless we indicate otherwise in your prospectus supplement, the debt securities will be issued:
only in fully registered form; and

in denominations of \$1,000 and integral multiples of \$1,000.

Holders may exchange their debt securities for debt securities of the same series in any authorized denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their debt securities at the office of the trustee. They may also replace lost, stolen, destroyed or mutilated debt securities at that office. We have appointed the trustee

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to act as our agent for registering debt securities in the names of holders and transferring and replacing debt securities.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the registration, exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any debt securities.

If a debt security is issued as a global debt security, only the depository (e.g., DTC, Euroclear and Clearstream) will be entitled to transfer and exchange the debt security as described in this subsection, since the depository will be the sole holder of the debt security.

The rules for exchange described above apply to exchange of debt securities for other debt securities of the same series and kind. If a debt security is convertible into or exchangeable for common or preferred shares of Vornado Realty Trust, the rules governing that type of conversion or exchange will be described in the applicable prospectus supplement.

Payment Mechanics for Debt Securities

Who Receives Payment?

If interest is due on a debt security on an interest payment date, we will pay the interest to the person in whose name the debt security is registered at the close of business on the regular record date relating to the interest payment date as described below under Payment and Record Dates for Interest. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person entitled to receive the principal of the debt security. If principal or another amount besides interest is due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at a proper place of payment or, in the case of a global debt security, in accordance with the applicable policies of the depository, DTC, Euroclear and Clearstream, as applicable.

Payment and Record Dates for Interest

Unless we specify otherwise in the applicable prospectus supplement, interest on any fixed rate debt security will be payable semiannually each May 15 and November 15 and at maturity, and the regular record date relating to an interest payment date for any fixed rate debt security will be the May 1 or November 1 next preceding that interest payment date. The regular record date relating to an interest payment date for any floating rate debt security will be the 15th calendar day before that interest payment date. These record dates will apply regardless of whether a particular record date is a business day, as defined below. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

Business Day. The term business day means, with respect to the debt securities of a series, a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in the place of payment for the debt securities of that series are authorized or obligated by law or executive order to close and that satisfies any other criteria specified in the applicable prospectus supplement.

How We Will Make Payments Due in U.S. Dollars

We will follow the practice described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

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Payments on Global Debt Securities. We will make payments on a global debt security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will make payments directly to the depository, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner's right to receive those payments will be governed by the rules and practices of the depository and its participants, as described below in the section entitled "Legal Ownership and Book-Entry Issuance - What Is a Global Security?"

Payments on Non-Global Debt Securities. We will make payments on a debt security in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all other payments by check to the paying agent described below, against surrender of the debt security. All payments by check will be made in next-day funds i.e., funds that become available on the day after the check is cashed.

Alternatively, if a non-global debt security has a face amount of at least \$1,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request a wire payment, the holder must give the paying agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the debt security is surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their debt securities.

How We Will Make Payments Due in Other Currencies

We will follow the practice described in this subsection when paying amounts that are due in a specified currency other than U.S. dollars.

Payments on Global Debt Securities. We will make payments on a global debt security in accordance with the applicable policies as in effect from time to time of the depository, which will be DTC, Euroclear or Clearstream. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities in global form. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be accurate, but we assume no responsibility for the accuracy thereof. The policies and procedures of DTC may govern payments, transfers, exchanges and other matters relating to beneficial interests in a global security. When DTC is the depository, such securities would be subject to DTC's rules and procedures, as then in effect. We understand that DTC's policies, as currently in effect, are as follows.

Unless otherwise indicated in your prospectus supplement, if you are an indirect owner of global debt securities denominated in a specified currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and do so elect, you must notify the participant through which your interest in the global debt security is held of your election:

on or before the applicable regular record date, in the case of a payment of interest; or

on or before the 16th day before the stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

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Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th DTC business day prior to the stated maturity, or on the redemption or repayment date if your debt security is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the specified currency or in another jurisdiction acceptable to us and the paying agent.

If the foregoing steps are not properly completed, we expect DTC to inform the paying agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under **Conversion to U.S. Dollars**. We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Indirect owners of a global debt security denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.

Payments on Non-Global Debt Securities. Except as described in the last paragraph under this heading, we will make payments on debt securities in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable specified currency at a bank designated by the holder and which is acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the debt security is surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the applicable indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a debt security in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person or entity who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Book-entry and other indirect owners of a debt security with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.

Conversion to U.S. Dollars. When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global debt security or a non-global debt security as

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described above, the exchange rate agent described below will calculate the U.S. dollar amount the holder receives in the exchange rate agent's discretion.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency Is Not Available. If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us due to circumstances beyond our control such as the imposition of exchange controls or a disruption in the currency markets we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis of the exchange rate determined by the exchange rate agent described below, in its discretion.

The foregoing will apply to any debt security, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any debt security or the applicable indenture.

Exchange Rate Agent. If we issue a debt security in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the debt security is originally issued in the applicable prospectus supplement. We may change the exchange rate agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be in its sole discretion unless we state in the applicable prospectus supplement that any determination requires our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the applicable indenture as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or the applicable indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under Payment and Record Dates for Interest.

Paying Agent

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as the paying agent. We must notify the trustee of changes in the paying agents.

Unclaimed Payments

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else.

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Notices

Notices to be given to holders of a global debt security will be given only to the depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of debt securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

Vornado Realty Trust's and Vornado Realty L.P.'s Relationship with the Trustee

The Bank of New York Mellon has provided commercial banking and other services for Vornado Realty Trust, Vornado Realty L.P. and its affiliates in the past and may do so in the future.

The Bank of New York Mellon is initially serving as the trustee for the senior debt securities and the subordinated debt securities. We may appoint other parties to serve as trustee or co-trustee as may be indicated in the applicable prospectus supplement. Consequently, if an actual or potential event of default occurs with respect to any of these securities, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, and the issuer of the debt securities would be required to appoint a successor trustee. For this purpose, a potential event of default means an event that would be an event of default if the requirements for giving the issuer of the debt securities default notice or for the default having to exist for a specific period of time were disregarded.

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DESCRIPTION OF VORNADO REALTY L.P. GUARANTEE

Vornado Realty L.P. may guarantee (either fully and unconditionally or in a limited manner) the due and punctual payment of the principal of, and any premium and interest on, one or more series of debt securities of Vornado Realty Trust, whether at maturity, by acceleration, redemption, repayment or otherwise, in accordance with the terms of such guarantee and the indenture. In case of the failure of Vornado Realty Trust punctually to pay any principal, premium or interest on any guaranteed debt security, Vornado Realty L.P. will cause any such payment to be made as it becomes due and payable, whether at maturity, upon acceleration, redemption, repayment or otherwise, and as if such payment were made by Vornado Realty Trust. The particular terms of the guarantee, if any, will be set forth in a prospectus supplement relating to the guaranteed debt securities. Any guarantee by Vornado Realty L.P. will be of payment only and not of collection.

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DESCRIPTION OF SHARES OF BENEFICIAL INTEREST OF VORNADO REALTY TRUST

The following descriptions of the material terms of the shares of beneficial interest of Vornado Realty Trust are only a summary and are subject to, and qualified in their entirety by reference to, the more complete descriptions of the shares in the following documents: (a) Vornado Realty Trust's amended and restated declaration of trust, including the applicable articles supplementary, and (b) Vornado Realty Trust's amended and restated bylaws, copies of which are exhibits to the registration statement of which this prospectus is a part. Please note that in this section entitled Description of Shares of Beneficial Interest of Vornado Realty Trust, references to Vornado, we, our and us refer only to Vornado Realty Trust and not to its subsidiaries or Vornado Realty L.P. unless the context requires otherwise.

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

The declaration of trust authorizes the issuance of up to 720,000,000 shares, consisting of 250,000,000 common shares of beneficial interest, \$.04 par value per share, 110,000,000 preferred shares of beneficial interest, no par value per share, and 360,000,000 excess shares of beneficial interest, \$.04 par value per share.

Description of Preferred Shares of Vornado Realty Trust

The following is a description of the material terms and provisions of our preferred shares. The particular terms of any series of preferred shares will be described in the applicable prospectus supplement, which will supplement the information below.

The description of the material terms of Vornado's preferred shares contained in this prospectus is only a summary and is qualified in its entirety by the provisions of the declaration of trust, which includes the articles supplementary relating to each series of the preferred shares, which will be filed as an exhibit to or incorporated by reference in the registration statement of which this prospectus is a part at or before the time of issuance of the series of preferred shares.

As of September 30, 2009, the declaration of trust authorizes the issuance of 110,000,000 preferred shares. Of the authorized 110,000,000 preferred shares, Vornado has designated:

5,750,000 as \$3.25 Series A Convertible Preferred Shares;

4,800,000 as Series D-10 7.00% Cumulative Redeemable Preferred Shares;

1,400,000 as Series D-11 7.20% Cumulative Redeemable Preferred Shares;

800,000 as Series D-12 6.55% Cumulative Redeemable Preferred Shares;

4,000,000 as Series D-14 6.75% Cumulative Redeemable Preferred Shares;

1,800,000 as Series D-15 6.875% Cumulative Redeemable Preferred Shares;

3,450,000 as 7.00% Series E Cumulative Redeemable Preferred Shares;

6,000,000 as 6.75% Series F Cumulative Redeemable Preferred Shares;

8,000,000 as 6.625% Series G Cumulative Redeemable Preferred Shares;

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4,500,000 as 6.750% Series H Cumulative Redeemable Preferred Shares; and

10,800,000 as 6.625% Series I Cumulative Redeemable Preferred Shares.

As of September 30, 2009, 52,324 \$3.25 Series A Convertible Preferred Shares, 1,600,000 Series D-10 7.00% Cumulative Redeemable Preferred Shares, 3,000,000 7.00% Series E Cumulative Redeemable Preferred Shares, 6,000,000 6.75% Series F Cumulative Redeemable Preferred Shares, 8,000,000 6.625% Series G Cumulative Redeemable Preferred Shares, 4,500,000 6.750% Series H Cumulative Redeemable Preferred Shares, and 10,800,000 6.625% Series I Cumulative Redeemable Preferred Shares were outstanding. No Series D-11 7.20% Cumulative Redeemable Preferred Shares, Series D-12 6.55% Cumulative Redeemable Preferred Shares, Series D-14 6.75% Cumulative Redeemable Preferred Shares or Series D-15 6.875% Cumulative Redeemable Preferred Shares were issued and outstanding as of September 30, 2009. Shares of each of these series may be issued in the future upon redemption of preferred units of limited partnership interest of Vornado Realty L.P. of a corresponding series that were issued and outstanding as of September 30, 2009.

The preferred shares authorized by our declaration of trust may be issued from time to time in one or more series in the amounts and with the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as may be fixed by the board of trustees. Under certain circumstances, the issuance of preferred shares could have the effect of delaying, deferring or preventing a change of control of Vornado and may adversely affect the voting and other rights of the holders of common shares. The declaration of trust authorizes the board of trustees to classify or reclassify, in one or more series, any unissued preferred shares and to reclassify any unissued shares of any series of preferred shares by setting or changing the number of preferred shares constituting the series and the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of the preferred shares.

The preferred shares have the dividend, liquidation, redemption and voting rights described below, as supplemented or changed in the applicable prospectus supplement relating to each particular series of the preferred shares. The applicable prospectus supplement will describe the following terms of the series of preferred shares:

the title of the preferred shares and the number of shares offered;

the amount of liquidation preference per share;

the initial public offering price at which the preferred shares will be issued;

the dividend rate or method of calculation, the dates on which dividends will be payable and the dates from which dividends will commence to accumulate, if any;

any redemption or sinking fund provisions;

any conversion or exchange rights;

any additional voting, dividend, liquidation, redemption, sinking fund and other rights, preferences, limitations and restrictions;

any listing of the preferred shares on any securities exchange;

the relative ranking and preferences of the preferred shares as to dividend rights and rights upon liquidation, dissolution or winding-up of the affairs of Vornado;

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any limitations on issuance of any series of preferred shares ranking senior to or on a parity with the series of preferred shares as to dividend rights and rights upon liquidation, dissolution or winding-up of the affairs of Vornado; and

any limitations on direct, beneficial or constructive ownership and restrictions on transfer, in each case as may be appropriate to preserve the status of Vornado as a REIT or for other purposes.

The applicable prospectus supplement may also include a discussion of federal income tax considerations applicable to the preferred shares.

The preferred shares will be issued in one or more series. The preferred shares, upon issuance against full payment of the applicable purchase price, will be duly authorized, validly issued, fully paid and non-assessable. The liquidation preference is not indicative of the price at which the preferred shares will actually trade on or after the date of issuance.

Rank

With respect to dividend rights and rights upon liquidation, dissolution or winding-up of Vornado, the preferred shares will rank senior to our common shares and excess shares created when our ownership limits are breached as described under Description of Common Shares of Vornado Realty Trust Restrictions on Ownership of Common Shares below, other than certain excess shares resulting from the conversion of preferred shares, and to all other classes and series of equity securities of Vornado now or later authorized, issued or outstanding, other than any classes or series of equity securities of Vornado that by their terms specifically rank equal or senior to the preferred shares as to dividend rights and rights upon liquidation, dissolution or winding-up of Vornado. We refer to the common shares and the other classes and series of equity securities to which the preferred shares rank senior as to dividend rights and rights upon liquidation, dissolution or winding-up of Vornado as junior stock ; we refer to equity securities of Vornado that by their terms rank equal to the preferred shares as parity stock ; and we refer to equity securities of Vornado that by their terms rank senior to the preferred shares as senior stock. The preferred shares are junior to all outstanding debt of Vornado. We may create and issue senior stock, parity stock and junior stock to the extent not expressly prohibited by the declaration of trust.

Dividends

Holders of our preferred shares are entitled to receive, when, as and if authorized by our board of trustees and declared by Vornado out of our assets legally available for payment, dividends or distributions in cash, property or other assets of Vornado or in securities of Vornado or from any other source as our board of trustees in its discretion determines and at the dates and annual rate per share as described in the applicable prospectus supplement. This rate may be fixed or variable or both. Each authorized dividend is payable to holders of record as they appear at the close of business on the books of Vornado on the record date, not more than 30 calendar days preceding the payment date, as determined by our board of trustees.

These dividends may be cumulative or noncumulative, as described in the applicable prospectus supplement. If dividends on a series of preferred shares are noncumulative and if our board of trustees fails to authorize a dividend in respect of a dividend period with respect to that series, then holders of those preferred shares will have no right to receive a dividend in respect of that dividend period, and we will have no obligation to pay the dividend for that period, whether or not dividends are authorized and payable on any future dividend payment dates. If dividends of a series of preferred shares are cumulative, the dividends on those shares will accrue from and after the date stated in the applicable prospectus supplement.

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No full dividends may be authorized or paid or set apart for payment on preferred shares of any series ranking, as to dividends, on a parity with or junior to the series of preferred shares offered by the applicable prospectus supplement for any period unless full dividends for the immediately preceding dividend period on the preferred shares, including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on the preferred shares are cumulative, have been or contemporaneously are authorized and paid or authorized and a sum sufficient for payment is set apart for payment. When dividends are not paid in full, or a sum sufficient for the full payment is not set apart, upon the preferred shares offered by the applicable prospectus supplement and any other preferred shares ranking on a parity as to dividends with those preferred shares, dividends upon those preferred shares and dividends on the other preferred shares must be authorized proportionately so that the amount of dividends authorized per share on those preferred shares and the other preferred shares in all cases bear to each other the same ratio that accrued dividends for the then-current dividend period per share on those preferred shares, including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on those preferred shares are cumulative, and accrued dividends, including required or permitted accumulations, if any, on shares of the other preferred shares, bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment(s) on preferred shares that are in arrears. Unless full dividends on the series of preferred shares offered by the applicable prospectus supplement have been authorized and paid or set apart for payment for the immediately preceding dividend period, including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on the preferred shares are cumulative:

no cash dividend or distribution, other than in shares of junior stock, may be authorized, set aside or paid on the junior stock;

we may not, directly or indirectly, repurchase, redeem or otherwise acquire any shares of junior stock, or pay any monies into a sinking fund for the redemption of any shares, except by conversion into or exchange for junior stock; and

we may not, directly or indirectly, repurchase, redeem or otherwise acquire any preferred shares or parity stock, or pay any monies into a sinking fund for the redemption of any shares, otherwise than in accordance with proportionate offers to purchase or a concurrent redemption of all, or a proportionate portion, of the outstanding preferred shares and shares of parity stock, except by conversion into or exchange for junior stock.

Any dividend payment made on a series of preferred shares will first be credited against the earliest accrued but unpaid dividend due with respect to shares of the series.

Redemption

The terms, if any, on which preferred shares of any series may be redeemed will be described in the applicable prospectus supplement.

Liquidation

If we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, the holders of a series of our preferred shares will be entitled, subject to the rights of creditors, but before any distribution or payment to the holders of our common shares, excess shares, other than certain excess shares resulting from the conversion of preferred shares, or any junior stock, to receive a liquidating distribution in the amount of the liquidation preference per share stated in the applicable prospectus supplement plus accrued and unpaid dividends for the then-current dividend period, including any accumulation in respect of unpaid dividends for prior dividend periods, if dividends on the series of preferred shares are cumulative. If the amounts available for distribution with respect to our preferred shares and all other outstanding parity stock are not sufficient to satisfy the full liquidation rights of all of the outstanding

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preferred shares and parity stock, then the holders of each series of the stock will share ratably in the distribution of assets in proportion to the full respective preferential amount, which in the case of preferred shares may include accumulated dividends, to which they are entitled. After payment of the full amount of the liquidation distribution, the holders of preferred shares will not be entitled to any further participation in any distribution of assets by us.

Vornado is organized as a Maryland real estate investment trust under Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland. Title 8 does not contain any specific provisions on the power of a Maryland real estate investment trust to make distributions, including dividends, to its shareholders. It is possible that a Maryland court may look to the Maryland General Corporation Law (the MGCL) for guidance on matters, such as the making of distributions to shareholders, not covered by Title 8. The MGCL requires that, after giving effect to a distribution, (1) the corporation must be able to pay its debts as they become due in the usual course of business and (2) the corporation's total assets must at least equal the sum of its total liabilities plus the preferential rights on dissolution of shareholders whose rights on dissolution are superior to those shareholders receiving the distribution unless the distribution is made from (i) the net earnings of the corporation for the fiscal year in which the distribution is made, (ii) the net earnings of the corporation for the preceding fiscal year, or (iii) the sum of the net earnings of the corporation for the preceding eight fiscal quarters. However, the MGCL also provides that the charter of the corporation may provide that senior dissolution preferences will not be included with liabilities for purposes of determining amounts available for distribution. The applicable articles supplementary may include a similar provision. The Articles Supplementary for the Series A Preferred Shares, Series E Preferred Shares, Series F Preferred Shares, Series G Preferred Shares, Series H Preferred Shares and Series I Preferred Shares each contain such a provision.

Voting

The preferred shares of a series will not be entitled to vote, except as described below or in the applicable prospectus supplement. Without the affirmative vote of a majority of the preferred shares then outstanding, voting separately as a class together with any parity stock, we may not:

increase or decrease the aggregate number of authorized shares of the class or any security ranking senior to the preferred shares;

increase or decrease the par value of the shares of the class; or

alter or change the voting or other powers, preferences or special rights of the class so as to affect them adversely.

An amendment that increases the number of authorized shares of the class or authorizes the creation or issuance of other classes or series of junior stock or parity stock, or substitutes the surviving entity in a merger, consolidation, reorganization or other business combination for Vornado, will not be considered to be an adverse change.

No Other Rights

The shares of a series of preferred shares will not have any preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption except as described above or in the applicable prospectus supplement, the declaration of trust and in the applicable articles supplementary or as otherwise required by law.

Registrar and Transfer Agent

The registrar and transfer agent for each series of preferred shares will be American Stock Transfer & Trust Company, New York, New York, unless a different transfer agent is named in the applicable prospectus supplement.

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Restrictions on Ownership

As discussed below, for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares of beneficial interest may be owned, directly or constructively, by five or fewer individuals, as defined in the Code to include certain entities, at any time during the last half of a taxable year, and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Therefore, the declaration of trust contains, and the articles supplementary for each series of preferred shares may contain, provisions restricting the ownership and transfer of the preferred shares.

Our declaration of trust contains a preferred shares beneficial ownership limit that restricts shareholders from owning, under the applicable attribution rules of the Code, more than 9.9% of the outstanding preferred shares of any class. The attribution rules which apply for purposes of the common shares beneficial ownership limit also apply for purposes of the preferred shares beneficial ownership limit. For more information about these attribution rules, see

Description of Common Shares of Vornado Realty Trust Restrictions on Ownership of Common Shares. Investors should be aware that events other than a purchase or other transfer of preferred shares may result in ownership, under the applicable attribution rules of the Code, of preferred shares in excess of the preferred shares beneficial ownership limit. We urge investors to consult their own tax advisors concerning the application of the attribution rules of the Code in their particular circumstances.

Holders of preferred shares are also subject to the constructive ownership limit, which restricts them from owning, under the applicable attribution rules of the Code, more than 9.9% of the outstanding shares of any class. See

Description of Common Shares of Vornado Realty Trust Restrictions on Ownership of Common Shares below for more information about the constructive ownership limit.

The attribution rules that apply for purposes of the constructive ownership limit differ from those that apply for purposes of the preferred shares beneficial ownership limit. See Description of Common Shares of Vornado Realty Trust Restrictions on Ownership of Common Shares for more information about these attribution rules. Investors should be aware that events other than a purchase or other transfer of preferred shares may result in ownership, under the applicable attribution rules of the Code, of preferred shares in excess of the constructive ownership limit. We urge investors to consult their own tax advisors concerning the application of the attribution rules of the Code in their particular circumstances.

The declaration of trust provides that a transfer of preferred shares that would otherwise result in ownership, under the applicable attribution rules of the Code, of preferred shares in excess of the preferred shares beneficial ownership limit or the constructive ownership limit, or which would cause the shares of beneficial interest of Vornado Realty Trust to be beneficially owned by fewer than 100 persons, will be void and the purported transferee will acquire no rights or economic interest in the preferred shares. In addition, preferred shares that would otherwise be owned, under the applicable attribution rules of the Code, in excess of the preferred shares beneficial ownership limit or the constructive ownership limit will be automatically exchanged for our excess shares that will be transferred, by operation of law, to Vornado as trustee of a trust for the exclusive benefit of a beneficiary designated by the purported transferee or purported holder. While held in the trust, excess shares are not entitled to vote and are not entitled to participate in any dividends or distributions made by Vornado. Any dividends or distributions received by the purported transferee or other purported holder of the excess shares before Vornado discovers the automatic exchange for excess shares must be repaid to Vornado upon demand.

If the purported transferee or holder elects to designate a beneficiary of an interest in the trust with respect to the excess shares, the purported transferee or holder may only designate a person whose ownership of the shares will not violate the preferred shares beneficial ownership limit or the

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constructive ownership limit. When the purported transferee or purported holder designates an eligible person, the excess shares will be automatically exchanged for preferred shares of the same class as the preferred shares that were originally exchanged for the excess shares. The declaration of trust contains provisions designed to ensure that the purported transferee or other holder of the excess shares may not receive in return for the transfer an amount that reflects any appreciation in the preferred shares for which the excess shares were exchanged during the period that the excess shares were outstanding but will bear the burden of any decline in value during that period. Any amount received by a purported transferee or other holder for designating a beneficiary in excess of the amount permitted to be received must be turned over to Vornado. Our declaration of trust provides that we may purchase any excess shares that have been automatically exchanged for preferred shares as a result of a purported transfer or other event. The price at which we may purchase the excess shares will be equal to the lesser of:

in the case of excess shares resulting from a purported transfer for value, the price per share in the purported transfer that resulted in the automatic exchange for excess shares or, in the case of excess shares resulting from some other event, the market price of the preferred shares exchanged on the date of the automatic exchange for excess shares; and

the market price of the preferred shares exchanged for the excess shares on the date that Vornado accepts the deemed offer to sell the excess shares.

Our purchase right with respect to excess shares will exist for 90 days, beginning on the date that the automatic exchange for excess shares occurred or, if Vornado did not receive a notice concerning the purported transfer that resulted in the automatic exchange for excess shares, the date that our board of trustees determines in good faith that an exchange for excess shares has occurred.

Our board of trustees may exempt certain persons from the preferred shares beneficial ownership limit or the constructive ownership limit if evidence satisfactory to the trustees is presented showing that the exemption will not jeopardize Vornado's status as a REIT under the Code. Before granting an exemption of this kind, the board of trustees is required to obtain a ruling from the IRS or an opinion of counsel satisfactory to it and representations and undertakings, including representations, from the applicant that demonstrate, to the reasonable satisfaction of the board of trustees that such ownership would not jeopardize the REIT status of Vornado.

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

All certificates evidencing preferred shares will bear a legend referring to the restrictions described above.

All persons who own, directly or by virtue of the applicable attribution rules of the Code, more than 2% of the outstanding preferred shares of any series must give a written notice to Vornado containing the information specified in our declaration of trust by January 31 of each year. In addition, each shareholder upon demand must disclose to Vornado any information Vornado may request, in good faith, in order to determine Vornado's status as a REIT or to comply with Treasury regulations promulgated under the REIT provisions of the Code.

Depositary Shares

We may, at our option, elect to offer depositary shares, which represent receipts for fractional interests in preferred shares rather than full preferred shares. If we offer depositary shares, depositary receipts for depositary shares, each of which will represent a fraction of a share of a particular series of preferred shares, will be issued as described below. The prospectus supplement relating to any series of depositary shares will state the fraction of a preferred share represented by each depositary share.

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The description below of the material provisions of the deposit agreement and of the depositary shares and depositary receipts is only a summary and is qualified in its entirety by reference to the forms of deposit agreement and depositary receipts relating to each series of the depositary shares that have been or will be filed with the SEC at or before the time of the offering or sale of a series of depositary shares. The particular terms of depositary shares representing fractional interests in any particular series of preferred shares will be described in the applicable prospectus supplement, which will supplement the information in this prospectus.

The shares of any series of preferred shares represented by depositary shares will be deposited under a deposit agreement between Vornado and the depositary. Subject to the deposit agreement, each owner of a depositary share will be entitled, in proportion to the applicable fraction of a preferred share represented by the depositary share, to all of the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of the preferred shares represented by the depositary share.

Dividends and Other Distributions

The depositary will distribute all cash dividends or other cash distributions received in respect of the preferred shares to the record holders of depositary shares relating to the preferred shares in proportion to the numbers of depositary shares owned by the holders.

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

Withdrawal of Preferred Shares

Upon surrender of depositary receipts at the corporate trust office of the depositary, unless the related depositary shares have previously been called for redemption or converted into excess shares or otherwise, each depositary receipt holder will be entitled to delivery at the depositary's corporate trust office, to or upon the holder's order, of the number of whole or fractional shares of the class or series of preferred shares and any money or other property represented by the depositary shares evidenced by the depositary receipts. Holders of depositary receipts will be entitled to receive whole or fractional shares of the related class or series of preferred shares on the basis of the fraction of a preferred share represented by each depositary share as specified in the applicable prospectus supplement, but holders of the preferred shares will not be entitled to receive depositary shares representing the preferred shares after exchanging the depositary shares for preferred shares. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of preferred shares to be withdrawn, the depositary will deliver to the holder at the same time a new depositary receipt evidencing the excess number of depositary shares.

Redemption of Depositary Shares

If a series of preferred shares represented by depositary shares is subject to redemption, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption, in whole or in part, of the series of preferred shares held by the depositary. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per share payable with respect to the series of preferred shares. Whenever we redeem preferred shares held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares representing the redeemed preferred shares. If fewer than all of the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by lot, proportionately or by any other equitable method as may be determined by the depositary.

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Voting the Preferred Shares

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

Amendment and Termination of the Deposit Agreement

Vornado and the depositary may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement at any time. However, any amendment that materially and adversely alters the rights of the holders of depositary shares will not be effective unless the holders of at least a majority of the depositary shares then outstanding approve the amendment. The deposit agreement will only terminate if (a) all outstanding depositary shares have been redeemed or (b) there has been a final distribution in respect of the preferred shares in connection with any liquidation, dissolution or winding-up of Vornado and that distribution has been distributed to the holders of the related depositary shares.

Charges of Depositary

Vornado will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. Vornado will pay charges of the depositary in connection with the initial deposit of the preferred shares and issuance of depositary receipts, all withdrawals of preferred shares by owners of depositary shares and any redemption of the preferred shares. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and any other charges expressly provided in the deposit agreement to be for their account.

Resignation and Removal of Depositary

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

Restrictions on Ownership

In order to safeguard Vornado against an inadvertent loss of REIT status, the deposit agreement or the declaration of trust or both will contain provisions restricting the ownership and transfer of depositary shares. These restrictions will be described in the applicable prospectus supplement.

Reports; Liability of Depositary and Vornado Realty Trust

The depositary will forward all reports and communications from Vornado that are delivered to it and that Vornado is required or otherwise determines to furnish to the holders of the preferred shares.

Neither the depositary nor Vornado will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the deposit agreement. The

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obligations of Vornado and the depository under the deposit agreement will be limited to performance in good faith of their duties under the deposit agreement, and they will not be obligated to prosecute or defend any legal proceeding in respect of any depository shares or preferred shares unless satisfactory indemnity is furnished. They may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred shares for deposit, holders of depository shares or other persons believed to be competent and on documents believed to be genuine.

Description of Common Shares of Vornado Realty Trust

The following description of the common shares is only a summary of, and is qualified in its entirety by reference to, the provisions governing the common shares contained in the declaration of trust and bylaws. Copies of the declaration of trust and bylaws are exhibits to the registration statement of which this prospectus is a part. See Available Information for information about how to obtain copies of the declaration of trust and bylaws.

As of September 30, 2009, 179, 523, 984 common shares were issued and outstanding. No excess shares were issued and outstanding as of September 30, 2009. The common shares of Vornado Realty Trust are listed on the NYSE under the symbol VNO.

Dividend and Voting Rights of Holders of Common Shares

The holders of common shares are entitled to receive dividends when, if and as authorized by the board of trustees and declared by Vornado out of assets legally available to pay dividends, if receipt of the dividends is in compliance with the provisions in the declaration of trust restricting the ownership and transfer of shares of beneficial interest. However, if any preferred shares are at the time outstanding, Vornado may only pay dividends or other distributions on common shares or purchase common shares if full cumulative dividends have been paid on outstanding preferred shares and there is no arrearage in any mandatory sinking fund on outstanding preferred shares. The terms of the series of preferred shares that are now issued and outstanding do not provide for any mandatory sinking fund.

The holders of common shares are entitled to one vote for each share on all matters on which shareholders are entitled to vote, including elections of trustees. There is no cumulative voting in the election of trustees, which means that the holders of a majority of the outstanding common shares can elect all of the trustees then standing for election. The holders of common shares do not have any conversion, redemption or preemptive rights to subscribe to any securities of Vornado. If Vornado is dissolved, liquidated or wound up, holders of common shares are entitled to share proportionally in any assets remaining after the prior rights of creditors, including holders of Vornado's indebtedness, and the aggregate liquidation preference of any preferred shares then outstanding are satisfied in full.

The common shares have equal dividend, distribution, liquidation and other rights and have no preference, appraisal or exchange rights. All outstanding common shares are, and any common shares offered by a prospectus supplement, upon issuance, will be, duly authorized, validly issued, fully paid and non-assessable.

The transfer agent for the common shares is American Stock Transfer & Trust Company, New York, New York.

Restrictions on Ownership of Common Shares

The Common Shares Beneficial Ownership Limit. For Vornado to maintain its qualification as a REIT under the Code, not more than 50% of the value of its outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of a taxable year and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. The Code defines individuals to include some entities for purposes of the preceding

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sentence. All references to a shareholder's ownership of common shares in this section The Common Shares Beneficial Ownership Limit assume application of the applicable attribution rules of the Code under which, for example, a shareholder is deemed to own shares owned by his or her spouse.

The declaration of trust contains a number of provisions that restrict the ownership and transfer of shares and are designed to safeguard Vornado against an inadvertent loss of its REIT status. These provisions also seek to deter non-negotiated acquisitions of, and proxy fights for, us by third parties. The declaration of trust contains a limitation that restricts, with some exceptions, shareholders from owning more than a specified percentage of the outstanding common shares. We call this percentage the common shares beneficial ownership limit. The common shares beneficial ownership limit was initially set at 2.0% of the outstanding common shares. Our board of trustees subsequently adopted a resolution raising the common shares beneficial ownership limit from 2.0% to 6.7% of the outstanding common shares and has the authority to grant exemptions from the common shares beneficial ownership limit. The shareholders who owned more than 6.7% of the common shares immediately after the merger of Vornado, Inc. into Vornado in May 1993 may continue to do so and may acquire additional common shares through stock option and similar plans or from other shareholders who owned more than 6.7% of the common shares immediately after that merger. However, common shares cannot be transferred if, as a result, more than 50% in value of the outstanding shares of Vornado would be owned by five or fewer individuals. While the shareholders who owned more than 6.7% of the common shares immediately after the merger of Vornado, Inc. into Vornado in May 1993 are not generally permitted to acquire additional common shares from any other source, these shareholders may acquire additional common shares from any source if Vornado issues additional common shares, up to the percentage held by them immediately before Vornado issues the additional shares.

Shareholders should be aware that events other than a purchase or other transfer of common shares can result in ownership, under the applicable attribution rules of the Code, of common shares in excess of the common shares beneficial ownership limit. For instance, if two shareholders, each of whom owns 3.5% of the outstanding common shares, were to marry, then after their marriage both shareholders would be deemed to own 7.0% of the outstanding common shares, which is in excess of the common shares beneficial ownership limit. Similarly, if a shareholder who owns 4.9% of the outstanding common shares were to purchase a 50% interest in a corporation which owns 4.8% of the outstanding common shares, then the shareholder would be deemed to own 7.3% of the outstanding common shares. You should consult your own tax advisors concerning the application of the attribution rules of the Code in your particular circumstances.

The Constructive Ownership Limit. Under the Code, rental income received by a REIT from persons in which the REIT is treated, under the applicable attribution rules of the Code, as owning a 10% or greater interest does not constitute qualifying income for purposes of the income requirements that REITs must satisfy. For these purposes, a REIT is treated as owning any stock owned, under the applicable attribution rules of the Code, by a person that owns 10% or more of the value of the outstanding shares of the REIT. The attribution rules of the Code applicable for these purposes are different from those applicable with respect to the common shares beneficial ownership limit. All references to a shareholder's ownership of common shares in this section The Constructive Ownership Limit assume application of the applicable attribution rules of the Code.

In order to ensure that rental income of Vornado will not be treated as nonqualifying income under the rule described in the preceding paragraph, and thus to ensure that Vornado will not inadvertently lose its REIT status as a result of the ownership of shares by a tenant, or a person that holds an interest in a tenant, the declaration of trust contains an ownership limit that restricts, with some exceptions, shareholders from owning more than 9.9% of the outstanding shares of any class. We refer to this 9.9% ownership limit as the constructive ownership limit. The shareholders who owned shares in excess of the constructive ownership limit immediately after the merger of Vornado, Inc. into Vornado in May 1993 generally are not subject to the constructive ownership limit. The declaration of

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trust also contains restrictions that are designed to ensure that the shareholders who owned shares in excess of the constructive ownership limit immediately after the merger of Vornado, Inc. into Vornado in May 1993 will not, in the aggregate, own a large enough interest in a tenant or subtenant of the REIT to cause rental income received, directly or indirectly, by the REIT from that tenant or subtenant to be treated as nonqualifying income for purposes of the income requirements that REITs must satisfy. The restrictions described in the preceding sentence have an exception for tenants and subtenants from whom the REIT receives, directly or indirectly, rental income that is not in excess of a specified threshold.

Shareholders should be aware that events other than a purchase or other transfer of shares can result in ownership, under the applicable attribution rules of the Code, of shares in excess of the constructive ownership limit. As the attribution rules that apply with respect to the constructive ownership limit differ from those that apply with respect to the common shares beneficial ownership limit, the events other than a purchase or other transfer of shares which can result in share ownership in excess of the constructive ownership limit can differ from those which can result in share ownership in excess of the common shares beneficial ownership limit. You should consult your own tax advisors concerning the application of the attribution rules of the Code in your particular circumstances.

Issuance of Excess Shares If the Ownership Limits Are Violated. The declaration of trust provides that a transfer of common shares that would otherwise result in ownership, under the applicable attribution rules of the Code, of common shares in excess of the common shares beneficial ownership limit or the constructive ownership limit, or which would cause the shares of beneficial interest of Vornado to be beneficially owned by fewer than 100 persons, will be void and the purported transferee will acquire no rights or economic interest in the common shares. In addition, the declaration of trust provides that common shares that would otherwise be owned, under the applicable attribution rules of the Code, in excess of the common shares beneficial ownership limit or the constructive ownership limit will be automatically exchanged for excess shares. These excess shares will be transferred, by operation of law, to Vornado as trustee of a trust for the exclusive benefit of a beneficiary designated by the purported transferee or purported holder. While so held in trust, excess shares are not entitled to vote and are not entitled to participate in any dividends or distributions made by Vornado. Any dividends or distributions received by the purported transferee or other purported holder of the excess shares before Vornado discovers the automatic exchange for excess shares must be repaid to Vornado upon demand.

If the purported transferee or purported holder elects to designate a beneficiary of an interest in the trust with respect to the excess shares, he or she may designate only a person whose ownership of the shares will not violate the common shares beneficial ownership limit or the constructive ownership limit. When the designation is made, the excess shares will be automatically exchanged for common shares. The declaration of trust contains provisions designed to ensure that the purported transferee or other purported holder of the excess shares may not receive, in return for transferring an interest in the trust with respect to the excess shares, an amount that reflects any appreciation in the common shares for which the excess shares were exchanged during the period that the excess shares were outstanding but will bear the burden of any decline in value during that period. Any amount received by a purported transferee or other purported holder for designating a beneficiary in excess of the amount permitted to be received must be turned over to Vornado. The declaration of trust provides that Vornado, or its designee, may purchase any excess shares that have been automatically exchanged for common shares as a result of a purported transfer or other event. The price at which Vornado, or its designee, may purchase the excess shares will be equal to the lesser of:

in the case of excess shares resulting from a purported transfer for value, the price per share in the purported transfer that resulted in the automatic exchange for excess shares, or in the case of excess shares resulting from some other event, the market price of the common shares exchanged on the date of the automatic exchange for excess shares; and

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the market price of the common shares exchanged for the excess shares on the date that Vornado accepts the deemed offer to sell the excess shares.

Vornado's right to buy the excess shares will exist for 90 days, beginning on the date that the automatic exchange for excess shares occurred or, if Vornado did not receive a notice concerning the purported transfer that resulted in the automatic exchange for excess shares, the date that the board of trustees determines in good faith that an exchange for excess shares has occurred.

Other Provisions Concerning the Restrictions on Ownership. Our board of trustees may exempt persons from the common shares beneficial ownership limit or the constructive ownership limit, including the limitations applicable to holders who owned in excess of 6.7% of the common shares immediately after the merger of Vornado, Inc. into Vornado in May 1993, if evidence satisfactory to the board of trustees is presented showing that the exemption will not jeopardize Vornado's status as a REIT under the Code. No exemption to a person that is an individual for purposes of Section 542(a)(2) of the Code, however, may permit the individual to have beneficial ownership in excess of 9.9% of the outstanding shares of the class. Before granting an exemption of this kind, the board of trustees is required to obtain a ruling from the IRS or an opinion of counsel satisfactory to it and representations and undertakings, including representations, from the applicant that demonstrate, to the reasonable satisfaction of the board of trustees that such ownership would not jeopardize the REIT status of Vornado.

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

All persons who own, directly or by virtue of the applicable attribution rules of the Code, more than 2.0% of the outstanding common shares must give a written notice to Vornado containing the information specified in the declaration of trust by January 31 of each year. In addition, each shareholder will be required to disclose to Vornado upon demand any information that Vornado may request, in good faith, to determine Vornado's status as a REIT or to comply with Treasury regulations promulgated under the REIT provisions of the Code.

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

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR DECLARATION OF TRUST AND BYLAWS

The following description of certain provisions of Maryland law and of our declaration of trust and bylaws is only a summary. For a complete description, we refer you to Maryland law, our declaration of trust and our bylaws.

Classification of the Board of Trustees

Our declaration of trust provides that the number of our trustees may be established by the board of trustees, provided however that the tenure of office of a trustee will not be affected by any decrease in the number of trustees. Our bylaws provide that any vacancy on the board may be filled only by a majority of the remaining trustees, even if the remaining trustees do not constitute a quorum. Any trustee elected to fill a vacancy will hold office for the remainder of the full term of the class of trustees in which the vacancy occurred and until a successor is duly elected and qualifies.

Our declaration of trust divides our board of trustees into three classes. Shareholders elect our trustees of each class for three-year terms upon the expiration of their current terms. Shareholders elect only one class of trustees each year. We believe that classification of our board of trustees helps to assure the continuity of our business strategies and policies. There is no cumulative voting in the

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election of trustees. Consequently, at each annual meeting of shareholders, the holders of a majority of our common shares are able to elect all of the successors of the class of trustees whose term expires at that meeting. Under our bylaws, a plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a trustee.

The classified board provision could have the effect of making the replacement of incumbent trustees more time consuming and difficult. At least two annual meetings of shareholders will generally be required to effect a change in a majority of the board of trustees. Thus, the classified board provision could increase the likelihood that incumbent trustees will retain their positions. The staggered terms of trustees may delay, defer or prevent a tender offer or an attempt to change control of Vornado, even though the tender offer or change in control might be in the best interest of the shareholders.

Removal of Trustees

Our declaration of trust provides that a trustee may be removed only for cause and only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of trustees. This provision, when coupled with the provision in our bylaws authorizing the board of trustees to fill vacant trusteeships, precludes shareholders from removing incumbent trustees except for cause and by a substantial affirmative vote and filling the vacancies created by the removal with their own nominees.

Business Combinations

Under Maryland law, business combinations between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested shareholder is defined as:

any person who beneficially owns ten percent or more of the voting power of the trust's shares; or

an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then-outstanding voting shares of the trust.

A person is not an interested shareholder under the statute if the board of trustees approved in advance the transaction by which he otherwise would have become an interested shareholder. However, in approving a transaction, the board of trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland trust and an interested shareholder generally must be recommended by the board of directors of the trust and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding voting shares of the trust; and

two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested shareholder.

These super-majority vote requirements do not apply if the trust's common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

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The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of trustees before the time that the interested shareholder becomes an interested shareholder.

Our board of trustees has adopted a resolution exempting any business combination between any trustee or officer of Vornado, or their affiliates, and Vornado. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any of them. As a result, the trustees and officers of Vornado and their affiliates may be able to enter into business combinations with us without compliance with the super-majority vote requirements and the other provisions of the statute. With respect to business combinations with other persons, the business combination provisions of the Maryland General Corporation Law may have the effect of delaying, deferring or preventing a change in control of Vornado or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. The business combination statute may discourage others from trying to acquire control of Vornado and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland law provides that control shares of a Maryland real estate investment trust acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by employees who are trustees of the trust are excluded from shares entitled to vote on the matter. Control Shares are voting shares which, if aggregated with all other shares owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power:

one-tenth or more but less than one-third,

one-third or more but less than a majority, or

a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of trustees of the trust to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the trust may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the trust may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the trust to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

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The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the trust is a party to the transaction, or (b) to acquisitions approved or exempted by the declaration of trust or bylaws of the trust.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Approval of Extraordinary Trust Action; Amendment of Declaration of Trust and Bylaws

Under Maryland law, a Maryland real estate investment trust generally cannot amend its declaration of trust or merge with another entity, unless approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland real estate investment trust may provide in its declaration of trust for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Vornado may merge or consolidate with another entity or entities or sell or transfer all or substantially all of the trust property, if approved by the board of trustees and by the affirmative vote of not less than a majority of all of the votes entitled to be cast on the matter. Similarly, our declaration of trust provides for approval of amendments by the affirmative vote of a majority of the votes entitled to be cast on the matter. Some limited exceptions (including amendments to the provisions of our declaration of trust related to the removal of trustees, ownership and transfer restrictions and amendments) require the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter.

Under Maryland law, the declaration of trust of a Maryland real estate investment trust may permit the trustees, by a two-thirds vote, to amend the declaration of trust from time to time to qualify as a REIT under the Code or the Maryland REIT Law, without the affirmative vote or written consent of the shareholders. Our declaration of trust permits such action by the board of trustees. In addition, our declaration of trust, as permitted by Maryland law, contains a provision that permits our Board, without a shareholder vote, to amend the declaration of trust to increase or decrease the authorized shares of any class or series of beneficial interest that we are authorized to issue.

Our bylaws provide that the board of directors will have the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Advance Notice of Trustee Nominations and New Business

Our bylaws provide that with respect to an annual meeting of shareholders, nominations of persons for election to the board of trustees and the proposal of business to be considered by shareholders may be made only (i) pursuant to our notice of the meeting, (ii) by the board of trustees or (iii) by a shareholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of shareholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the board of trustees at a special meeting may be made only (i) by the board of trustees, or (ii) pursuant to our notice of the meeting, provided that the board of trustees has determined that trustees will be elected at the meeting, by a shareholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

Anti-takeover Effect of Certain Provisions of Maryland Law and of the Declaration of Trust and Bylaws

The business combination provisions and, if the applicable provision in our bylaws is rescinded, the control share acquisition provisions of Maryland law, the provisions of our declaration of trust on classification of the board of trustees and removal of trustees and the advance notice provisions of our

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bylaws could delay, defer or prevent a transaction or a change in control of Vornado that might involve a premium price for holders of common shares or otherwise be in their best interest.

LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE

In this section, we describe special considerations that will apply to registered securities issued in global i.e., book-entry form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

Who Is the Legal Owner of a Registered Security?

Each debt security, common or preferred share and depositary share in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names, on the books that we or the trustee or other agent maintain for this purpose, as the holders of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners

We expect to issue debt securities, preferred shares and depositary shares in book-entry form only. However, we may issue common shares in book-entry form. This means those securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under each indenture or other applicable agreement, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the securities, including deliveries of common or preferred shares in exchange for exchangeable debt securities, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

Street Name Owners

In the future we may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of common or

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preferred shares in exchange for exchangeable debt securities, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

Legal Holders

Our obligations, as well as the obligations of the trustee under either indenture and the obligations, if any, of any other third parties employed by us, the trustee or any agents, run only to the holders of the securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose e.g., to amend the indenture for a series of debt securities or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to you in this section of the prospectus, we mean those who invest in the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to your securities in this section of the prospectus, we mean the securities in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holder's consent, if ever required;

whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;

how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the securities are in book-entry form, how the depository's rules and procedures will affect these matters.

What Is a Global Security?

A global security is issued in book-entry form only. Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any security for this purpose is called the depository for that security. A security will usually have only one depository but it may have more.

Each series of these securities will have one or more of the following as the depositories:

The Depository Trust Company, New York, New York, which is known as DTC ;

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a financial institution holding the securities on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear system, which is known as Euroclear ;

a financial institution holding the securities on behalf of Clearstream Banking, société anonyme, Luxembourg, which is known as Clearstream ; and

any other clearing system or financial institution named in the applicable prospectus supplement.

The depositaries named above may also be participants in one another's systems. Thus, for example, if DTC is the depositary for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants. The depositary or depositaries for your securities will be named in your prospectus supplement; if none is named, the depositary will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated . As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated . If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary and those of the investor's financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depositary that holds the global security.

If securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below;

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An investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under **Who Is the Legal Owner of a Registered Security?** ;

An investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

The depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We, the trustee and any agents will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global security. We, the trustee and any agents also do not supervise the depositary in any way;

The depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well; and

Financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated

If we issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the securities. For example, in the case of a global security representing preferred shares or depositary shares, a beneficial owner will be entitled to obtain a non-global security representing its interest by making a written request to the transfer agent or other agent designated by us. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under **Who Is the Legal Owner of a Registered Security?**

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The special situations for termination of a global security are as follows:

if the depositary notifies us that it is unwilling or unable to continue as depositary for that global security or the depositary has ceased to be a clearing agency registered under the Securities Exchange Act, and in either case we do not appoint another institution to act as depositary within 90 days;

in the case of a global security representing debt securities, if an event of default has occurred with regard to the debt securities and has not been cured or waived; or

any other circumstances specified for this purpose in the applicable prospectus supplement.

If a global security is terminated, only the depositary, and not we or the trustee for any debt securities, is responsible for deciding the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

Considerations Relating to Euroclear and Clearstream

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream, as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC's rules and procedures.

Special Timing Considerations for Transactions in Euroclear and Clearstream

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

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FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes the taxation of Vornado Realty Trust and the material Federal income tax consequences to holders of the common shares, preferred shares and fixed rate debt securities of Vornado Realty Trust and Vornado Realty L.P., as the case may be, that are not original issue discount or zero coupon debt securities, for your general information only. It is not tax advice. The tax treatment of these holders will vary depending upon the holder's particular situation, and this discussion addresses only holders that hold these securities as capital assets and does not deal with all aspects of taxation that may be relevant to particular holders in light of their personal investment or tax circumstances. This section also does not deal with all aspects of taxation that may be relevant to certain types of holders to which special provisions of the Federal income tax laws apply, including:

dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

banks;

tax-exempt organizations;

certain insurance companies;

persons liable for the alternative minimum tax;

persons that hold securities that are a hedge, that are hedged against interest rate or currency risks or that are part of a straddle or conversion transaction; and

U.S. shareholders or U.S. debt security holders whose functional currency is not the U.S. dollar.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions. This summary describes the provisions of these sources of law only as they are currently in effect. All of these sources of law may change at any time, and any change in the law may apply retroactively.

We urge you to consult with your own tax advisors regarding the tax consequences to you of acquiring, owning and selling common shares, preferred shares and fixed rate debt securities, including the Federal, state, local and foreign tax consequences of acquiring, owning and selling these securities in your particular circumstances and potential changes in applicable laws.

Taxation of Vornado Realty Trust as a REIT

In the opinion of Sullivan & Cromwell LLP, commencing with its taxable year ended December 31, 1993, Vornado Realty Trust has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code for taxable years ending prior to the date hereof, and Vornado Realty Trust's proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code for subsequent taxable years. Investors should be aware, however, that opinions of counsel are not binding upon the IRS or any court.

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In providing its opinion, Sullivan & Cromwell LLP is relying, without independent investigation, as to certain factual matters upon the statements and representations contained in a certificate provided to Sullivan & Cromwell LLP with respect to Vornado;

as to certain factual matters upon the statements and representations contained in certificates provided to Sullivan & Cromwell LLP with respect to certain other REITs in which Vornado has held or holds an interest (the REIT Subsidiaries);

upon the opinion of Shearman & Sterling LLP concerning the qualification of Alexander s as a REIT for each taxable year commencing with its taxable year ended December 31, 1995; and

upon the opinion of Paul, Hastings, Janofsky & Walker LLP concerning the qualification of Lexington Realty Trust as a REIT for each taxable year commencing with its taxable year ended December 31, 1993.

In providing its opinion regarding the qualification of Alexander s as a REIT for Federal income tax purposes, Shearman & Sterling LLP is relying, as to certain factual matters, upon representations received from Alexander s.

In providing its opinion regarding the qualification of Lexington Realty Trust as a REIT for Federal income tax purposes Paul, Hastings, Janofsky & Walker LLP is relying, as to certain factual matters, upon representations received from Lexington Realty Trust.

Vornado s qualification as a REIT will depend upon the continuing satisfaction by Vornado and, given Vornado s current and previous ownership interests in its REIT Subsidiaries, by the REIT Subsidiaries, of the requirements of the Code relating to qualification for REIT status. Some of these requirements depend upon actual operating results, distribution levels, diversity of stock ownership, asset composition, source of income and record keeping. Accordingly, while Vornado intends to continue to qualify to be taxed as a REIT, the actual results of Vornado or any of the REIT Subsidiaries for any particular year might not satisfy these requirements. Neither Sullivan & Cromwell LLP nor any other such law firm will monitor the compliance of Vornado or any REIT Subsidiary with the requirements for REIT qualification on an ongoing basis.

The sections of the Code applicable to REITs are highly technical and complex. The following discussion summarizes material aspects of these sections of the Code.

As a REIT, Vornado generally will not have to pay Federal corporate income taxes on its net income that it currently distributes to shareholders. This treatment substantially eliminates the double taxation at the corporate and shareholder levels that generally results from investment in a regular corporation. Vornado s dividends, however, generally will not be eligible for (i) the reduced rates of tax applicable to dividends received by noncorporate shareholders and (ii) the corporate dividends received deduction.

However, Vornado will have to pay Federal income tax as follows:

First, Vornado will have to pay tax at regular corporate rates on any undistributed real estate investment trust taxable income, including undistributed net capital gains.

Second, under certain circumstances, Vornado may have to pay the alternative minimum tax on its items of tax preference.

Third, if Vornado has (a) net income from the sale or other disposition of foreclosure property , as defined in the Code, which is held primarily for sale to customers in the ordinary course of business or (b) other non-qualifying income from foreclosure property, it will have to pay tax at the highest corporate rate on that income.

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Fourth, if Vornado has net income from prohibited transactions, as defined in the Code, Vornado will have to pay a 100% tax on that income. Prohibited transactions are, in general, certain sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

Fifth, if Vornado should fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below under Requirements for Qualification Income Tests, but has nonetheless maintained its qualification as a REIT because Vornado has satisfied some other requirements, it will have to pay a 100% tax on an amount equal to (a) the gross income attributable to the greater of (i) 75% of Vornado's gross income over the amount of gross income that is qualifying income for purposes of the 75% test, and (ii) 95% of Vornado's gross income over the amount of gross income that is qualifying income for purposes of the 95% test, multiplied by (b) a fraction intended to reflect Vornado's profitability.

Sixth, if Vornado should fail to distribute during each calendar year at least the sum of (1) 85% of its real estate investment trust ordinary income for that year, (2) 95% of its real estate investment trust capital gain net income for that year and (3) any undistributed taxable income from prior periods, Vornado would have to pay a 4% excise tax on the excess of that required distribution over the sum of the amounts actually distributed and retained amounts on which income tax is paid at the corporate-level.

Seventh, if Vornado acquires any asset from a C corporation in certain transactions in which Vornado must adopt the basis of the asset or any other property in the hands of the C corporation as the basis of the asset in the hands of Vornado, and Vornado recognizes gain on the disposition of that asset during the 10-year period beginning on the date on which Vornado acquired that asset, then Vornado will have to pay tax on the built-in gain at the highest regular corporate rate. A C corporation means generally a corporation that has to pay full corporate-level tax.

Eighth, if Vornado derives excess inclusion income from a residual interest in a real estate mortgage investment conduit, or REMIC, or certain interests in a taxable mortgage pool, or TMP, Vornado could be subject to corporate level Federal income tax at a 35% rate to the extent that such income is allocable to certain types of tax-exempt shareholders that are not subject to unrelated business income tax, such as government entities.

Ninth, if Vornado receives non-arms-length income from a taxable REIT subsidiary (as defined under Requirements for Qualification Asset Tests), or as a result of services provided by a taxable REIT subsidiary to tenants of Vornado, Vornado will be subject to a 100% tax on the amount of Vornado's non-arms-length income.

Tenth, if Vornado fails to satisfy a REIT asset test, as described below, due to reasonable cause and Vornado nonetheless maintains its REIT qualification because of specified cure provisions, Vornado will generally be required to pay a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused Vornado to fail such test.

Eleventh, if Vornado fails to satisfy any provision of the Code that would result in its failure to qualify as a REIT (other than a violation of the REIT gross income tests or a violation of the asset tests described below) and the violation is due to reasonable cause, Vornado may retain its REIT qualification but will be required to pay a penalty of \$50,000 for each such failure.

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Requirements for Qualification

The Code defines a REIT as a corporation, trust or association which is managed by one or more trustees or directors;

the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

that would otherwise be taxable as a domestic corporation, but for Sections 856 through 859 of the Code;

that is neither a financial institution nor an insurance company to which certain provisions of the Code apply;

the beneficial ownership of which is held by 100 or more persons;

during the last half of each taxable year, not more than 50% in value of the outstanding stock of which is owned, directly or constructively, by five or fewer individuals, as defined in the Code to include certain entities; and

that meets certain other tests, described below, regarding the nature of its income and assets.

The Code provides that the conditions described in the first through fourth bullet points above must be met during the entire taxable year and that the condition described in the fifth bullet point above must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

Vornado has satisfied the conditions described in the first through fifth bullet points of the preceding paragraph and believes that it has also satisfied the condition described in the sixth bullet point of the preceding paragraph. In addition, Vornado's declaration of trust provides for restrictions regarding the ownership and transfer of Vornado's shares of beneficial interest. These restrictions are intended to assist Vornado in continuing to satisfy the share ownership requirements described in the fifth and sixth bullet points of the preceding paragraph. The ownership and transfer restrictions pertaining to the common shares are described in this prospectus under the heading "Description of Shares of Beneficial Interest of Vornado Realty Trust" and "Description of Common Shares of Vornado Realty Trust" under the heading "Restrictions on Ownership of Common Shares."

Vornado owns a number of wholly-owned corporate subsidiaries. Section 856(i) of the Code provides that unless a REIT makes an election to treat the corporation as a taxable REIT subsidiary, a corporation which is a qualified REIT subsidiary, as defined in the Code, will not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a qualified REIT subsidiary will be treated as assets, liabilities and items of these kinds of the REIT. Thus, in applying the requirements described in this section, Vornado's qualified REIT subsidiaries will be ignored, and all assets, liabilities and items of income, deduction and credit of these subsidiaries will be treated as assets, liabilities and items of these kinds of Vornado.

If a REIT is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to that share. In addition, the character of the assets and gross income of the partnership will retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, Vornado's proportionate share of the assets, liabilities and items of income of any partnership in which Vornado is a partner, including the operating partnership, will be treated as assets, liabilities and items of income of Vornado for purposes of applying the requirements described in this section. Thus, actions taken by partnerships in which Vornado owns an interest, either directly or through one or more tiers of partnerships or qualified REIT subsidiaries, can affect Vornado's ability to satisfy the

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REIT income and assets tests and the determination of whether Vornado has net income from prohibited transactions. See the first bullet on page 55 for a brief description of prohibited transactions.

Taxable REIT Subsidiaries. A taxable REIT subsidiary is any corporation in which a REIT directly or indirectly owns stock, provided that the REIT and that corporation make a joint election to treat that corporation as a taxable REIT subsidiary. The election can be revoked at any time as long as the REIT and the taxable REIT subsidiary revoke such election jointly. In addition, if a taxable REIT subsidiary holds, directly or indirectly, more than 35% of the securities of any other corporation other than a REIT (by vote or by value), then that other corporation is also treated as a taxable REIT subsidiary. A corporation can be a taxable REIT subsidiary with respect to more than one REIT.

A taxable REIT subsidiary is subject to Federal income tax at regular corporate rates (currently a maximum rate of 35%), and may also be subject to state and local taxation. Any dividends paid or deemed paid by any one of Vornado's taxable REIT subsidiaries will also be taxable, either (1) to Vornado to the extent the dividend is retained by Vornado, or (2) to Vornado's shareholders to the extent the dividends received from the taxable REIT subsidiary are paid to Vornado's shareholders. Vornado may hold more than 10% of the stock of a taxable REIT subsidiary without jeopardizing its qualification as a REIT notwithstanding the rule described below under Asset Tests that generally precludes ownership of more than 10% of any issuer's securities. However, as noted below, in order for Vornado to qualify as a REIT, the securities of all of the taxable REIT subsidiaries in which it has invested either directly or indirectly may not represent more than 25% of the total value of its assets (20% with respect to Vornado's taxable years beginning prior to January 1, 2009). Vornado believes that the aggregate value of all of its interests in taxable REIT subsidiaries has represented less than 20% (and believes that for its taxable years beginning on or after January 1, 2009, has represented and will continue to represent less than 25%) of the total value of its assets; however, Vornado cannot assure that this has or will always be true. Other than certain activities related to operating or managing a lodging or health care facility, a taxable REIT subsidiary may generally engage in any business including the provision of customary or non-customary services to tenants of the parent REIT.

Income Tests. In order to maintain its qualification as a REIT, Vornado annually must satisfy two gross income requirements.

First, Vornado must derive at least 75% of its gross income, excluding gross income from prohibited transactions, for each taxable year directly or indirectly from investments relating to real property, mortgages on real property or investments in REIT equity securities, including rents from real property, as defined in the Code, or from certain types of temporary investments. Rents from real property generally include expenses of Vornado that are paid or reimbursed by tenants.

Second, at least 95% of Vornado's gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from real property investments as described in the preceding bullet point, dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of these types of sources.

Rents that Vornado receives will qualify as rents from real property in satisfying the gross income requirements for a REIT described above only if the rents satisfy several conditions.

First, the amount of rent must not be based in whole or in part on the income or profits of any person.

However, an amount received or accrued generally will not be excluded from rents from real property solely because it is based on a fixed percentage or percentages of receipts or sales.

Second, the Code provides that rents received from a tenant will not qualify as rents from real property in satisfying the gross income tests if the REIT, directly or under the applicable attribution rules, owns a 10% or greater interest in that tenant; except that rents received from a taxable REIT subsidiary under certain circumstances qualify as rents from real property even if

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Vornado owns more than a 10% interest in the subsidiary. We refer to a tenant in which Vornado owns a 10% or greater interest as a related party tenant.

Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.

Finally, for rents received to qualify as rents from real property, the REIT generally must not operate or manage the property or furnish or render services to the tenants of the property, other than through an independent contractor from whom the REIT derives no revenue or through a taxable REIT subsidiary. However, Vornado may directly perform certain services that landlords usually or customarily render when renting space for occupancy only or that are not considered rendered to the occupant of the property.

Vornado does not derive material rents from related party tenants other than rents received with respect to its interest in Toys R Us, Inc. Vornado believes that the rents received with respect to its interest in Toys R Us, Inc. have not and will not cause it to fail the gross income requirements for a REIT described above. Vornado also does not and will not derive rental income attributable to personal property, other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease.

Vornado directly performs services for some of its tenants. Vornado does not believe that the provision of these services will cause its gross income attributable to these tenants to fail to be treated as rents from real property. If Vornado were to provide non-de minimis services to a tenant that are other than those landlords usually or customarily provide when renting space for occupancy only, amounts received or accrued by Vornado for any of these services will not be treated as rents from real property for purposes of the REIT gross income tests. However, the amounts received or accrued for these services will not cause other amounts received with respect to the property to fail to be treated as rents from real property unless the amounts treated as received in respect of the services, together with amounts received for certain management services, exceed 1% of all amounts received or accrued by Vornado during the taxable year with respect to the property. If the sum of the amounts received in respect of the services to tenants and management services described in the preceding sentence exceeds the 1% threshold, then all amounts received or accrued by Vornado with respect to the property will not qualify as rents from real property, even if Vornado provides the impermissible services to some, but not all, of the tenants of the property.

The term interest generally does not include any amount received or accrued, directly or indirectly, if the determination of that amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term interest solely because it is based on a fixed percentage or percentages of receipts or sales.

From time to time, Vornado may enter into hedging transactions with respect to one or more of its assets or liabilities. Vornado's hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Except to the extent provided by Treasury Regulations, any income Vornado derives from a hedging transaction that is clearly identified as such as specified in the Code, including gain from the sale or disposition of such a transaction, will not constitute gross income for purposes of the 75% or 95% gross income tests, and therefore will be excluded for purposes of these tests, but only to the extent that the transaction hedges indebtedness incurred or to be incurred by us to acquire or carry real estate. Income from any hedging transaction is, however, nonqualifying for purposes of the 75% gross income test with respect to transactions entered into on or prior to June 30, 2008. The term hedging transaction, as used above, generally means any transaction Vornado enters into in the normal course of its business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by Vornado. For transactions entered

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into after July 30, 2008, hedging transaction also includes any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain), including gain from the termination of such a transaction. Vornado intends to structure any hedging transactions in a manner that does not jeopardize its status as a REIT.

As a general matter, certain foreign currency gains recognized after July 30, 2008 will be excluded from gross income for purposes of one or both of the gross income tests, as follows.

Real estate foreign exchange gain will be excluded from gross income for purposes of both the 75% and 95% gross income test. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or on interests in real property and certain foreign currency gain attributable to certain qualified business units of a REIT.

Passive foreign exchange gain will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations that would not fall within the scope of the definition of real estate foreign exchange gain.

If Vornado fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for that year if it satisfies the requirements of other provisions of the Code that allow relief from disqualification as a REIT. These relief provisions will generally be available if:

Vornado's failure to meet the income tests was due to reasonable cause and not due to willful neglect; and

Vornado files a schedule of each item of income in excess of the limitations described above in accordance with regulations to be prescribed by the IRS.

Vornado might not be entitled to the benefit of these relief provisions, however. Even if these relief provisions apply, Vornado would have to pay a tax on the excess income. The tax will be a 100% tax on an amount equal to (a) the gross income attributable to the greater of (i) 75% of Vornado's gross income over the amount of gross income that is qualifying income for purposes of the 75% test, and (ii) 95% of Vornado's gross income over the amount of gross income that is qualifying income for purposes of the 95% test, multiplied by (b) a fraction intended to reflect Vornado's profitability.

Asset Tests. Vornado, at the close of each quarter of its taxable year, must also satisfy three tests relating to the nature of its assets.

First, at least 75% of the value of Vornado's total assets must be represented by real estate assets, including (a) real estate assets held by Vornado's qualified REIT subsidiaries, Vornado's allocable share of real estate assets held by partnerships in which Vornado owns an interest and stock issued by another REIT, (b) for a period of one year from the date of Vornado's receipt of proceeds of an offering of its shares of beneficial interest or publicly offered debt with a term of at least five years, stock or debt instruments purchased with these proceeds and (c) cash, cash items and government securities.

Second, not more than 25% of Vornado's total assets may be represented by securities other than those in the 75% asset class.

Third, not more than 25% of Vornado's total assets may constitute securities issued by taxable REIT subsidiaries (20% with respect to Vornado's taxable years beginning prior to January 1,

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2009) and of the investments included in the 25% asset class, the value of any one issuer's securities, other than equity securities issued by another REIT or securities issued by a taxable REIT subsidiary, owned by Vornado may not exceed 5% of the value of Vornado's total assets. Moreover, Vornado may not own more than 10% of the vote or value of the outstanding securities of any one issuer, except for issuers that are REITs, qualified REIT subsidiaries or taxable REIT subsidiaries, or certain securities that qualify under a safe harbor provision of the Code (such as so-called "straight-debt" securities). Also, solely for the purposes of the 10% value test described above, the determination of Vornado's interest in the assets of any partnership or limited liability company in which it owns an interest will be based on Vornado's proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code. As a consequence, if the IRS successfully challenges the partnership status of any of the partnerships in which Vornado maintains a more than 10% vote or value interest, and the partnership is reclassified as a corporation or a publicly traded partnership taxable as a corporation, Vornado could lose its REIT status.

Since March 2, 1995, Vornado has owned more than 10% of the voting securities of Alexander's. Since April of 1997, Vornado's ownership of Alexander's has been through the operating partnership rather than direct. Vornado's ownership interest in Alexander's will not cause Vornado to fail to satisfy the asset tests for REIT status so long as Alexander's qualified as a REIT for each of the taxable years beginning with its taxable year ended December 31, 1995 and continues to so qualify. In the opinion of Shearman & Sterling LLP, commencing with Alexander's taxable year ended December 31, 1995, Alexander's has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and its proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code. In providing its opinion, Shearman & Sterling LLP is relying upon representations received from Alexander's.

Since November 3, 2008, Vornado has owned more than 10% of the voting securities of Lexington Realty Trust. Vornado's ownership interest in Lexington Realty Trust will not cause Vornado to fail to satisfy the asset tests for REIT status so long as Lexington Realty Trust qualified as a REIT for each of the taxable years beginning with its taxable year ended December 31, 2008 and continues to so qualify. In the opinion of Paul, Hastings, Janofsky & Walker LLP, commencing with Lexington Realty Trust's taxable year ended December 31, 1993, Lexington Realty Trust has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and its proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code. In providing its opinion, Paul, Hastings, Janofsky & Walker LLP is relying upon representations received from Lexington Realty Trust.

Vornado has also owned and currently owns, through the operating partnership, more than 10% of the vote or value of certain other REIT Subsidiaries. Vornado's prior or current indirect ownership interest in such REIT Subsidiaries will not cause Vornado to fail to satisfy the asset tests for REIT status so long as each such REIT Subsidiary qualifies as a REIT for its first taxable year and each subsequent taxable year during the periods relevant to Vornado's qualification as a REIT. Vornado believes that each such REIT Subsidiary will qualify (or qualified, as the case may be) as a REIT with respect to such period.

Certain relief provisions may be available to Vornado if it fails to satisfy the asset tests described above after the 30-day cure period. Under these provisions, Vornado will be deemed to have met the 5% and 10% REIT asset tests if the value of its nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of its assets at the end of the applicable quarter and (b) \$10,000,000, and (ii) Vornado disposes of the nonqualifying assets within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued. For violations due to reasonable cause and not willful neglect that

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are not described in the preceding sentence, Vornado may avoid disqualification as a REIT under any of the asset tests, after the 30 day cure period, by taking steps including (i) the disposition of the nonqualifying assets to meet the asset test within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (ii) paying a tax equal to the greater of (a) \$50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets, and (iii) disclosing certain information to the IRS.

Annual Distribution Requirements. Vornado, in order to qualify as a REIT, is required to distribute dividends, other than capital gain dividends, to its shareholders in an amount at least equal to (1) the sum of (a) 90% of Vornado's real estate investment trust taxable income, computed without regard to the dividends paid deduction and Vornado's net capital gain, and (b) 90% of the net after-tax income, if any, from foreclosure property minus (2) the sum of certain items of non-cash income.

In addition, if Vornado acquired an asset from a C corporation in a carryover basis transaction and disposes of such asset within 10 years of acquiring it, Vornado may be required to distribute at least 90% of the after-tax built-in gain, if any, recognized on the disposition of the asset.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before Vornado timely files its tax return for the year to which they relate and if paid on or before the first regular dividend payment after the declaration. However, for Federal income tax purposes, these distributions that are declared in October, November or December as of a record date in such month and actually paid in January of the following year will be treated as if they were paid on December 31 of the year declared.

To the extent that Vornado does not distribute all of its net capital gain or distributes at least 90%, but less than 100%, of its real estate investment trust taxable income, as adjusted, it will have to pay tax on those amounts at regular ordinary and capital gain corporate tax rates. Furthermore, if Vornado fails to distribute during each calendar year at least the sum of (a) 85% of its ordinary income for that year, (b) 95% of its capital gain net income for that year and (c) any undistributed taxable income from prior periods, Vornado would have to pay a 4% excise tax on the excess of the required distribution over the amounts actually distributed.

Vornado intends to satisfy the annual distribution requirements.

From time to time, Vornado may not have sufficient cash or other liquid assets to meet the 90% distribution requirement due to timing differences between (a) when Vornado actually receives income and when it actually pays deductible expenses and (b) when Vornado includes the income and deducts the expenses in arriving at its taxable income. If timing differences of this kind occur, in order to meet the 90% distribution requirement, Vornado may find it necessary to arrange for short-term, or possibly long-term, borrowings or to pay dividends in the form of taxable stock dividends.

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

Failure to Qualify as a REIT

If Vornado would otherwise fail to qualify as a REIT because of a violation of one of the requirements described above, its qualification as a REIT will not be terminated if the violation is due to reasonable cause and not willful neglect and Vornado pays a penalty tax of \$50,000 for the violation. The immediately preceding sentence does not apply to violations of the income tests described above or a violation of the asset tests described above, each of which have specific relief provisions that are described above.

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If Vornado fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, Vornado will have to pay tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Vornado will not be able to deduct distributions to shareholders in any year in which it fails to qualify, nor will Vornado be required to make distributions to shareholders. In this event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable to the shareholders as dividend income (which may be subject to tax at preferential rates) and corporate distributees may be eligible for the dividends received deduction if they satisfy the relevant provisions of the Code. Unless entitled to relief under specific statutory provisions, Vornado will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. Vornado might not be entitled to the statutory relief described in this paragraph in all circumstances.

Excess Inclusion Income

If Vornado holds a residual interest in a REMIC or certain interests in a TMP from which Vornado derives excess inclusion income, Vornado may be required to allocate such income among its shareholders in proportion to the dividends received by its shareholders, even though Vornado may not receive such income in cash. To the extent that excess inclusion income is allocable to a particular shareholder, the income (1) would not be allowed to be offset by any net operating losses otherwise available to the shareholder, (2) would be subject to tax as unrelated business taxable income in the hands of most types of shareholders that are otherwise generally exempt from Federal income tax, and (3) would result in the application of U.S. Federal income tax withholding at the maximum rate (30%), without reduction pursuant to any otherwise applicable income tax treaty, to the extent allocable to most types of foreign shareholders.

Taxation of Holders of Common Shares or Preferred Shares

U.S. Shareholders

As used in this section, the term U.S. shareholder means a holder of common shares or preferred shares who, for U.S. Federal income tax purposes, is:

a citizen or resident of the United States;

a domestic corporation;

an estate whose income is subject to U.S. Federal income taxation regardless of its source; or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust.

Taxation of Dividends. As long as Vornado qualifies as a REIT, distributions made by Vornado out of its current or accumulated earnings and profits, and not designated as capital gain dividends, will constitute dividends taxable to its taxable U.S. shareholders as ordinary income. Noncorporate U.S. shareholders will generally not be entitled to the tax rate applicable to certain types of dividends except with respect to the portion of any distribution (a) that represents income from dividends Vornado received from a corporation in which it owns shares (but only if such dividends would be eligible for the lower rate on dividends if paid by the corporation to its individual shareholders), or (b) that is equal to the sum of Vornado's real estate investment trust taxable income (taking into account the dividends paid deduction available to Vornado) and certain net built-in gain with respect to property acquired from a C corporation in certain transactions in which Vornado must adopt the basis of the asset in the hands of the C corporation for Vornado's previous taxable year and less any taxes paid by Vornado during its previous taxable year, and (c) the amount of earnings and profits distributed by Vornado that were accumulated in a prior non-REIT taxable year, in each case, provided that certain

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holding period and other requirements are satisfied at both the REIT and individual shareholder level. Noncorporate U.S. shareholders should consult their own tax advisors to determine the impact of tax rates on dividends received from Vornado. Distributions made by Vornado will not be eligible for the dividends received deduction in the case of U.S. shareholders that are corporations. Distributions made by Vornado that Vornado properly designates as capital gain dividends will be taxable to U.S. shareholders as gain from the sale of a capital asset held for more than one year, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which a U.S. shareholder has held his common stock or preferred stock. Thus, with certain limitations, capital gain dividends received by an individual U.S. shareholder may be eligible for preferential rates of taxation. U.S. shareholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income.

To the extent that Vornado makes distributions, not designated as capital gain dividends, in excess of its current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to each U.S. shareholder. Thus, these distributions will reduce the adjusted basis which the U.S. shareholder has in his shares for tax purposes by the amount of the distribution, but not below zero. Distributions in excess of a U.S. shareholder's adjusted basis in his shares will be taxable as capital gains, provided that the shares have been held as a capital asset. For purposes of determining the portion of distributions on separate classes of shares that will be treated as dividends for Federal income tax purposes, current and accumulated earnings and profits will be allocated to distributions resulting from priority rights of preferred shares before being allocated to other distributions.

Dividends authorized by Vornado in October, November, or December of any year and payable to a shareholder of record on a specified date in any of these months will be treated as both paid by Vornado and received by the shareholder on December 31 of that year, provided that Vornado actually pays the dividend on or before January 31 of the following calendar year. Shareholders may not include in their own income tax returns any net operating losses or capital losses of Vornado.

Vornado recently made, and in the future may make, distributions to holders of its common shares that are paid in common shares. These distributions are intended to be treated as dividends for U.S. Federal income tax purposes and a U.S. shareholder would, therefore, generally have taxable income with respect to such distributions of common shares and may have a tax liability on account of such distribution in excess of the cash (if any) that is received.

U.S. shareholders holding shares at the close of Vornado's taxable year will be required to include, in computing their long-term capital gains for the taxable year in which the last day of Vornado's taxable year falls, the amount of Vornado's undistributed net capital gain that Vornado designates in a written notice mailed to its shareholders. Vornado may not designate amounts in excess of Vornado's undistributed net capital gain for the taxable year. Each U.S. shareholder required to include the designated amount in determining the shareholder's long-term capital gains will be deemed to have paid, in the taxable year of the inclusion, the tax paid by Vornado in respect of the undistributed net capital gains. U.S. shareholders to whom these rules apply will be allowed a credit or a refund, as the case may be, for the tax they are deemed to have paid. U.S. shareholders will increase their basis in their shares by the difference between the amount of the includible gains and the tax deemed paid by the shareholder in respect of these gains.

Distributions made by Vornado and gain arising from a U.S. shareholder's sale or exchange of shares will not be treated as passive activity income. As a result, U.S. shareholders generally will not be able to apply any passive losses against that income or gain.

Sale or Exchange of Shares. When a U.S. shareholder sells or otherwise disposes of shares, the shareholder will recognize gain or loss for Federal income tax purposes in an amount equal to the difference between (a) the amount of cash and the fair market value of any property received on the sale or other disposition, and (b) the holder's adjusted basis in the shares for tax purposes. This gain or

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loss will be capital gain or loss if the U.S. shareholder has held the shares as a capital asset. The gain or loss will be long-term gain or loss if the U.S. shareholder has held the shares for more than one-year. Long-term capital gain of an individual U.S. shareholder is generally taxed at preferential rates. In general, any loss recognized by a U.S. shareholder when the shareholder sells or otherwise disposes of shares of Vornado that the shareholder has held for six months or less, after applying certain holding period rules, will be treated as a long-term capital loss, to the extent of distributions received by the shareholder from Vornado which were required to be treated as long-term capital gains.

Redemption of Preferred Stock. Vornado's preferred stock is redeemable by Vornado under certain circumstances described in the applicable prospectus supplement. Any redemption of Vornado's preferred stock for cash will be a taxable transaction for United States Federal income tax purposes. If a redemption for cash by a U.S. shareholder is treated as a sale or redemption of such preferred stock for United States Federal income tax purposes, the holder will recognize capital gain or loss equal to the difference between the purchase price and the U.S. shareholder's adjusted tax basis in the preferred stock redeemed by Vornado. The gain or loss would be long-term capital gain or loss if the holding period for the preferred stock exceeds one year. The deductibility of capital losses may be subject to limitations.

The receipt of cash by a shareholder in redemption of the preferred stock will be treated as a sale or redemption for United States federal income tax purposes if the redemption:

is not essentially equivalent to a dividend with respect to the holder under Section 302(b)(1) of the Code;

is a substantially disproportionate redemption with respect to the holder under Section 302(b)(2) of the Code; or

results in a complete termination of the holder's stock interest in Vornado under Section 302(b)(3) of the Code.

In determining whether any of these tests has been met, a holder must take into account not only preferred stock or any other class of our stock it actually owns, but also any of Vornado's stock regardless of class it constructively owns within the meaning of Section 318 of the Code (including stock that is owned, directly or indirectly, by certain members of the holder's family and certain entities (such as corporations, partnerships, trusts and estates) in which the holder has an equity interest as well as stock that may be acquired through options that it owns).

A distribution to a shareholder will be treated as not essentially equivalent to a dividend if it results in a meaningful reduction in the shareholder's stock interest (taking into account all shares owned, regardless of class or series) in Vornado. Whether the receipt of cash by a shareholder will result in a meaningful reduction of the shareholder's proportionate interest will depend on the shareholder's particular facts and circumstances. If, however, as a result of a redemption of preferred stock, a U.S. shareholder whose relative stock interest (actual or constructive) in Vornado is minimal and who exercises no control over corporate affairs suffers a reduction in its proportionate interest in Vornado (including any ownership of stock constructively owned), the holder generally should be regarded as having suffered a meaningful reduction in its interest in Vornado.

Satisfaction of the substantially disproportionate and complete termination exceptions is dependent upon compliance with the respective objective tests set forth in Section 302(b)(2) and Section 302(b)(3) of the Code. A distribution to a shareholder will be substantially disproportionate if the percentage of our outstanding voting stock actually and constructively owned by the shareholder immediately following the redemption of preferred stock (treating preferred stock redeemed as not outstanding) is less than 80% of the percentage of our outstanding voting stock actually and constructively owned by the shareholder immediately before the redemption (treating preferred stock redeemed pursuant to the tender offer as not outstanding), and immediately following the redemption

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the shareholder actually and constructively owns less than 50% of the total combined voting power of Vornado. Because Vornado's preferred stock is nonvoting stock, a holder would have to reduce such holder's holdings in any of our classes of voting stock (if any) to satisfy this test.

A distribution to a shareholder will result in a complete termination if either (1) all of the preferred stock and all other classes of Vornado's stock actually and constructively owned by the shareholder are redeemed or (2) all of the preferred stock and Vornado's other classes of stock actually owned by the shareholder are redeemed or otherwise disposed of and the shareholder is eligible to waive, and effectively waives, the attribution of Vornado's stock constructively owned by the shareholder in accordance with the procedures described in Section 302(c)(2) of the Code.

Any redemption may not be a redemption of all of Vornado's preferred stock. If Vornado were to redeem less than all of the preferred stock, a shareholder's ability to meet any of the three tests described above might be impaired. In consulting with their tax advisors, shareholders should discuss the consequences of a partial redemption of Vornado's preferred stock on the amount of Vornado's stock actually and constructively owned by such holder required to produce the desired tax treatment.

If a U.S. shareholder's receipt of cash attributable to a redemption of Vornado's preferred stock for cash does not meet one of the tests of Section 302 of the Code described above, then the cash received by such holder in the tender offer will be treated as a dividend and taxed as described above.

Backup Withholding. Vornado will report to its U.S. shareholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, backup withholding may apply to a shareholder with respect to dividends paid unless the holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. The IRS may also impose penalties on a U.S. shareholder that does not provide Vornado with his correct taxpayer identification number. A shareholder may credit any amount paid as backup withholding against the shareholder's income tax liability. In addition, Vornado may be required to withhold a portion of capital gain distributions to any shareholders who fail to certify their non-foreign status to Vornado.

Taxation of Tax-Exempt Shareholders. The IRS has ruled that amounts distributed as dividends by a REIT generally do not constitute unrelated business taxable income when received by a tax-exempt entity. Based on that ruling, provided that a tax-exempt shareholder is not one of the types of entity described in the next paragraph and has not held its shares as debt financed property within the meaning of the Code, and the shares are not otherwise used in a trade or business, the dividend income from shares will not be unrelated business taxable income to a tax-exempt shareholder. Similarly, income from the sale of shares will not constitute unrelated business taxable income unless the tax-exempt shareholder has held the shares as debt financed property within the meaning of the Code or has used the shares in a trade or business.

Notwithstanding the above paragraph, tax-exempt shareholders will be required to treat as unrelated business taxable income any dividends paid by Vornado that are allocable to Vornado's excess inclusion income, if any.

Income from an investment in Vornado's shares will constitute unrelated business taxable income for tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from Federal income taxation under the applicable subsections of Section 501(c) of the Code, unless the organization is able to properly deduct amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its shares. Prospective investors of the types described in the preceding sentence should consult their own tax advisors concerning these set aside and reserve requirements.

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Notwithstanding the foregoing, however, a portion of the dividends paid by a pension-held REIT will be treated as unrelated business taxable income to any trust which is described in Section 401(a) of the Code;

is tax-exempt under Section 501(a) of the Code; and

holds more than 10% (by value) of the equity interests in the REIT.

Tax-exempt pension, profit-sharing and stock bonus funds that are described in Section 401(a) of the Code are referred to below as qualified trusts. A REIT is a pension-held REIT if:

it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that stock owned by qualified trusts will be treated, for purposes of the not closely held requirement, as owned by the beneficiaries of the trust (rather than by the trust itself); and

either (a) at least one qualified trust holds more than 25% by value of the interests in the REIT or (b) one or more qualified trusts, each of which owns more than 10% by value of the interests in the REIT, hold in the aggregate more than 50% by value of the interests in the REIT.

The percentage of any REIT dividend treated as unrelated business taxable income to a qualifying trust is equal to the ratio of (a) the gross income of the REIT from unrelated trades or businesses, determined as though the REIT were a qualified trust, less direct expenses related to this gross income, to (b) the total gross income of the REIT, less direct expenses related to the total gross income. A de minimis exception applies where this percentage is less than 5% for any year. Vornado does not expect to be classified as a pension-held REIT.

The rules described above under the heading U.S. Shareholders concerning the inclusion of Vornado's designated undistributed net capital gains in the income of its shareholders will apply to tax-exempt entities. Thus, tax-exempt entities will be allowed a credit or refund of the tax deemed paid by these entities in respect of the includible gains.

Non-U.S. Shareholders

The rules governing U.S. Federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and estates or trusts that in either case are not subject to U.S. Federal income tax on a net income basis who own common shares or preferred shares, which we call non-U.S. shareholders, are complex. The following discussion is only a limited summary of these rules. Prospective non-U.S. shareholders should consult with their own tax advisors to determine the impact of U.S. Federal, state and local income tax laws with regard to an investment in common shares or preferred shares, including any reporting requirements.

Ordinary Dividends. Distributions, other than distributions that are treated as attributable to gain from sales or exchanges by Vornado of U.S. real property interests, as discussed below, and other than distributions designated by Vornado as capital gain dividends, will be treated as ordinary income to the extent that they are made out of current or accumulated earnings and profits of Vornado. A withholding tax equal to 30% of the gross amount of the distribution will ordinarily apply to distributions of this kind to non-U.S. shareholders, unless an applicable tax treaty reduces that tax. However, if income from the investment in the shares is treated as effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business or is attributable to a permanent establishment that the non-U.S. shareholder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the non-U.S. shareholder to U.S. taxation on a net income basis, tax at graduated rates will generally apply to the non-U.S. shareholder in the same manner as U.S. shareholders are taxed with respect to dividends, and the 30% branch profits tax may also apply if the shareholder is a foreign corporation. Vornado expects to withhold U.S. tax at the rate

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of 30% on the gross amount of any dividends, other than dividends treated as attributable to gain from sales or exchanges of U.S. real property interests and capital gain dividends, paid to a non-U.S. shareholder, unless (a) a lower treaty rate applies and the required form evidencing eligibility for that reduced rate is filed with Vornado or the appropriate withholding agent or (b) the non-U.S. shareholder files an IRS Form W-8 ECI or a successor form with Vornado or the appropriate withholding agent claiming that the distributions are effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business and in either case other applicable requirements were met.

Distributions to a non-U.S. shareholder that are designated by Vornado at the time of distribution as capital gain dividends which are not attributable to or treated as attributable to the disposition by Vornado of a U.S. real property interest generally will not be subject to U.S. Federal income taxation, except as described below.

If a non-U.S. shareholder receives an allocation of excess inclusion income with respect to a REMIC residual interest or an interest in a TMP owned by Vornado, the non-U.S. shareholder will be subject to U.S. Federal income tax withholding at the maximum rate of 30% with respect to such allocation, without reduction pursuant to any otherwise applicable income tax treaty.

Return of Capital. Distributions in excess of Vornado's current and accumulated earnings and profits, which are not treated as attributable to the gain from Vornado's disposition of a U.S. real property interest, will not be taxable to a non-U.S. shareholder to the extent that they do not exceed the adjusted basis of the non-U.S. shareholder's shares. Distributions of this kind will instead reduce the adjusted basis of the shares. To the extent that distributions of this kind exceed the adjusted basis of a non-U.S. shareholder's shares, they will give rise to tax liability if the non-U.S. shareholder otherwise would have to pay tax on any gain from the sale or disposition of its shares, as described below. If it cannot be determined at the time a distribution is made whether the distribution will be in excess of current and accumulated earnings and profits, withholding will apply to the distribution at the rate applicable to dividends. However, the non-U.S. shareholder may seek a refund of these amounts from the IRS if it is subsequently determined that the distribution was, in fact, in excess of current accumulated earnings and profits of Vornado.

Capital Gain Dividends. Distributions that are attributable to gain from sales or exchanges by Vornado of U.S. real property interests that are paid with respect to any class of stock which is regularly traded on an established securities market located in the United States and held by a non-U.S. shareholder who does not own more than 5% of such class of stock at any time during the one year period ending on the date of distribution will be treated as a normal distribution by Vornado, and such distributions will be taxed as described above in Ordinary Dividends.

Distributions that are not described in the preceding paragraph that are attributable to gain from sales or exchanges by Vornado of U.S. real property interests will be taxed to a non-U.S. shareholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980, as amended. Under this statute, these distributions are taxed to a non-U.S. shareholder as if the gain were effectively connected with a U.S. business. Thus, non-U.S. shareholders will be taxed on the distributions at the normal capital gain rates applicable to U.S. shareholders, subject to any applicable alternative minimum tax and special alternative minimum tax in the case of individuals. Vornado is required by applicable Treasury regulations under this statute to withhold 35% of any distribution that Vornado could designate as a capital gain dividend. However, if Vornado designates as a capital gain dividend a distribution made before the day Vornado actually effects the designation, then although the distribution may be taxable to a non-U.S. shareholder, withholding does not apply to the distribution under this statute. Rather, Vornado must effect the 35% withholding from distributions made on and after the date of the designation, until the distributions so withheld equal the amount of the prior distribution designated as a capital gain dividend. The non-U.S. shareholder may credit the amount withheld against its U.S. tax liability.

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Share Distributions. Vornado has made, and in the future may make, distributions to holders of its common shares that are paid in common shares. These distributions are intended to be treated as dividends for U.S. Federal income tax purposes and, accordingly, would be treated in a manner consistent with the discussion above under Ordinary Dividends and Capital Gains Dividends. If Vornado is required to withhold an amount in excess of any cash distributed along with the common shares, Vornado will retain and sell some of the common shares that would otherwise be distributed in order to satisfy Vornado's withholding obligations.

Sales of Shares. Gain recognized by a non-U.S. shareholder upon a sale or exchange of common shares generally will not be taxed under the Foreign Investment in Real Property Tax Act if Vornado is a domestically controlled REIT, defined generally as a REIT, less than 50% in value of whose stock is and was held directly or indirectly by foreign persons at all times during a specified testing period. Vornado believes that it is a domestically controlled REIT, and, therefore, assuming that Vornado continues to be a domestically controlled REIT, that taxation under this statute generally will not apply to the sale of Vornado shares. However, gain to which this statute does not apply will be taxable to a non-U.S. shareholder if investment in the shares is treated as effectively connected with the non-U.S. shareholder's U.S. trade or business or is attributable to a permanent establishment that the non-U.S. shareholder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the non-U.S. shareholder to U.S. taxation on a net income basis. In this case, the same treatment will apply to the non-U.S. shareholder as to U.S. shareholders with respect to the gain. In addition, gain to which the Foreign Investment in Real Property Tax Act does not apply will be taxable to a non-U.S. shareholder if the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, or maintains an office or a fixed place of business in the United States to which the gain is attributable. In this case, a 30% tax will apply to the nonresident alien individual's capital gains. A similar rule will apply to capital gain dividends to which this statute does not apply.

If Vornado does not qualify as a domestically controlled REIT, the tax consequences to a non-U.S. shareholder of a sale of shares depends upon whether such stock is regularly traded on an established securities market and the amount of such stock that is held by the non-U.S. shareholder. Specifically, a non-U.S. shareholder that holds a class of shares that is traded on an established securities market will only be subject to FIRPTA in respect of a sale of such shares if the shareholder owned more than 5% of the shares of such class at any time during a specified period. This period is generally the shorter of the period that the non-U.S. shareholder owned such shares or the five-year period ending on the date when the shareholder disposed of the stock. A non-U.S. shareholder that holds a class of Vornado's shares that is not traded on an established securities market will only be subject to FIRPTA in respect of a sale of such shares if on the date the stock was acquired by the shareholder it had a fair market value greater than the fair market value on that date of 5% of the regularly traded class of Vornado's outstanding shares with the lowest fair market value. If a non-U.S. shareholder holds a class of Vornado's shares that is not regularly traded on an established securities market, and subsequently acquires additional interests of the same class, then all such interests must be aggregated and valued as of the date of the subsequent acquisition for purposes of the 5% test that is described in the preceding sentence. If tax under FIRPTA applies to the gain on the sale of shares, the same treatment would apply to the non-U.S. shareholder as to U.S. shareholders with respect to the gain, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals.

Federal Estate Taxes

Common shares or preferred shares held by a non-U.S. shareholder at the time of death will be included in the shareholder's gross estate for U.S. Federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

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Backup Withholding and Information Reporting

If you are a non-U.S. shareholder, you are generally exempt from backup withholding and information reporting requirements with respect to:

dividend payments and

the payment of the proceeds from the sale of common shares effected at a United States office of a broker, as long as the income associated with these payments is otherwise exempt from U.S. Federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:

a valid IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

Payment of the proceeds from the sale of shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of common shares or preferred shares will be subject to information reporting if it is effected at a foreign office of a broker that is:

a United States person,

a controlled foreign corporation for United States tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an

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exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

Other Tax Consequences

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

Taxation of Holders of Most Fixed Rate Debt Securities

This section describes the material United States Federal income tax consequences of owning the fixed rate debt securities that Vornado or Vornado Realty L.P. may offer for your general information only. It is not tax advice. It applies to you only if the fixed rate debt securities that you purchase are not original issue discount or zero coupon debt securities and you acquire the fixed rate debt securities in the initial offering at the offering price. If you purchase these fixed rate debt securities at a price other than the offering price, the amortizable bond premium or market discount rules may also apply to you. You should consult your own tax advisor regarding this possibility.

The tax consequences of owning any fixed rate debt securities that are zero coupon debt securities or original issue discount debt securities, floating rate debt securities, zero coupon debt securities, original issue debt securities, convertible or exchangeable debt securities, or indexed debt securities that we offer will be discussed in the applicable prospectus supplement.

United States Debt Security Holders

This subsection describes the tax consequences to a United States debt security holder. You are a United States debt security holder if you are a beneficial owner of a fixed rate debt security to which this section applies and you are:

a citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to United States Federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States debt security holder of a fixed rate debt security to which this section applies, this subsection does not apply to you and you should refer to **United States Alien Debt Security Holders** below.

Payments of Interest. You will be taxed on interest on your fixed rate debt security as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

Purchase, Sale and Retirement of Fixed Rate Debt Securities. Your tax basis in your fixed rate debt security generally will be its cost. You will generally recognize capital gain or loss on the sale or retirement of your note equal to the difference between the amount you realize on the sale or

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retirement, excluding any amounts attributable to accrued but unpaid interest, and your tax basis in your note. Capital gain of a noncorporate United States debt security holder is generally taxed at preferential rates where the holder has a holding period greater than one year.

United States Alien Debt Security Holders

This subsection describes the tax consequences to a United States alien debt security holder. You are a United States alien debt security holder if you are the beneficial owner of a fixed rate debt security to which this section applies and are, for United States Federal income tax purposes:

a nonresident alien individual,

a foreign corporation,

a foreign partnership, or

an estate or trust that in either case is not subject to United States Federal income tax on a net income basis on income or gain from a debt security.

If you are a United States debt security holder, this subsection does not apply to you.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien debt security holder:

we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal and interest to you if, in the case of payments of interest:

1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Vornado (in the case of debt securities issued by Vornado) or 10% or more of the capital or profits interest of Vornado Realty L.P. (in the case of debt securities issued by Vornado Realty L.P.),
2. you are not a controlled foreign corporation that is related to Vornado or Vornado Realty L.P. through stock ownership, and
3. the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:
 - a. you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person,
 - b. in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as a non-United States person,
 - c. the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:
 - i. a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),
 - ii. a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States

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- financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service), or
- iii. a U.S. branch of a non-United States bank or of a non-United States insurance company, and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service),
 - d. the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business,
 - i. certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you, and
 - ii. to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form, or
 - 4. The U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, and no deduction for any United States Federal withholding tax will be made from any gain that you realize on the sale or exchange of your note.

Further, a fixed rate debt security held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for United States Federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Vornado (in the case of debt securities issued by Vornado) or 10% or more of the capital or profits interest of Vornado Realty L.P. (in the case of debt securities issued by Vornado Realty L.P.) at the time of death and

the income on the fixed rate debt security would not have been effectively connected with a United States trade or business of the decedent at the same time.

Backup Withholding and Information Reporting

In general, if you are a noncorporate United States debt security holder, we and other payors are required to report to the Internal Revenue Service all payments of principal and interest on your fixed rate debt security. In addition, we and other payors are required to report to the Internal Revenue Service any payment of proceeds of the sale of your fixed rate debt security before maturity within the United States. Additionally, backup withholding will apply to any payments if you fail to provide an accurate taxpayer identification number, or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

In general, if you are a United States alien debt security holder, payments of principal or interest made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under United States Alien Debt Security Holders are satisfied or you otherwise establish an exemption. However, we and other

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payors are required to report payments of interest on your fixed rate debt securities on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements. In addition, payment of the proceeds from the sale of fixed rate debt securities effected at a United States office of a broker will not be subject to backup withholding and information reporting provided that:

- the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:

 - an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person, or

 - other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of fixed rate debt securities effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,

- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of fixed rate debt securities effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,

- a controlled foreign corporation for United States tax purposes,

- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

- a foreign partnership, if at any time during its tax year:

 - one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

 - such foreign partnership is engaged in the conduct of a United States trade or business, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

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Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

PLAN OF DISTRIBUTION

Vornado Realty Trust and Vornado Realty L.P. may sell the securities to one or more underwriters for public offering and sale by them or may sell the securities to investors directly or through agents or through a combination of any of these methods of sale. Vornado Realty Trust's common shares or preferred shares may be issued upon conversion of debt securities of Vornado Realty Trust or in exchange for debt securities of Vornado Realty L.P. The securities that Vornado Realty Trust and Vornado Realty L.P. distribute by any of these methods may be sold to the public, in one or more transactions, at a fixed price or prices that may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices.

Any underwriter or agent involved in the offer and sale of the securities will be named in the related prospectus supplement. Vornado Realty Trust and Vornado Realty L.P. have reserved the right to sell the securities directly to investors on their own behalf in those jurisdictions where they are authorized to do so.

Underwriters may offer and sell the securities at a fixed price or prices that may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. Vornado Realty Trust and Vornado Realty L.P. also may, from time to time, authorize dealers, acting as Vornado Realty Trust's or Vornado Realty L.P.'s agents, to offer and sell the securities upon the terms and conditions described in the related prospectus supplement. Underwriters may receive compensation from Vornado Realty Trust or Vornado Realty L.P. in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agent. Underwriters may sell the securities to or through dealers, and the dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions, which may be changed from time to time, from the purchasers for whom they may act as agents.

Any underwriting compensation paid by Vornado Realty Trust or Vornado Realty L.P. to underwriters or agents in connection with the offering of the securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be stated in the related prospectus supplement. Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be deemed to be underwriting discounts and commissions under the applicable securities laws. Underwriters, dealers and agents may be entitled, under agreements entered into with Vornado Realty Trust or Vornado Realty L.P., to indemnification against and contribution toward certain civil liabilities, including any liabilities under the applicable securities laws.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement or a post-effective amendment.

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Unless otherwise indicated in the applicable prospectus supplement, any securities issued under this prospectus will be new issues of securities with no established trading market. Any underwriters or agents to or through whom the securities are sold by Vornado Realty Trust or Vornado Realty L.P. for public offering and sale may make a market in the securities, but the underwriters or agents will not be obligated to do so and may discontinue any market making at any time without notice. We do not know how liquid the trading market for any of our securities will be.

In connection with an offering of securities, the underwriters may purchase and sell securities in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of securities in excess of the principal amount of securities to be purchased by the underwriters in an offering, which creates a short position for the underwriters. Covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of securities made for the purpose of preventing or retarding a decline in the market price of the securities while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the securities being offered. They may also cause the price of the securities being offered to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Underwriters and agents may be entitled under agreements entered into with us to indemnification by us against civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments that the underwriters or agents may be required to make in that respect.

Certain of the underwriters, dealers or agents and their associates may engage in transactions with, and perform services for, Vornado Realty Trust, Vornado Realty L.P. and their affiliates in the ordinary course of business for which they may receive customary fees and expenses.

VALIDITY OF THE SECURITIES

The validity of any guarantee or debt securities issued by Vornado Realty L.P. under this prospectus will be passed upon for Vornado Realty L.P., and the validity of any depositary shares issued under this prospectus will be passed upon for Vornado Realty Trust, by Sullivan & Cromwell LLP, New York, New York, counsel to Vornado Realty Trust and Vornado Realty L.P. The validity of any debt securities issued by Vornado Realty Trust, preferred shares or common shares issued under this prospectus will be passed upon for Vornado Realty Trust by Venable LLP, Baltimore, Maryland, Maryland counsel to Vornado Realty Trust. With respect to all matters of Maryland law, Sullivan & Cromwell LLP will rely on the opinion of Venable LLP. The validity of any securities issued under this prospectus will be passed upon for any underwriters by the counsel named in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008, the related financial statement schedules incorporated in this prospectus by reference from Vornado Realty Trust's and Vornado Realty L.P.'s current report on Form 8-K, dated October 13, 2009 and October 16, 2009, respectively, and the effectiveness of Vornado Realty Trust's and Vornado Realty L.P.'s internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports included an unqualified opinion and an explanatory paragraph as to the effects of the retrospective application of new accounting guidance on accounting for convertible debt instruments, noncontrolling interest, and earnings per share), which are incorporated herein by reference, and have

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been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedule of Lexington Realty Trust and subsidiaries included in Lexington Realty Trust's Annual Report on Form 10-K as of December 31, 2008 and 2007, and for each of the years in the three-year period ended December 31, 2008, as updated by the Current Report on Form 8-K, dated September 1, 2009, and Management's Annual Report on Internal Controls over Financial Reporting as of December 31, 2008, have been incorporated in this prospectus by reference to Vornado Realty Trust's Current Report on Form 8-K, dated October 13, 2009, in reliance upon the reports incorporated by reference herein of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Lex-Win Concord LLC incorporated in this prospectus by reference to Lexington Realty Trust's Current Report on Form 8-K, dated September 1, 2009, which is incorporated by reference in Vornado Realty Trust's Current Report on Form 8-K, dated October 13, 2009, have been so incorporated in reliance on the report, which contains an explanatory paragraph relating to Lex-Win Concord LLC's ability to continue as a going concern as described in Note 16 to the financial statements, of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

With respect to the unaudited interim financial information of Vornado Realty Trust for the periods ended March 31, 2009 and 2008 and June 30, 2009 and 2008, and the unaudited interim financial information of Vornado Realty, L.P. for the periods ended March 31, 2009 and 2008 and June 30, 2009 and 2008, which is incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in Vornado Realty Trust's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009, and the Vornado Realty L.P.'s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not reports or a part of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

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Shares

% Series J Cumulative Redeemable Preferred Shares
(Liquidation Preference \$25.00 Per Share)

PRELIMINARY PROSPECTUS SUPPLEMENT

April , 2011

Joint Book-Running Managers

BofA Merrill Lynch

Citi

Morgan Stanley

UBS Investment Bank

Wells Fargo Securities

Deutsche Bank Securities

Goldman, Sachs & Co.

J.P. Morgan

RBC Capital Markets

oman" SIZE="2">(39.2) (37.4) (2) (2.0) (2)

Foreign Exchange Contracts

42.0 0.4 (3) 14.3 (2)

Total

\$24.8 \$(30.8) \$12.3

- (1) Gain (loss) recognized in net investment income
- (2) Gain (loss) recognized in net realized investment gain
- (3) Gain recognized in interest and debt expense
- (4) Loss recognized in other income

Six Months Ended June 30, 2009

Gain (Loss) Recognized in	Gain (Loss) Recognized in	Gain (Loss) Recognized
on	Accumulated OCI into Income	in Income on Derivatives

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	Derivatives (Effective Portion)	(Effective Portion)	(Ineffective Portion)
		(in millions of dollars)	
Interest Rate Swaps	\$ 51.1	\$ 12.4	(1)
Interest Rate Swaps		3.0	(2)
Interest Rate Swaps		(0.1)	(4)
Foreign Exchange Contracts	(2.1)	(1.3)	(1)
Foreign Exchange Contracts	(18.6)	(23.8)	(2)
Foreign Exchange Contracts	42.0	0.4	(3)
Total	\$ 72.4	\$ (9.4)	12.3

- (1) Gain (loss) recognized in net investment income
- (2) Gain (loss) recognized in net realized investment gain
- (3) Gain recognized in interest and debt expense
- (4) Loss recognized in other income

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 5 - Derivative Financial Instruments - Continued

The following table summarizes the location and amount of gain reported for our embedded derivative in a modified coinsurance arrangement, which is not designated as a hedging instrument.

	June 30, 2009	
	Three Months Ended	Six Months Ended
	(in millions of dollars)	
Gain Recognized in Net Realized Investment Gain (Loss)	\$ 140.1	\$ 163.7

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****June 30, 2009****Note 6 - Segment Information**

Our reporting segments are comprised of the following: Unum US, Unum UK, Colonial Life, Individual Disability - Closed Block, and Corporate and Other. Prior year results by segment have been reclassified to conform to modifications made to our reporting segments effective with the fourth quarter of 2008.

Premium income by major line of business within each of our segments is presented as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	(in millions of dollars)			
Unum US				
Group Disability				
Group Long-term Disability	\$ 433.4	\$ 463.0	\$ 871.5	\$ 922.4
Group Short-term Disability	107.6	110.6	215.2	219.6
Group Life and Accidental Death & Dismemberment				
Group Life	264.6	268.0	526.8	529.4
Accidental Death & Dismemberment	27.2	32.6	53.0	63.6
Supplemental and Voluntary				
Individual Disability - Recently Issued	118.2	116.1	238.1	234.3
Long-term Care	148.9	143.9	296.9	285.2
Voluntary Benefits	123.8	112.7	248.5	222.8
	1,223.7	1,246.9	2,450.0	2,477.3
Unum UK				
Group Long-term Disability	130.4	178.6	254.2	363.6
Group Life	34.6	52.8	66.1	98.3
Individual Disability	8.4	10.3	16.1	20.4
	173.4	241.7	336.4	482.3
Colonial Life				
Accident, Sickness, and Disability	154.8	150.6	311.6	300.1
Life	40.8	39.0	82.0	77.5
Cancer and Critical Illness	55.2	53.0	110.6	105.4
	250.8	242.6	504.2	483.0
Individual Disability - Closed Block	228.0	237.2	457.6	475.6
Corporate and Other		0.2	0.5	0.9
Total	\$ 1,875.9	\$ 1,968.6	\$ 3,748.7	\$ 3,919.1

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****June 30, 2009****Note 6 - Segment Information - Continued**

Selected operating statement data by segment is presented as follows:

	Unum US	Unum UK	Colonial Life	Individual Disability - Closed Block	Corporate and Other	Total
	(in millions of dollars)					
Three Months Ended June 30, 2009						
Total Premium Income	\$ 1,223.7	\$ 173.4	\$ 250.8	\$ 228.0	\$	\$ 1,875.9
Net Investment Income	304.1	34.3	28.4	187.4	43.4	597.6
Other Income	30.0	0.6	0.2	25.8	10.6	67.2
Operating Revenue	\$ 1,557.8	\$ 208.3	\$ 279.4	\$ 441.2	\$ 54.0	\$ 2,540.7
Operating Income (Loss)	\$ 191.3	\$ 67.3	\$ 71.3	\$ 10.0	\$ (16.0)	\$ 323.9
Three Months Ended June 30, 2008						
Total Premium Income	\$ 1,246.9	\$ 241.7	\$ 242.6	\$ 237.2	\$ 0.2	\$ 1,968.6
Net Investment Income	286.5	51.5	26.4	198.4	50.3	613.1
Other Income	33.4	0.2	0.1	25.4	8.4	67.5
Operating Revenue	\$ 1,566.8	\$ 293.4	\$ 269.1	\$ 461.0	\$ 58.9	\$ 2,649.2
Operating Income (Loss)	\$ 171.6	\$ 92.6	\$ 68.2	\$ 15.2	\$ (6.7)	\$ 340.9
Six Months Ended June 30, 2009						
Total Premium Income	\$ 2,450.0	\$ 336.4	\$ 504.2	\$ 457.6	\$ 0.5	\$ 3,748.7
Net Investment Income	595.4	61.2	56.0	373.8	84.9	1,171.3
Other Income	61.6	1.2	0.3	52.7	18.4	134.2
Operating Revenue	\$ 3,107.0	\$ 398.8	\$ 560.5	\$ 884.1	\$ 103.8	\$ 5,054.2
Operating Income (Loss)	\$ 374.9	\$ 129.6	\$ 142.2	\$ 21.3	\$ (28.9)	\$ 639.1
Six Months Ended June 30, 2008						
Total Premium Income	\$ 2,477.3	\$ 482.3	\$ 483.0	\$ 475.6	\$ 0.9	\$ 3,919.1
Net Investment Income	562.5	94.0	52.3	389.3	106.4	1,204.5
Other Income	66.0	0.4	0.2	49.5	18.6	134.7

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Operating Revenue	\$ 3,105.8	\$ 576.7	\$ 535.5	\$ 914.4	\$ 125.9	\$ 5,258.3
Operating Income (Loss)	\$ 329.9	\$ 176.9	\$ 135.6	\$ 18.1	\$ (6.4)	\$ 654.1

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****June 30, 2009****Note 6 - Segment Information - Continued**

A reconciliation of total operating revenue and operating income by segment to revenue and net income as reported in the consolidated statements of income follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	(in millions of dollars)			
Operating Revenue by Segment	\$ 2,540.7	\$ 2,649.2	\$ 5,054.2	\$ 5,258.3
Net Realized Investment Gain (Loss)	87.3	26.1	22.7	(42.4)
Revenue	\$ 2,628.0	\$ 2,675.3	\$ 5,076.9	\$ 5,215.9
Operating Income by Segment	\$ 323.9	\$ 340.9	\$ 639.1	\$ 654.1
Net Realized Investment Gain (Loss)	87.3	26.1	22.7	(42.4)
Income Tax	144.0	126.7	229.7	208.3
Net Income	\$ 267.2	\$ 240.3	\$ 432.1	\$ 403.4

Assets by segment are as follows:

	June 30 2009	December 31 2008
	(in millions of dollars)	
Unum US	\$ 21,354.0	\$ 20,440.9
Unum UK	3,259.5	2,865.4
Colonial Life	2,575.6	2,446.9
Individual Disability - Closed Block	14,695.6	14,353.0
Corporate and Other	9,455.1	9,311.2
Total	\$ 51,339.8	\$ 49,417.4

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****June 30, 2009****Note 7 - Pensions and Other Postretirement Benefits**

The components of net periodic benefit cost related to the Company sponsored defined benefit pension and postretirement plans for our employees are as follows:

	Three Months Ended June 30					
	2009	2008	2009	2008	2009	2008
	(in millions of dollars)					
	Pension Benefits					
	U.S. Plans		Non U.S. Plans		Postretirement Benefits	
Service Cost	\$ 7.4	\$ 7.1	\$ 1.2	\$ 2.2	\$ 0.7	\$ 0.8
Interest Cost	16.0	14.6	2.2	2.8	2.8	2.8
Expected Return on Plan Assets	(13.1)	(14.9)	(2.3)	(3.2)	(0.2)	(0.1)
Amortization of:						
Net Actuarial Loss	10.2	3.5	0.6	0.7		
Prior Service Credit	(0.2)	(0.5)			(0.7)	(0.9)
Transition Asset				(0.1)		
Net Periodic Benefit Cost	\$ 20.3	\$ 9.8	\$ 1.7	\$ 2.4	\$ 2.6	\$ 2.6
	Six Months Ended June 30					
	2009	2008	2009	2008	2009	2008
	(in millions of dollars)					
	Pension Benefits					
	U.S. Plans		Non U.S. Plans		Postretirement Benefits	
Service Cost	\$ 14.8	\$ 14.3	\$ 2.4	\$ 4.3	\$ 1.4	\$ 1.6
Interest Cost	32.0	29.1	4.2	5.7	5.6	5.7
Expected Return on Plan Assets	(26.3)	(29.8)	(4.4)	(6.4)	(0.3)	(0.3)
Amortization of:						
Net Actuarial Loss	20.5	7.0	1.1	1.4		
Prior Service Credit	(0.3)	(1.1)			(1.4)	(1.7)
Transition Asset				(0.1)		
Net Periodic Benefit Cost	\$ 40.7	\$ 19.5	\$ 3.3	\$ 4.9	\$ 5.3	\$ 5.3

We had no regulatory contribution requirements for our U.S. qualified defined benefit plan in 2009, but we elected to make \$70.0 million of voluntary contributions during the second quarter of 2009. For our U.K. operation, which maintains a separate defined benefit plan, we made required contributions totaling \$1.4 million and \$2.7 million for the second quarter and first six months of 2009, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****June 30, 2009****Note 8 - Stockholders Equity and Earnings Per Common Share**

Net income per common share is determined as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	(in millions of dollars, except share data)			
Numerator				
Net Income	\$ 267.2	\$ 240.3	\$ 432.1	\$ 403.4
Denominator (000s)				
Weighted Average Common Shares - Basic	331,171.8	345,443.5	330,988.8	348,082.2
Dilution for Assumed Exercises of Stock Options and Nonvested Stock Awards	783.4	591.9	471.5	669.1
Weighted Average Common Shares Assuming Dilution	331,955.2	346,035.4	331,460.3	348,751.3
Net Income Per Common Share				
Basic	\$ 0.81	\$ 0.70	\$ 1.31	\$ 1.16
Assuming Dilution	\$ 0.80	\$ 0.69	\$ 1.30	\$ 1.16

We use the treasury stock method to account for the effect of the purchase contract element of the outstanding stock options, nonvested stock awards, and performance restricted stock units on the computation of dilutive earnings per share. Under this method, these potential common shares will each have a dilutive effect, as individually measured, when the average market price of Unum Group common stock during the period exceeds the exercise price of the stock options, the grant price of the nonvested stock awards, and/or the threshold stock price of performance restricted stock units.

The outstanding stock options have exercise prices ranging from \$11.37 to \$58.56, the nonvested stock awards have grant prices ranging from \$10.59 to \$26.25, and the performance restricted stock units have a threshold stock price of \$26.00.

In computing earnings per share assuming dilution, only potential common shares that are dilutive (those that reduce earnings per share) are included. Potential common shares not included in the computation of dilutive earnings per share because their impact would be antidilutive, based on current market prices, approximated 6.6 million and 7.8 million shares of common stock for the three and six month periods ended June 30, 2009, and 8.0 million and 8.1 million common shares for the three and six month periods ended June 30, 2008.

Unum Group has 25,000,000 shares of preferred stock authorized with a par value of \$0.10 per share. No preferred stock has been issued to date.

During 2007, Unum Group's board of directors authorized the repurchase of up to \$700.0 million of Unum Group common stock. In January 2008, we repurchased approximately 14.0 million shares for \$350.0 million, using an accelerated share repurchase agreement. Under the terms of the repurchase agreement, we were to receive, or be required to pay, a price adjustment based on the volume weighted average price of Unum Group common stock during the term of the agreement. Any price adjustment payable to us was to be settled in shares of Unum Group

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 8 - Stockholders Equity and Earnings Per Common Share - Continued

common stock. Any price adjustment we would have been required to pay was to be settled, at our option, in either cash or common stock. A 30 percent partial acceleration of the agreement, 4.2 million shares, occurred on March 26, 2008 and settled on March 28, 2008, with the price adjustment resulting in the delivery to us of approximately 0.5 million additional shares of Unum Group common stock. The remaining 9.8 million shares settled on May 29, 2008, with the price adjustment resulting in the delivery to us of approximately 0.9 million additional shares. These shares are included in treasury stock in our consolidated balance sheets.

Note 9 - Commitments and Contingent Liabilities

We are a defendant in a number of litigation matters. In some of these matters, no specified amount is sought. In others, very large or indeterminate amounts, including punitive and treble damages, are asserted. There is a wide variation of pleading practice permitted in the United States courts with respect to requests for monetary damages, including some courts in which no specified amount is required and others which allow the plaintiff to state only that the amount sought is sufficient to invoke the jurisdiction of that court. Further, some jurisdictions permit plaintiffs to allege damages well in excess of reasonably possible verdicts. Based on our extensive experience and that of others in the industry with respect to litigating or resolving claims through settlement over an extended period of time, we believe that the monetary damages asserted in a lawsuit or claim bear little relation to the merits of the case, or the likely disposition value. Therefore, the specific monetary relief sought is not stated.

Unless indicated otherwise in the descriptions below, reserves have not been established for litigation and contingencies. An estimated loss is accrued when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

In the disclosures that follow about litigation, we refer to the name of the company specified in the original complaint, following the practice in the courts. Therefore, references to UnumProvident Corporation should be understood as references to Unum Group.

Claims Handling Matters

Multidistrict Litigation

Shareholder Derivative Actions

Between November 22, 2002 and March 11, 2003 five purported derivative actions were filed in state and federal courts in Tennessee. The defendants removed each of the actions that were filed in Tennessee state court to the U.S. District Court for the Eastern District of Tennessee, and the cases were consolidated. The plaintiffs then filed a single consolidated amended complaint, which purports to assert claims on behalf of the Company against certain current and past members of our Board of Directors and certain executive officers alleging breaches of fiduciary duties and other violations of law by establishing or permitting to be established an unlawful policy of denying legitimate disability claims and improper financial reporting, and that certain defendants engaged in insider trading.

On August 27, 2008, the parties entered into a stipulation of settlement to resolve the litigation. Under the terms of the settlement, which is subject to, among other things, approval of the court, we agreed to, among other things, implement or continue certain corporate governance measures and pay plaintiffs attorneys fees in an amount to be determined by the court. We have established adequate reserves for the attorneys fees, the payment of which we believe will be an immaterial amount.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 9 - Commitments and Contingent Liabilities - Continued

Policyholder Class Actions

On July 15, 2002, Rombeiro v. Unum Life Insurance Company of America, et al., was filed in the Superior Court of California and subsequently was removed to federal court, alleging that the plaintiff was wrongfully denied disability benefits under a group long-term disability plan. On January 21, 2003, an amended complaint was filed on behalf of a putative class of individuals that were denied or terminated from benefits under group long-term disability plans, seeking injunctive and declaratory relief and payment of benefits. On April 30, 2003, the court granted in part and denied in part the defendants' motion to dismiss the complaint. On May 14, 2003, the plaintiff filed a second amended complaint seeking similar relief.

Between November 2002 and November 2003, six additional similar putative class actions were filed in (or later removed to) federal district courts in Illinois, Massachusetts, New York, Pennsylvania, and Tennessee. The complaints alleged that the putative class members' claims were evaluated improperly and allege that we and our insurance subsidiaries breached certain fiduciary duties owed to the class members under the Employee Retirement Income Security Act (ERISA), Racketeer Influenced Corrupt Organizations Act (RICO), and/or various state laws. The complaints sought various forms of equitable relief and money damages, including punitive damages.

These actions all were transferred to the Eastern District of Tennessee multidistrict litigation. On December 22, 2003, the Tennessee Federal District Court entered an order consolidating all of the above actions for all pretrial purposes under the caption In re UnumProvident Corp. ERISA Benefit Denial Actions and appointed a lead plaintiff. A consolidated amended complaint was filed on February 20, 2004.

Court-ordered mediation has concluded with the settlement of all individual claims brought by seven of the fifteen named plaintiffs. An eighth plaintiff has subsequently resolved her claims through the process established under the claim reassessment process required by the 2004 and 2005 regulatory settlement agreements related to disability claims handling practices.

On January 12, 2009, in a two-to-one decision, the Sixth Circuit Court of Appeals reversed the District Court's earlier ruling certifying a class. On May 4, 2009, the plaintiff's petition for rehearing of this decision was denied by the Sixth Circuit. The District Court has yet to rule on our pending motions for judgment on the pleadings or for summary judgment.

Other Claim Litigation

We and our insurance subsidiaries, as part of our normal operations in managing disability claims, are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Most typically these lawsuits are filed on behalf of a single claimant or policyholder, and in some of these individual actions punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. We expect that the ultimate liability, if any, with respect to general claim litigation, after consideration of the reserves maintained, will not be material to our consolidated financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a period, depending on the results of operations for the particular period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 9 - Commitments and Contingent Liabilities - Continued

On June 13, 2005, following a trial in the U.S. District Court of Nevada in the matter of G. Clinton Merrick vs. UnumProvident Corporation, Paul Revere Life Insurance Company, et al., judgment was entered in plaintiff's favor on his breach of contract and bad faith claims, and the plaintiff was awarded contract, emotional distress, and punitive damages, as well as attorneys' fees. We appealed that judgment. The Ninth Circuit Court of Appeals reversed that portion of the judgment that awarded attorneys' fees and punitive damages award and remanded for a new trial on the issue of punitive damages that should be awarded, if any. We thereafter paid the portion of the verdict that had been upheld and proceeded to a second trial on the limited issue of the amount of punitive damages to be awarded against Unum Group and one of our insurance subsidiaries, if any. A second jury verdict was entered on July 3, 2008, in the amount of \$24.0 million as to one of our insurance subsidiaries and \$36.0 million as to Unum Group. Following post trial motions, the trial court affirmed the judgment as to our insurance subsidiary and reduced the judgment as to Unum Group to \$26.4 million. We have appealed the amended judgment to the Ninth Circuit. We believe that we have strong legal arguments to raise on appeal that create significant uncertainty regarding the ultimate outcome of this matter. However, since our efforts to reduce or overturn this award are at an early stage in the appeals process, an estimate of the liability to resolve this matter was established in 2008. The accrual was not material to our operating results.

From time to time class action allegations are pursued where the claimant or policyholder purports to represent a larger number of individuals who are similarly situated. Since each insurance claim is evaluated based on its own merits, there is rarely a single act or series of actions, which can properly be addressed by a class action. Nevertheless, we monitor these cases closely and defend ourselves appropriately where these allegations are made.

Broker-Related Litigation

We and certain of our subsidiaries, along with many other insurance brokers and insurers, have been named as defendants in a series of putative class actions that have been transferred to the U.S. District Court for the District of New Jersey for coordinated or consolidated pretrial proceedings as part of multidistrict litigation (MDL) No. 1663, In re Insurance Brokerage Antitrust Litigation. The plaintiffs in MDL No. 1663 filed a consolidated amended complaint in August 2005, which alleges, among other things, that the defendants violated federal and state antitrust laws, RICO, ERISA, and various state common law requirements by engaging in alleged bid rigging and customer allocation and by paying undisclosed compensation to insurance brokers to steer business to defendant insurers. Defendants filed a motion to dismiss the complaint on November 29, 2005. On April 5, 2007, defendants' motion to dismiss was granted without prejudice as to all counts except the ERISA counts. Plaintiffs were granted a last opportunity to file an amended complaint, and they did so on May 22, 2007. On June 21, 2007, defendants filed a motion to dismiss and for summary judgment on all counts. On August 31, 2007 and September 28, 2007, plaintiffs' federal antitrust and RICO claims were dismissed with prejudice. Defendants' motion for summary judgment on the ERISA counts was granted on January 14, 2008. All pending state law claims were dismissed without prejudice. Plaintiffs have filed an appeal with the Third Circuit Court of Appeals of the order dismissing their federal antitrust and RICO claims.

We are a defendant in an action styled, Palm Tree Computers Systems, Inc. v. ACE USA, et al., which was filed in the Florida state Circuit Court on February 16, 2005. The complaint contains allegations similar to those made in the multidistrict litigation referred to above. The case was removed to federal court and, on October 20, 2005, the case was transferred to the District of New Jersey multidistrict litigation. Plaintiffs motion to remand the case to the state court in Florida was dismissed without prejudice along with other pending motions in the MDL.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 9 - Commitments and Contingent Liabilities - Continued

Miscellaneous Matters

In September 2003, United States of America ex. rel. Patrick J. Loughren v. UnumProvident Corporation and GENEX Services, Inc. (GENEX) was filed in the United States District Court for the District of Massachusetts. This is a qui tam action to recover damages and civil penalties on behalf of the United States of America alleging violations of the False Claims Act by us and our former GENEX subsidiary. In accordance with the False Claims Act, the action was originally filed under seal to provide the government the opportunity to investigate the allegations and prosecute the action if they believed that the case had merit and warranted their attention. The government declined to prosecute the case, and the case became a matter of public record on December 23, 2004. The complaint alleged that we defrauded the government by inducing and or assisting disability claimants to apply for disability benefits from the Social Security Administration (SSA) when we allegedly knew that the claimants were not disabled under SSA criteria. Relator identified 95 individual claims that he alleged to be false and sought to present expert testimony from a statistician who would say that each of those claims found to be false could be extrapolated to support a finding of a much larger number of false claims. We filed a motion for summary judgment which was denied on September 15, 2008. The case proceeded to trial at which seven out of the 95 claims were adjudicated. We prevailed on four of the claims, the Relator prevailed on two of the claims, and the jury could not reach a verdict on one of the claims. The jury awarded the Relator \$850 in damages which was trebled. The court also assessed a penalty of \$11,000 for each of the two claims. On February 24, 2009, the court also ruled that the testimony of the Relator's expert in support of extrapolation would be excluded. The court has since granted our request that it enter a final and separate judgment on the two claims decided against us, and we have filed an appeal with the First Circuit Court of Appeals. The District Court has stayed further trial of the remaining claims pending the outcome of our appeal.

In May 2007, Roy Mogel, Todd D. Lindsay and Joseph R. Thorley individually and on behalf of those similarly situated v. Unum Life Insurance Company, was filed in the United States District Court for the District of Massachusetts. This is a putative class action alleging that we breached fiduciary duties owed to certain beneficiaries under certain group life insurance policies when we paid life insurance proceeds by establishing interest-bearing retained asset accounts rather than by mailing checks. Plaintiffs seek to represent a class of beneficiaries under group life insurance contracts that were employee welfare benefit plans under ERISA and under which we paid death benefits pursuant to a retained asset account. Plaintiffs seek to recover on behalf of the class the difference between the interest paid to them and amounts alleged to have been realized by us through our investment of the retained assets. On February 4, 2008, the court granted our motion to dismiss all claims, but on November 6, 2008 the First Circuit Court of Appeals vacated the District Court's order. Our petition for rehearing in the First Circuit Court of Appeals was denied on January 21, 2009, and the case is now being remanded to the district court, where we intend to contest both the request for class certification and the merits of the claims.

On May 16, 2008, we were added as a party to a case styled, Public Service Company of Colorado; P.S.R. Investments, Inc.; and Xcel Energy, Inc. v. Theodore J. Mallon; Transfinancial Corporation; and Provident Life and Accident Insurance Company, filed in the District Court, County of Boulder, State of Colorado, alleging among other things breach of contract, unjust enrichment, breach of duty of good faith and fair dealing, fraudulent concealment, negligent misrepresentation and non-disclosure, fraud, civil conspiracy, violation of the Colorado Consumer Protection Act (CCPA), violation of the Colorado Organized Crime Control Act, and conspiracy to violate the Colorado Organized Crime Control Act. These claims arise from the sale of corporate-owned life insurance policies to Public Service Company of Colorado by Mallon in 1984 and 1985. These policies were reinsured to Reassure America Life Insurance Company, a subsidiary of Swiss Reinsurance Company, as of July 2000. In response to the complaint, we filed a motion to dismiss all counts of the complaint asserted against us.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 9 - Commitments and Contingent Liabilities - Continued

On October 22, 2008, the District Court granted in part and denied in part our motion to dismiss, thereby dismissing all claims against us for violation of the CCPA, violation of the Colorado Organized Crime Control Act, and conspiracy to violate the Colorado Organized Crime Control Act. The plaintiffs filed a third amended complaint to cure the defects in their CCPA claim. We filed another motion to dismiss the plaintiffs' CCPA claims, which was denied. We deny the allegations of the third amended complaint and plan to vigorously contest them.

In September 2008, we received service of a complaint, in an adversary proceeding in connection with the bankruptcy case In re Quebecor World (USA) Inc., et al., entitled Official Committee of Unsecured Creditors of Quebecor World (USA) Inc., et al., v. American United Life Insurance Company, et al., filed in the United States Bankruptcy Court for the Southern District of New York. The complaint alleges that we received preference payments relating to notes held by certain of our insurance subsidiaries and seeks to avoid and recover such payments plus interest and cost of the action. We deny the allegations in the complaint and will vigorously contest them.

Summary

Various lawsuits against us, in addition to those discussed above, have arisen in the normal course of business. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations.

Given the complexity and scope of our litigation and regulatory matters, it is not possible to predict the ultimate outcome of all pending investigations or legal proceedings or provide reasonable estimates of potential losses, except where noted in connection with specific matters. It is possible that our results of operations or cash flows in a particular period could be materially affected by an ultimate unfavorable outcome of pending litigation or regulatory matters depending, in part, on our results of operations or cash flows for the particular period. We believe, however, that the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves and rights to indemnification, should not have a material adverse effect on our financial position.

Note 10 - Other

Debt

During the six months ended June 30, 2009, we made principal payments of \$3.8 million and \$5.0 million on our senior secured non-recourse variable rate notes issued by Northwind Holdings, LLC and Tailwind Holdings, LLC, respectively. We also purchased and retired the remaining \$132.2 million of our 5.859% senior notes due May 2009.

At June 30, 2009, short-term debt consisted of \$45.0 million of reverse repurchase agreements with a weighted average interest rate of 0.60 percent and a maturity date of August 6, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

June 30, 2009

Note 10 - Other - Continued

Income Tax

At June 30, 2009, we had a liability of \$149.9 million for unrecognized tax benefits, \$134.7 million of which is associated with deferred tax assets. The total unrecognized tax benefit that would impact the effective tax rate, if recognized, is \$15.2 million. The interest expense and penalties related to unrecognized tax expense in the consolidated statements of income are \$1.2 million and \$2.6 million for the three and six month periods ended June 30, 2009, respectively.

In the first quarter of 2009, we had an initial appeals conference with the Internal Revenue Service (IRS) for the years 2002 to 2004. It is reasonably possible that our administrative appeal of prior year IRS audit adjustments will be resolved in whole or in part within 12 months and that statutes of limitations may expire in multiple jurisdictions within that same time frame. As a result, the liability for unrecognized tax benefits could significantly increase or decrease within 12 months. An estimate of the range of the reasonably possible change in the unrecognized tax benefits associated with these events cannot be made at this time. We believe sufficient provision has been made for all proposed adjustments and that such adjustments would not have a material adverse effect on our financial position, liquidity, or results of operations.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Unum Group and Subsidiaries

We have reviewed the consolidated balance sheet of Unum Group and subsidiaries as of June 30, 2009, and the related consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2009 and 2008, and the consolidated statements of stockholders' equity and cash flows for the six-month periods ended June 30, 2009 and 2008. These financial statements are the responsibility of the Company's management.

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

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Unum Group changed its method of accounting for impairment of debt securities as of April 1, 2009 in accordance with the adoption of FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Unum Group and subsidiaries as of December 31, 2008, and the related consolidated statements of income, stockholders' equity, cash flows and comprehensive income (loss) for the year then ended not presented herein and in our report dated February 24, 2009, we expressed an unqualified opinion on those consolidated financial statements.

/s/ ERNST & YOUNG LLP

Chattanooga, Tennessee

August 5, 2009

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Unum Group, a Delaware general business corporation, and its insurance and non-insurance subsidiaries, which collectively with Unum Group we refer to as the Company, operate in the United States, the United Kingdom, and, to a limited extent, in certain other countries around the world. The principal operating subsidiaries in the United States are Unum Life Insurance Company of America (Unum America), Provident Life and Accident Insurance Company (Provident), The Paul Revere Life Insurance Company (Paul Revere Life), and Colonial Life & Accident Insurance Company, and in the United Kingdom, Unum Limited. We are the largest provider of disability insurance products in the United States and the United Kingdom. We also provide a complementary portfolio of other insurance products, including long-term care insurance, life insurance, employer- and employee-paid group benefits, and other related services.

We have three major business segments: Unum US, Unum UK, and Colonial Life. Our other segments are the Individual Disability Closed Block segment and the Corporate and Other segment. These segments are discussed more fully under Segment Results contained in this Item 2.

As one of the leading providers of employee benefits, we offer a broad portfolio of products and services to meet the diverse needs of the marketplace. We try to achieve a competitive advantage by offering group, individual, and voluntary benefits products that can be offered as stand alone products or that can be combined with other coverages to provide comprehensive benefits solutions for customers. We offer competitive benefit plans to businesses of all sizes to help them attract and retain a stronger workforce and protect the incomes and lifestyles of employees and their families. Through a variety of technological tools and trained professionals, we offer services which are designed to meet the evolving needs of our customers. We strive to provide the highest level of service excellence.

We believe that we are a well positioned and competitive force in our sector. However, due to the nature of our business, we are sensitive to economic and financial market movements, including consumer confidence, employment levels, and the level of interest rates. Our business outlook recognizes both the challenges of the current economic environment as well as the mitigating impact of risk-reducing actions we have taken in recent years. Our outlook is responsive to our risk management framework and is consistent with our risk appetite. Although occurrence of one or more of the risk factors discussed in our 2008 annual report on Form 10-K may cause our results to differ from our outlook, we believe that our business outlook is built on sound operating plans that have been tested against many of the challenges presented by the current economic environment.

This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 contained in this Form 10-Q and with the discussion, analysis, and consolidated financial statements and notes thereto in Part I, Items 1 and 1A, and Part II, Items 6, 7, 7A, and 8 of our annual report on Form 10-K for the year ended December 31, 2008.

Executive Summary

We believe we have successfully developed an overall risk management structure that focuses on risk at all levels of our organization. Through our operational risk strategy, we continue to focus on delivering the highest quality customer experience and continuous improvement initiatives, which we believe will both mitigate future business volatility and further strengthen our reputation. Through our insurance risk strategy, we have maintained our emphasis on pricing our business for profitable growth, and we have improved our risk profile through the development of a more balanced business mix across our product lines and the markets we serve. Through our investment risk strategy, we have managed our claim reserve discount rates relative to investment portfolio yield rates, reduced our exposure to high risk securities holdings, and avoided certain asset class problems. Through the implementation of our capital management risk strategy, we have strengthened our balance sheet and maintained financial flexibility which we believe will support our operations over various economic cycles. Collectively, these efforts will help us manage operational, insurance, and investment risk across our enterprise.

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Throughout 2009, we intend to continue our focus on a number of key areas. Objectives for 2009 include:

Consistent execution of our operating plans. We will continue our emphasis on disciplined, profitable growth.

Maintain a strong investment portfolio. We will maintain disciplined credit analysis in our selection of investment assets and continue to be conservative within our investment risk tolerances.

Build and effectively use capital. We intend to continue to build capital and manage it effectively within our stated capital management strategy objectives.

Professional development of our employees. We will continue our focus on employee training and development as well as talent management.

A discussion of our operating performance, investments, and capital follows.

Operating Performance

Our Unum US segment reported an increase in segment operating income of 11.5 percent and 13.6 percent for the second quarter and first six months of 2009 compared to the same periods last year. The benefit ratio for Unum US was 79.6 percent and 79.5 percent for the second quarter and first six months of 2009 compared to 80.7 percent and 80.6 percent in the comparable prior year periods. The group disability benefit ratio was 87.0 percent and 87.5 percent for the second quarter and first six months of 2009 compared to 90.5 percent and 90.8 percent for the second quarter and first six months of 2008. This is consistent with our goal of continual profit margin improvement for our Unum US group disability line of business. Unum US sales increased 10.8 percent and 6.9 percent in the second quarter and first six months of 2009 compared to the same periods last year. Our group core market segment, which we define for Unum US as employee groups with fewer than 2,000 lives, reported sales increases of 18.7 percent and 17.6 percent relative to the prior year second quarter and first six months. The number of new accounts in our core market segment increased 20 percent and 24 percent in the second quarter and first six months of 2009 relative to the same periods last year. Our supplemental and voluntary sales, which have been negatively impacted by the current economic conditions, decreased 14.4 percent and 2.4 percent relative to the prior year second quarter and first six months. Sales in the group large case market segment increased 29.0 percent and 9.5 percent compared to the second quarter and first six months of the prior year, with the growth attributable primarily to one large case. New products and initiatives include significant technology investments in our underwriting and claim management systems; expansion of our *Simply Unum* platform and the next generation of products; an increase in our enrollment teams to build enrollment capacity; and investments in training, development, and expansion of our sales force.

Our Unum UK segment reported a decrease in segment operating income of 6.6 percent and 2.7 percent for the second quarter and first six months of 2009, as measured in Unum UK's local currency, relative to the same periods last year. Although before-tax operating margins were higher than last year's results, premium income declined due to a lower in-force block of group disability business from lower sales and persistency during 2008, affecting year over year operating income growth. The benefit ratio for Unum UK was 54.4 percent and 53.8 percent for the second quarter and first six months of 2009 compared to 58.3 percent and 57.8 percent in the comparable prior year periods, reflecting our continued effective claim management performance. Overall sales in Unum UK increased 21.0 percent and 29.9 percent in the second quarter and first six months of 2009 compared to the comparable prior year periods. Persistency for group disability improved over the level of last year but declined for group life and individual disability. New initiatives include the relaunch of our group life product and the development of new products intended to further expand the group market in the U.K.

Our Colonial Life segment reported an increase in segment operating income of 4.5 percent and 4.9 percent in the second quarter and first six months of 2009 compared to the same periods last year. The benefit ratio for Colonial Life was 46.4 percent for both the second quarter and first six months of 2009 compared to 46.9 percent and 47.1 percent in the comparable prior year periods, with continued overall favorable risk experience. Colonial Life's sales in this year's second quarter decreased 3.9 percent relative to the same period last year, negatively impacted by the high unemployment rate and the resulting effect on sales to existing accounts and to a lesser extent, new account sales. Sales growth in the commercial market segment for employee groups with 500 or more lives were offset by sales declines within that same market segment for employee groups with fewer than 500 lives. Sales in the public sector market increased due to sales growth in the local government market. Sales on a year-to-date basis decreased 2.2 percent relative to the first six months of 2008. The number of new accounts and the average new case size for

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the first six months of 2009 both increased relative to the comparable prior year period. New initiatives include additional investments in tools and capabilities to support the Colonial Life brand position; continued implementation of a new enrollment system and platform; and investments in growing and expanding the sales force with particular focus on recruiting, training, and sales incentives.

Investments

Our investment strategy continues to serve as an important component of our overall business performance. We are focused on both the quality of our investment portfolio and on investing new money in investments appropriate for our liabilities. The weighted average credit rating of our portfolio was A3 as of the end of the second quarter of 2009. Our net investment income in the second quarter of 2009 was 2.5 percent below the level of the prior year's second quarter due primarily to the weaker pound to dollar exchange rate, fewer bond call premiums and consent fees, lower income on bonds in Unum UK for which interest income is linked to an inflation index, and lower interest rates on floating rate assets, partially offset due to the investment of new cash at higher rates than that of prior periods. Net investment income for the first six months of 2009 declined 2.8 percent relative to the first six months of 2008. Included in the second quarter and first six months of 2009 results are net realized investment losses from sales and write-downs of investments related primarily to fixed maturity securities in the financial services, media, and automotive sectors that we either sold or considered other-than-temporarily impaired. We believe our investment portfolio is well positioned for the current environment, with historically low levels of below-investment-grade securities, no exposure to subprime mortgages, Alt-A loans, or collateralized debt obligations in our asset-backed or mortgage-backed securities portfolios, and minimal exposure to collateralized debt obligations within our public bond portfolio. Further discussion is included in *Investments* contained in this Item 2.

Capital

The first priority of our capital management strategy is to maintain sufficient financial flexibility to support our operations over various economic cycles and to respond to opportunities in the marketplace while positioning our Company for improvements in its credit ratings. We have several financial targets, as specified in our 2008 annual report on Form 10-K, which we continue to use to guide our capital management decisions. These include targets for our risk-based capital, leverage, holding company cash and liquidity, and common stock dividend yield. At the end of the second quarter of 2009, all of our financial measurements for capital management continued to compare favorably to our target levels. See *Liquidity and Capital Resources* contained in this Item 2 for further detail.

Critical Accounting Estimates

We prepare our financial statements in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in our financial statements and accompanying notes. Estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed in our financial statements.

The accounting estimates deemed to be most critical to our results of operations and financial condition are those related to reserves for policy and contract benefits, deferred acquisition costs, valuation of investments, pension and postretirement benefit plans, and income taxes. There have been no significant changes in our critical accounting estimates during the first six months of 2009.

For additional information concerning our accounting policies and critical accounting estimates, see Note 1 of the *Notes to Consolidated Financial Statements* in Part II, Item 8 and *Critical Accounting Estimates* in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2008.

Accounting Pronouncements

For information on new accounting pronouncements and the impact, if any, on our financial position or results of operations, see Note 2 of the *Notes to Consolidated Financial Statements* contained herein in Item 1.

Table of Contents**Consolidated Operating Results***(in millions of dollars)*

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Revenue						
Premium Income	\$ 1,875.9	(4.7)%	\$ 1,968.6	\$ 3,748.7	(4.3)%	\$ 3,919.1
Net Investment Income	597.6	(2.5)	613.1	1,171.3	(2.8)	1,204.5
Net Realized Investment Gain (Loss)	87.3	234.5	26.1	22.7	153.5	(42.4)
Other Income	67.2	(0.4)	67.5	134.2	(0.4)	134.7
Total	2,628.0	(1.8)	2,675.3	5,076.9	(2.7)	5,215.9
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	1,584.2	(5.4)	1,674.7	3,159.9	(5.2)	3,331.6
Commissions	212.4	(0.2)	212.9	428.6	(0.7)	431.8
Interest and Debt Expense	30.4	(25.5)	40.8	63.0	(25.6)	84.7
Deferral of Acquisition Costs	(148.7)	(3.2)	(153.6)	(302.3)	1.0	(299.2)
Amortization of Deferred Acquisition Costs	132.8	4.3	127.3	264.6	2.8	257.3
Compensation Expense	196.2	2.3	191.8	386.3	2.3	377.7
Other Expenses	209.5	(2.3)	214.4	415.0	(1.3)	420.3
Total	2,216.8	(4.0)	2,308.3	4,415.1	(4.1)	4,604.2
Income Before Income Tax	411.2	12.0	367.0	661.8	8.2	611.7
Income Tax	144.0	13.7	126.7	229.7	10.3	208.3
Net Income	\$ 267.2	11.2	\$ 240.3	\$ 432.1	7.1	\$ 403.4

The comparability of our financial results between years is affected by the fluctuation in the British pound sterling to dollar exchange rate. The functional currency of our U.K. operations is the British pound sterling. In periods when the pound weakens, translating pounds into dollars decreases current period results relative to the prior period. In periods when the pound strengthens, translating pounds into dollars increases current period results in relation to the prior period. Our weighted average pound/dollar exchange rate was 1.533 and 1.486 for the second quarter and first six months of 2009 and 1.971 and 1.975 for the comparable periods of 2008. If the 2009 results for our U.K. operations had been translated using the exchange rate for the second quarter and first six months of 2008, our operating revenue and operating income by segment would have been higher by approximately \$57.2 million and \$19.4 million, respectively, for the second quarter of 2009 and approximately \$130.3 million and \$44.1 million, respectively, for the first six months of 2009. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert pounds into dollars. As a result, we view foreign currency translation as a financial reporting issue and not a reflection of operations or profitability in the U.K.

Consolidated premium income for the second quarter and first six months of 2009 includes premium growth, relative to the prior year periods, for Unum US supplemental and voluntary lines of business and Colonial Life. Unum US group disability and group life and accidental death and dismemberment lines of business experienced year over year declines in premium income. A portion of this decline was expected and is attributable to our continued pricing discipline for our Unum US group business and our strategy of developing a more balanced business mix. Premium growth for Unum US group business has also been negatively impacted by lower premium growth from existing customers due to lower salary growth and lower growth in the number of employees covered under an existing policy. Unum UK premium income, in local currency, declined in the second quarter and first six months of 2009 due to a decline in the inforce block of business resulting from lower persistency and sales. Premium income in the Individual Disability Closed Block segment decreased as expected in this closed block of business.

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Net investment income was lower in the second quarter and first six months of 2009 relative to the prior year periods. The weaker pound in 2009 relative to 2008 unfavorably affected translated results for net investment income. We also received lower investment income on bonds in Unum UK for which interest income is linked to a U.K. inflation index, which was completely offset in the second quarter of 2009 and partially offset for the first six months of 2009 by lower claim reserves due to lower claim payments which are also linked to inflation. In addition, we earned lower interest rates on our floating rate assets, largely offset by lower interest expense on our floating rate debt. We also received fewer bond call premiums and consent fees during the second quarter and first six months of 2009 compared to the prior year periods. Somewhat mitigating the impact of these items is continued growth in the level of invested assets, an increase in the level of prepayment income on mortgage-backed securities, and a slight increase in our portfolio yield due to the investment of new cash at higher rates than that of prior periods.

We recognized in earnings a net realized investment gain of \$87.3 million in the second quarter of 2009 compared to \$26.1 million in the comparable period of 2008. For the first six months, we recognized in earnings a net realized investment gain of \$22.7 million in 2009 and a loss of \$42.4 million in 2008. During the second quarter and first six months of 2009, we recognized other-than-temporary impairment losses of \$55.0 million and \$128.6 million related to fixed maturity securities. Of those amounts, \$48.1 million and \$121.7 million were recognized in earnings during the second quarter and first six months of 2009, and \$6.9 million was recognized in other comprehensive income for each of those two periods. Also recognized in earnings through realized investment gains and losses was the change in the fair value of an embedded derivative in a modified coinsurance arrangement. During the second quarter and first six months of 2009, changes in the fair value of this embedded derivative resulted in realized gains of \$140.1 million and \$163.7 million, respectively, compared to a realized gain of \$25.0 million and a net realized loss of \$39.1 million for the comparable prior year periods. The gains and losses on this embedded derivative resulted primarily from a change in credit spreads in the overall investment market. See [Investments](#) contained in this Item 2 for further discussion.

The benefit ratio was 84.5 percent and 84.3 percent in the second quarter and first six months of 2009 compared to 85.1 percent and 85.0 percent in the comparable periods of 2008, with continuing improved risk results in each of our segments and in most lines of business within the Unum US segment. See [Segment Results](#) as follows for discussions of line of business risk results and claims management performance in each of our segments.

Interest and debt expense for the second quarter and first six months of 2009 was lower than the prior year periods due primarily to lower levels of outstanding debt and lower rates of interest on our floating rate debt. See [Debt](#) contained in this Item 2 for additional information.

The deferral of acquisition costs was higher in the first six months of 2009 relative to the prior year comparable period due primarily to continued growth in certain of our product lines and the associated growth in deferrable expenses. Deferred costs were lower in the second quarter of 2009 relative to last year's second quarter due to lower acquisition expenses for Unum UK and Colonial Life. The amortization of acquisition costs was higher in the second quarter and first six months of 2009 due to an acceleration of amortization resulting from lower persistency in the Unum US supplemental and voluntary lines.

Other expenses, as reported, decreased in the second quarter and first six months of 2009 relative to last year's comparable periods. Other expenses, excluding the effect of the lower exchange rate for Unum UK expenses, have increased year over year due primarily to an increase in our pension costs. We continue to aggressively manage our operating expenses as we seek to increase the effectiveness of our operating processes.

Table of Contents**Consolidated Sales Results***(in millions of dollars)*

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Unum US						
Fully Insured Products	\$ 170.7	10.6%	\$ 154.4	\$ 351.0	7.0%	\$ 328.1
Administrative Services Only (ASO) Products	2.2	29.4	1.7	2.9		2.9
Total Unum US	172.9	10.8	156.1	353.9	6.9	331.0
Unum UK	29.5	(4.5)	30.9	49.1	(1.0)	49.6
Colonial Life	78.0	(3.9)	81.2	145.6	(2.2)	148.9
Individual Disability - Closed Block	0.4		0.4	0.8	(11.1)	0.9
Consolidated	\$ 280.8	4.5	\$ 268.6	\$ 549.4	3.6	\$ 530.4

Sales results shown in the preceding chart generally represent the annualized premium or annualized fee income on new sales which we expect to receive and report as premium income or fee income during the next 12 months following or beginning in the initial quarter in which the sale is reported, depending on the effective date of the new sale. Sales do not correspond to premium income or fee income reported as revenue in accordance with GAAP. This is because new annualized sales premiums reflect current sales performance and what we expect to recognize as premium or fee income over a 12 month period, while premium income and fee income reported in our financial statements are reported on an earned basis rather than an annualized basis and also include renewals and persistency of in force policies written in prior years as well as current new sales.

Premiums for fully insured products are reported as premium income. Fees for ASO products (those where the risk and responsibility for funding claim payments remain with the customer and we only provide services) are included in other income. Sales, persistency of the existing block of business, and the effectiveness of the renewal program are indicators of growth in our premium and fee income. Trends in new sales, as well as existing market share, also indicate our potential for growth in our respective markets and the level of market acceptance of price changes and new product offerings. Sales results may fluctuate significantly due to case size and timing of sales submissions.

We intend to continue with our disciplined approach to pricing and also with our strategy of developing a more balanced business mix. This strategy could result in a lower premium persistency or market share, particularly in the large case Unum US group market, but historically the profitability of business that terminates has generally been lower than the profitability of retained business. We do not anticipate any meaningful decline in the number of cases, or case persistency, for our Unum US group market on an aggregate basis.

See Segment Results as follows for additional discussion of sales by segment.

Segment Results

Our reporting segments are comprised of the following: Unum US, Unum UK, Colonial Life, Individual Disability - Closed Block, and Corporate and Other. In the following segment financial data and discussions of segment results, operating revenue excludes net realized investment gains and losses. Operating income or operating loss excludes net realized investment gains and losses and income tax. These are considered non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP.

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These non-GAAP financial measures of operating revenue and operating income or operating loss differ from revenue and income (loss) from continuing operations before income tax as presented in our consolidated operating results and in income statements prepared in accordance with GAAP due to the exclusion of before tax realized investment gains and losses. We measure segment performance excluding realized investment gains and losses because we believe that this performance measure is a better indicator of the ongoing businesses and the underlying trends in the businesses. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains and losses, and a long-term focus is necessary to maintain profitability over the life of the business. Realized investment gains and losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. However, income or loss excluding realized investment gains and losses does not replace net income or net loss as a measure of overall profitability. We may experience realized investment losses, which will affect future earnings levels since our underlying business is long-term in nature and we need to earn the assumed interest rates in our liabilities.

A reconciliation of total operating revenue by segment to total consolidated revenue and total operating income by segment to consolidated net income is as follows:

(in millions of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Operating Revenue by Segment	\$ 2,540.7	\$ 2,649.2	\$ 5,054.2	\$ 5,258.3
Net Realized Investment Gain (Loss)	87.3	26.1	22.7	(42.4)
Revenue	\$ 2,628.0	\$ 2,675.3	\$ 5,076.9	\$ 5,215.9
Operating Income by Segment	\$ 323.9	\$ 340.9	\$ 639.1	\$ 654.1
Net Realized Investment Gain (Loss)	87.3	26.1	22.7	(42.4)
Income Tax	144.0	126.7	229.7	208.3
Net Income	\$ 267.2	\$ 240.3	\$ 432.1	\$ 403.4

In the following segment operating results discussions, prior year results by segment have been reclassified to conform to modifications made to our reporting segments effective with the fourth quarter of 2008 and discussed in our annual report on Form 10-K for the year ended December 31, 2008.

Table of Contents**Unum US Segment**

The Unum US segment includes group long-term and short-term disability insurance, group life and accidental death and dismemberment (AD&D) products, and supplemental and voluntary lines of business. The supplemental and voluntary lines of business are comprised of recently issued disability insurance, group and individual long-term care insurance, and voluntary benefits products.

Unum US Operating Results

Shown below are financial results for the Unum US segment. In the sections following, financial results and key ratios are also presented for the major lines of business within the segment.

(in millions of dollars)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income	\$ 1,223.7	(1.9)%	\$ 1,246.9	\$ 2,450.0	(1.1)%	\$ 2,477.3
Net Investment Income	304.1	6.1	286.5	595.4	5.8	562.5
Other Income	30.0	(10.2)	33.4	61.6	(6.7)	66.0
Total	1,557.8	(0.6)	1,566.8	3,107.0		3,105.8

Benefits and Expenses

Benefits and Change in Reserves for Future Benefits	974.2	(3.2)	1,006.8	1,946.8	(2.5)	1,996.7
Commissions	132.6	1.8	130.3	268.4	2.2	262.5
Interest and Debt Expense	0.5	(50.0)	1.0	1.3	(43.5)	2.3
Deferral of Acquisition Costs	(85.1)	0.7	(84.5)	(175.3)	5.9	(165.6)
Amortization of Deferred Acquisition Costs	81.3	4.5	77.8	160.1	0.4	159.5
Other Expenses	263.0	(0.3)	263.8	530.8	2.0	520.5
Total	1,366.5	(2.1)	1,395.2	2,732.1	(1.6)	2,775.9

Operating Income Before Income Tax and Net Realized Investment Gains and Losses

	\$ 191.3	11.5	\$ 171.6	\$ 374.9	13.6	\$ 329.9
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Operating Ratios (% of Premium Income):

Benefit Ratio	79.6%		80.7%	79.5%		80.6%
Other Expense Ratio	21.5%		21.2%	21.7%		21.0%
Before-tax Operating Income Ratio	15.6%		13.8%	15.3%		13.3%

Table of Contents**Unum US Sales***(in millions of dollars)*

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Sales by Product						
Fully Insured Products						
Group Disability, Group Life, and AD&D						
Group Long-term Disability	\$ 54.3	19.6 %	\$ 45.4	\$ 86.0	5.5 %	\$ 81.5
Group Short-term Disability	19.4	18.3	16.4	35.3	18.5	29.8
Group Life	48.6	25.9	38.6	80.4	22.4	65.7
AD&D	5.1	50.0	3.4	8.0	27.0	6.3
Subtotal	127.4	22.7	103.8	209.7	14.4	183.3
Supplemental and Voluntary						
Individual Disability - Recently Issued	11.6	(9.4)	12.8	27.3	(6.8)	29.3
Group Long-term Care	4.9	(38.0)	7.9	11.9	(28.7)	16.7
Individual Long-term Care	0.8	(63.6)	2.2	2.3	(53.1)	4.9
Voluntary Benefits	26.0	(6.1)	27.7	99.8	6.3	93.9
Subtotal	43.3	(14.4)	50.6	141.3	(2.4)	144.8
Total Fully Insured Products	170.7	10.6	154.4	351.0	7.0	328.1
ASO Products	2.2	29.4	1.7	2.9		2.9
Total Sales	\$ 172.9	10.8	\$ 156.1	\$ 353.9	6.9	\$ 331.0
Sales by Market Sector						
Group Disability, Group Life, and AD&D						
Core Market (< 2,000 lives)	\$ 74.4	18.7 %	\$ 62.7	\$ 130.5	17.6%	\$ 111.0
Large Case Market	53.0	29.0	41.1	79.2	9.5	72.3
Subtotal	127.4	22.7	103.8	209.7	14.4	183.3
Supplemental and Voluntary	43.3	(14.4)	50.6	141.3	(2.4)	144.8
Total Fully Insured Products	170.7	10.6	154.4	351.0	7.0	328.1
ASO Products	2.2	29.4	1.7	2.9		2.9
Total Sales	\$ 172.9	10.8	\$ 156.1	\$ 353.9	6.9	\$ 331.0

Unum US sales increased 10.8 percent and 6.9 percent in the second quarter and first six months of 2009 compared to the prior year periods. Our group core market segment, which we define for Unum US as employee groups with fewer than 2,000 lives, had sales increases of 18.7 percent and 17.6 percent over the prior year periods, and the number of new accounts increased 20.0 percent and 24.0 percent relative to the second quarter and first six months of last year. Sales in the group large case market segment increased 29.0 percent compared to the prior year second quarter and increased 9.5 percent compared to the first six months of 2008, with the growth attributable primarily to one large case. Our year-to-date sales mix is approximately 62 percent core market and 38 percent large case market, in line with our targeted 60 percent core/40 percent large case market distribution mix.

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Our supplemental and voluntary sales, which have been negatively impacted by the current economic conditions, decreased 14.4 percent and 2.4 percent in the second quarter and first six months of 2009 compared to the prior year periods. Sales of group long-term care and voluntary benefits were both negatively affected by lower new sales to existing accounts. As expected, sales decreased for individual long-term care, which we have decided to discontinue

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selling effective in 2009. Sales for our individual disability line of business, of which approximately 91.2 percent year-to-date are in the multi-life market, decreased 9.4 percent and 6.8 percent compared to the comparable periods of 2008.

During the remainder of 2009, we will continue to focus on our group core market segment, group long-term care, and voluntary products market, as well as disciplined growth in our group large case and individual disability markets.

Unum US Group Disability Operating Results

Shown below are financial results and key performance indicators for Unum US group disability.

(in millions of dollars, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income						
Group Long-term Disability	\$ 433.4	(6.4)%	\$ 463.0	\$ 871.5	(5.5)%	\$ 922.4
Group Short-term Disability	107.6	(2.7)	110.6	215.2	(2.0)	219.6
Total Premium Income	541.0	(5.7)	573.6	1,086.7	(4.8)	1,142.0
Net Investment Income	161.6	0.6	160.7	318.1	0.2	317.5
Other Income	21.8	(13.8)	25.3	45.2	(9.1)	49.7
Total	724.4	(4.6)	759.6	1,450.0	(3.9)	1,509.2
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	470.8	(9.3)	519.1	951.2	(8.2)	1,036.5
Commissions	41.5	(0.2)	41.6	83.6	(0.9)	84.4
Interest and Debt Expense	0.5	(50.0)	1.0	1.3	(43.5)	2.3
Deferral of Acquisition Costs	(15.8)	5.3	(15.0)	(31.6)	7.5	(29.4)
Amortization of Deferred Acquisition Costs	17.1	(10.5)	19.1	34.0	(11.7)	38.5
Other Expenses	142.0	(3.3)	146.8	285.5	(1.5)	289.8
Total	656.1	(7.9)	712.6	1,324.0	(6.9)	1,422.1
Operating Income Before Income Tax and Net Realized Investment Gains and Losses						
	\$ 68.3	45.3	\$ 47.0	\$ 126.0	44.7	\$ 87.1
Operating Ratios (% of Premium Income):						
Benefit Ratio	87.0%		90.5%	87.5%		90.8%
Other Expense Ratio	26.2%		25.6%	26.3%		25.4%
Before-tax Operating Income Ratio	12.6%		8.2%	11.6%		7.6%
Premium Persistency:						
Group Long-term Disability				88.2%		88.3%
Group Short-term Disability				89.0%		83.6%
Case Persistency:						
Group Long-term Disability				87.6%		88.6%
Group Short-term Disability				86.7%		87.4%

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Premium income for group disability decreased in the second quarter and first six months of 2009 relative to the prior year periods. A portion of the decline was expected and is attributable to our pricing, renewal, and risk selection strategy. Premium growth for Unum US group business, both disability and life, has also been negatively impacted by lower premium growth from existing customers due to lower salary growth and lower growth in the number of employees covered under an existing policy. Premium persistency improved for group short-term disability and was stable for group long-term disability relative to the prior year, with improvements in the core segment and stable results for large case segment. Case persistency declined slightly due to a higher number of terminated cases in the smaller size case market within the core segment. These terminations did not affect premium persistency negatively to the degree they affected case persistency due to a lower average premium per terminated case. Net investment income increased slightly relative to the second quarter and first six months of 2008, with higher investment income due to the investment of new cash at higher yields than that of the existing portfolio, offset by a decline in the level of assets supporting these lines of business. Other income includes ASO fees of \$14.4 million and \$16.4 million for the second quarters of 2009 and 2008, respectively, and \$30.5 million and \$32.6 million for the first six months of 2009 and 2008.

The benefit ratio for the second quarter and first six months of 2009 was lower than the benefit ratio for the prior year periods due primarily to a higher rate of claim recoveries in group long-term disability and lower paid claims in short-term disability. Paid claim incidence rates for group short-term disability were lower in the second quarter and first six months of 2009 compared to the prior year periods. Paid claim incidence rates for group long-term disability were slightly higher in the second quarter of 2009 relative to last year's second quarter but on a year-to-date basis were consistent with last year. No unusual trends have been noted by sector or by case size.

The deferral of acquisition costs increased in comparison to the second quarter and first six months of 2008 due primarily to an increase in deferrable acquisition costs related to sales growth. Amortization was lower in the second quarter and first six months of 2009 relative to the prior year periods due to a decrease in amortization related to internal replacement transactions.

The other expense ratio increased in the second quarter and first six months of 2009 compared to the prior year periods due primarily to the decline in premium income and an increase in policy maintenance expenses associated with the change in the mix of inforce policies from the large case market to the core market segment. Included in the second quarter and first six months of 2008 other expenses is \$4.4 million related to a 2008 broker compensation settlement agreement.

As discussed under Cautionary Statement Regarding Forward-Looking Statements, certain risks and uncertainties are inherent in group disability business. Components of claims experience, including, but not limited to, incidence and recovery rates, may be worse than we expect. Both economic and societal factors can affect claim incidence. Disability claim incidence and claim recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence. The relationship between these and other factors and overall incidence is very complex and will vary due to contract design features and the degree of expertise within the insuring organization to price, underwrite, and adjudicate the claims. Adjustments to reserve amounts may be required if there are changes in assumptions regarding claim incidence, claim recovery rates, mortality, and/or interest rates used in calculating the reserve amounts. Within the group disability market, pricing and renewal actions can be taken to react to higher claim rates. However, these actions take time to implement, and there is a risk that the market will not sustain increased prices. In addition, changes in economic and external conditions may not manifest themselves in claims experience for an extended period of time.

Table of Contents**Unum US Group Life and Accidental Death and Dismemberment Operating Results**

Shown below are financial results and key performance indicators for Unum US group life and accidental death and dismemberment.

(in millions of dollars, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income						
Group Life	\$ 264.6	(1.3)%	\$ 268.0	\$ 526.8	(0.5)%	\$ 529.4
Accidental Death & Dismemberment	27.2	(16.6)	32.6	53.0	(16.7)	63.6
Total Premium Income	291.8	(2.9)	300.6	579.8	(2.2)	593.0
Net Investment Income	32.1	0.6	31.9	63.1	(0.2)	63.2
Other Income	0.6	(14.3)	0.7	1.1	(8.3)	1.2
Total	324.5	(2.6)	333.2	644.0	(2.0)	657.4
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	205.7	(1.5)	208.9	406.8	(0.3)	408.2
Commissions	21.7	4.3	20.8	43.1	1.7	42.4
Deferral of Acquisition Costs	(12.1)	18.6	(10.2)	(24.0)	21.2	(19.8)
Amortization of Deferred Acquisition Costs	11.5	(16.1)	13.7	23.1	(15.7)	27.4
Other Expenses	49.0	7.2	45.7	98.0	9.5	89.5
Total	275.8	(1.1)	278.9	547.0	(0.1)	547.7
Operating Income Before Income Tax and Net Realized Investment Gains and Losses						
	\$ 48.7	(10.3)	\$ 54.3	\$ 97.0	(11.6)	\$ 109.7

Operating Ratios (% of Premium Income):

Benefit Ratio	70.5%	69.5%	70.2%	68.8%
Other Expense Ratio	16.8%	15.2%	16.9%	15.1%
Before-tax Operating Income Ratio	16.7%	18.1%	16.7%	18.5%

Premium Persistency:

Group Life	87.1%	84.8%
Accidental Death & Dismemberment	88.7%	86.7%

Case Persistency:

Group Life	87.5%	88.2%
Accidental Death & Dismemberment	87.4%	88.5%

Premium income for group life and accidental death and dismemberment decreased in the second quarter and first six months of 2009 relative to the prior year periods, a portion of which was expected and is due to our pricing, renewal, and risk selection strategy. Premium growth has also been negatively impacted by lower premium growth from existing customers due to lower salary growth and lower growth in the number of employees covered under an existing policy. Premium income for accidental death and dismemberment declined in part due to a reinsurance agreement entered into, effective January 1, 2009, to cede an \$8.0 million annualized premium inforce block of business. Premium persistency overall improved, but case persistency declined in comparison to the prior year period. Net investment income was consistent with the level of the second quarter and first six months of 2008, with higher investment income due to an increased level of prepayment income on mortgage-backed securities and from investing new cash at higher yields than that of the existing portfolio, offset by a lower yield on the portfolio due to lower yields on floating rate assets.

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The benefit ratio increased in the second quarter and first six months of 2009 due primarily to a higher average paid claim size for the group life product line.

The deferral of acquisition costs increased in the second quarter and first six months of 2009 due primarily to increased sales. Amortization of deferred acquisition costs was lower in the second quarter and first six months of 2009 relative to the prior year periods due to a decrease in amortization related to internal replacement transactions.

The other expense ratio increased in the second quarter and first six months of 2009 in comparison to the prior year periods due primarily to the decline in premium income as well as an increase in policy acquisition-related costs associated with increased sales and an increase in policy maintenance expenses associated with the change in the mix of inforce policies from the large case market to the core market segment.

Table of Contents**Unum US Supplemental and Voluntary Operating Results**

Shown below are financial results and key performance indicators for Unum US supplemental and voluntary product lines.

(in millions of dollars, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income						
Individual Disability - Recently Issued	\$ 118.2	1.8%	\$ 116.1	\$ 238.1	1.6%	\$ 234.3
Long-term Care	148.9	3.5	143.9	296.9	4.1	285.2
Voluntary Benefits	123.8	9.8	112.7	248.5	11.5	222.8
Total Premium Income	390.9	4.9	372.7	783.5	5.6	742.3
Net Investment Income	110.4	17.6	93.9	214.2	17.8	181.8
Other Income	7.6	2.7	7.4	15.3	1.3	15.1
Total	508.9	7.4	474.0	1,013.0	7.9	939.2

Benefits and Expenses

Benefits and Change in Reserves for Future Benefits	297.7	6.8	278.8	588.8	6.7	552.0
Commissions	69.4	2.2	67.9	141.7	4.4	135.7
Deferral of Acquisition Costs	(57.2)	(3.5)	(59.3)	(119.7)	2.8	(116.4)
Amortization of Deferred Acquisition Costs	52.7	17.1	45.0	103.0	10.0	93.6
Other Expenses	72.0	1.0	71.3	147.3	4.3	141.2
Total	434.6	7.7	403.7	861.1	6.8	806.1

Operating Income Before Income Tax and Net

Realized Investment Gains and Losses	\$ 74.3	5.7	\$ 70.3	\$ 151.9	14.1	\$ 133.1
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Operating Ratios (% of Premium Income):

Benefit Ratios

Individual Disability - Recently Issued	52.1%	52.2%	52.2%	52.4%
Long-term Care	111.8%	106.3%	109.6%	105.3%
Voluntary Benefits	56.2%	57.9%	56.0%	57.9%
Other Expense Ratio	18.4%	19.1%	18.8%	19.0%
Before-tax Operating Income Ratio	19.0%	18.9%	19.4%	17.9%

Interest Adjusted Loss Ratios:

Individual Disability - Recently Issued	33.7%	34.8%	34.0%	35.3%
Long-term Care	77.5%	75.9%	75.9%	75.3%

Premium Persistency:

Individual Disability - Recently Issued	89.9%	90.7%
Long-term Care	94.8%	95.4%
Voluntary Benefits	79.0%	80.6%

The increase in premium income for the second quarter and first six months of 2009 relative to the prior year periods is due to prior period sales growth, partially offset by a decline in premium persistency. Net investment income increased relative to the prior year periods primarily due to higher investment income related to growth in the level of assets supporting these lines of business, an increased level of prepayment income on mortgage-backed securities,

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and a higher yield on the portfolio due to the investment of new cash at higher yields than that of the existing portfolio.

The decrease in the interest adjusted loss ratio for the individual disability recently issued line of business for the second quarter and first six months of 2009 relative to the prior year periods is due primarily to a higher claim recovery rate. The increase in the interest adjusted loss ratio for long-term care in the second quarter and first six months of 2009 relative to the prior year periods is due primarily to an increase in paid claim incidence rates. The benefit ratio for voluntary benefits decreased in the second quarter and first six months of 2009 as compared to the prior year periods due primarily to higher premium income for the life line of business, partially offset by a slightly higher rate of paid claim incidence for the disability line of business.

The deferral of acquisition costs decreased in the second quarter of 2009 compared to the second quarter of 2008 due to the decrease in sales and the resulting decline in acquisition-related expenses. However, on a year-to-date basis the deferral of acquisition costs increased in 2009 compared to the prior year period due to sales growth in the voluntary benefits product line. The amortization of acquisition costs was higher in the second quarter and first six months of 2009 due to an acceleration of amortization resulting from lower persistency.

The decrease in the other expense ratio in the second quarter and first six months of 2009 compared to the prior year periods is due primarily to a decrease in acquisition-related expenses related to the decrease in sales.

Segment Outlook

During the remainder of 2009, we will continue to embed our culture of risk management while maintaining our operating effectiveness, with a focus on talent development across our businesses. We will seek to continue to improve our financial performance, driven primarily by our group disability line, with greater product diversification through our voluntary product growth. We will continue the expansion of our growth platform our core group market, group long-term care, and voluntary lines of business. Our growth strategy includes offering a broad selection of benefits which provide cost predictability and stability over the long term for our clients through employee funding and defined employer contribution programs. We will continue to leverage capabilities being developed in our growth platform with our large case clients. We will focus on continued innovation for all of our customers and sales force, including the completion of our *Simply Unum* platform to be effective for larger employers.

Periods of economic downturns have historically affected disability claim incidence rates and, to a lesser extent, disability claim recovery rates in certain sectors of the market. The current downturn may lead to a similar pattern of claim incidence or recoveries. We have previously taken steps to improve our risk profile, including reducing our exposure to volatile business segments through diversification by market size, product segment, and industry segment. We believe our claims management organization is positioned for stable and sustainable performance levels. We have not experienced significantly higher disability claims incidence during the first six months of 2009, and we believe our benefit ratio for group disability will be favorable, on a full year comparison, relative to the level of 2008.

We are beginning to experience an impact on premium growth which we believe is caused by the uncertain economic environment. We have experienced lower group case persistency, lower supplemental and voluntary persistency, and lower sales in our supplemental and voluntary product lines due in part to the high unemployment rates. Premium growth from existing customers in group disability and group life has declined due to lower salary growth and lower growth in the number of employees covered under an existing policy. We also expect continued volatility in net investment income as a result of fluctuations in bond calls and other types of miscellaneous net investment income. We continuously monitor key indicators to assess our risk to an economic slowdown or recession and attempt to adjust our business plans accordingly.

Our outlook for operating results for 2009 is continued growth in our group disability and voluntary and supplemental lines of business and flat to declining operating results relative to 2008 for our group life and accidental death and dismemberment line of business.

Table of Contents**Unum UK Segment**

Unum UK includes insurance for group long-term disability, group life, and individual disability products sold primarily in the United Kingdom through field sales personnel and independent brokers and consultants.

Operating Results

Shown below are financial results and key performance indicators for the Unum UK segment.

(in millions of dollars, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income						
Group Long-term Disability	\$ 130.4	(27.0)%	\$ 178.6	\$ 254.2	(30.1)%	\$ 363.6
Group Life	34.6	(34.5)	52.8	66.1	(32.8)	98.3
Individual Disability	8.4	(18.4)	10.3	16.1	(21.1)	20.4
Total Premium Income	173.4	(28.3)	241.7	336.4	(30.3)	482.3
Net Investment Income	34.3	(33.4)	51.5	61.2	(34.9)	94.0
Other Income	0.6	200.0	0.2	1.2	200.0	0.4
Total	208.3	(29.0)	293.4	398.8	(30.8)	576.7
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	94.3	(33.1)	141.0	181.1	(35.0)	278.8
Commissions	11.6	(15.3)	13.7	22.2	(27.9)	30.8
Deferral of Acquisition Costs	(7.0)	(41.2)	(11.9)	(13.1)	(36.1)	(20.5)
Amortization of Deferred Acquisition Costs	7.7	(7.2)	8.3	14.8	(5.7)	15.7
Other Expenses	34.4	(30.8)	49.7	64.2	(32.4)	95.0
Total	141.0	(29.8)	200.8	269.2	(32.7)	399.8
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$ 67.3	(27.3)	\$ 92.6	\$ 129.6	(26.7)	\$ 176.9

Operating Ratios (% of Premium Income):

Benefit Ratio	54.4%	58.3%	53.8%	57.8%
Other Expense Ratio	19.8%	20.6%	19.1%	19.7%
Before-tax Operating Income Ratio	38.8%	38.3%	38.5%	36.7%

Premium Persistency:

Group Long-term Disability	88.8%	86.0%
Group Life	77.5%	78.1%
Individual Disability	87.5%	88.7%

Foreign Currency Translation

The functional currency of Unum UK is the British pound sterling. Unum UK's premiums, net investment income, claims, and expenses are received or paid in pounds, and we hold pound denominated assets to support Unum UK's pound denominated policy reserves and liabilities. We translate Unum UK's pound-denominated financial statement items into dollars for our consolidated financial reporting. We translate income statement items using an average exchange rate for the reporting period, and we translate balance sheet items using the exchange rate at the end of the period. We report unrealized foreign currency translation gains and losses in accumulated other comprehensive income in our consolidated balance sheets.

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Fluctuations in the pound to dollar exchange rate have an effect on Unum UK's reported financial results and our consolidated financial results. In periods when the pound weakens, as occurred during the second quarter and first six months of 2009 relative to the same periods of 2008, translating pounds into dollars decreases current periods' results relative to the prior period. In periods when the pound strengthens, translating into dollars increases current periods' results in relation to the prior periods.

(in millions of pounds, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income						
Group Long-term Disability	£ 83.9	(7.4)%	£ 90.6	£ 170.1	(7.6)%	£ 184.1
Group Life	22.2	(17.2)	26.8	44.1	(11.4)	49.8
Individual Disability	5.5	5.8	5.2	10.9	5.8	10.3
Total Premium Income	111.6	(9.0)	122.6	225.1	(7.8)	244.2
Net Investment Income	22.2	(15.3)	26.2	40.9	(14.3)	47.7
Other Income	0.4	N.M.	0.1	0.8	N.M.	0.2
Total	134.2	(9.9)	148.9	266.8	(8.7)	292.1
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	60.4	(15.5)	71.5	120.8	(14.4)	141.2
Commissions	7.6	8.6	7.0	14.9	(4.5)	15.6
Deferral of Acquisition Costs	(4.5)	(25.0)	(6.0)	(8.7)	(16.3)	(10.4)
Amortization of Deferred Acquisition Costs	5.0	19.0	4.2	9.9	23.8	8.0
Other Expenses	21.8	(13.5)	25.2	42.7	(11.2)	48.1
Total	90.3	(11.4)	101.9	179.6	(11.3)	202.5
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	£ 43.9	(6.6)	£ 47.0	£ 87.2	(2.7)	£ 89.6
Weighted Average Pound/Dollar Exchange Rate	1.533		1.971	1.486		1.975
<i>N.M. = not a meaningful percentage</i>						

Premium income decreased in the second quarter and first six months of 2009 relative to the prior year periods due to the lower in-force block resulting from lower sales and persistency. Also contributing to the year over year decline was an increase in group long-term disability premium income of £2.8 million in the second quarter and first six months of 2008 relating to a non-recurring reinsurance premium on a previously acquired claims block. Net investment income decreased in the second quarter and first six months of 2009 relative to the prior year periods due primarily to a reduction in inflation which reduced the return on bonds for which interest income is linked to a U.K. inflation index. These index-linked bonds match the claim reserves associated with certain of our group long-term disability policies that provide for inflation linked increases in disability benefits. The decrease in net investment income was more than offset in the second quarter of 2009 by a decrease in the reserves for future claims payments related to the inflation index-linked group long-term disability policies, as further discussed below, and was partially offset for the first six months of 2009.

The lower benefit ratio in the second quarter and first six months of 2009 in comparison to the prior year periods was primarily due to a decline in the level of claim incidence for group long-term disability and the impact of lower inflation on claim reserves associated with group long-term disability policies containing an inflation-linked benefit increase feature. Partially offsetting these items is a lower rate of claim recoveries in the group disability line of

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business. Changes in the benefit ratio for group life during the second quarter and first six months of 2009 relative to the prior year periods result primarily from variability in the rate of claim incidence.

Although over the intermediate-term the investment return from index-linked bonds generally matches the index-linked claim payments and reserves, the effect on investment income from the inflation index-linked bonds may not be directly offset in the short-term by lower claim payments and reserves, either in the same period or by the same amount. The timing for reset of interest income and benefit payments differs, both as to when benefits and investments are contractually reset and which historical retail price index period is used for the reset. In addition, benefits reset to a higher payment when the rate of inflation increases but are not reset to a lower payment due to a decrease in the rate of inflation, whereas investment income on the inflation index-linked bonds can fluctuate either positively or negatively depending on the movement in the inflation rate. We expect the trend of lower investment income and lower benefits may continue throughout the remainder of 2009 due to the current expectation that inflation in the U.K. will move below target. Timing differences for reset may introduce more volatility.

The decrease in deferral of acquisition costs in the second quarter and first six months of 2009 relative to the prior year periods is due primarily to a lower level of deferrable expenses. The increase in amortization of acquisition costs in the second quarter and first six months of 2009 relative to the prior year periods is due primarily to an increase in amortization related to internal replacement transactions.

The other expense ratio decreased during the second quarter and first six months of 2009 in comparison with the prior year periods due primarily to expense savings as a result of the implementation of a disciplined cost management process during the fourth quarter of 2008 as well as delayed development expenses. This disciplined cost management process is intended to continue to reduce our operating expenses in the future by implementing expense efficiencies and aligning expenses with premium growth.

Sales

Shown below are sales results in dollars and in pounds for the Unum UK segment.

(in millions)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Group Long-term Disability	\$ 15.5	(33.2)%	\$ 23.2	\$ 31.8	(16.3)%	\$ 38.0
Group Life	12.6	117.2	5.8	14.7	86.1	7.9
Individual Disability	1.4	(26.3)	1.9	2.6	(29.7)	3.7
Total Sales	\$ 29.5	(4.5)	\$ 30.9	\$ 49.1	(1.0)	\$ 49.6
Group Long-term Disability	£ 10.0	(15.3)%	£ 11.8	£ 21.3	10.9%	£ 19.2
Group Life	8.1	179.3	2.9	9.6	140.0	4.0
Individual Disability	0.9	(10.0)	1.0	1.7	(10.5)	1.9
Total Sales	£ 19.0	21.0	£ 15.7	£ 32.6	29.9	£ 25.1

Sales in Unum UK increased in the second quarter and first six months of 2009 compared to the prior year periods primarily due to sales growth for group life, partially offset by a decline in sales in group disability during the second quarter of 2009. The sales growth in group life was attributable to sales growth in the large case market, which we define for Unum UK as employee groups with 500 or more lives and, to a lesser extent, sales growth in the core market segment. For the second quarter and first six months of 2009, group disability had sales increases in the core market segment. Sales in the group disability large case market decreased in the second quarter of 2009 but increased for the first six months of 2009 relative to the prior year periods. Sales of group long-term disability and group life were both negatively affected during 2009 by lower new sales to existing accounts.

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Segment Outlook

Throughout the remainder of 2009, we will continue our commitment to our risk management culture as we focus on the achievement of sustainable and profitable growth through disciplined pricing, premium persistency, risk selection, and claims management. We expect to maintain our strong leadership position in the U.K, but in the current competitive market we have a cautious outlook for premium growth. We are exploring additional market opportunities to expand our growth in the group market through new product offerings. We continue to make progress on our initiative to provide the U.K. market with industry leading services, processes, systems, and operational capability.

Regarding the current economic downturn, as of the end of the second quarter of 2009, we had not yet experienced any significant deterioration in disability claims incidence or claim recoveries. The more likely impact of the current economic environment is on premium growth, which could be further impacted by a prolonged competitive pricing environment. We have experienced an impact on sales and premium growth, particularly in the expansion of existing accounts, and expect this may continue in the near term if current economic conditions persist. We continuously monitor key indicators to assess our risk to an economic slowdown or recession and attempt to adjust our business plans accordingly. Continued fluctuations in the U.S. dollar relative to the British pound sterling impact our reported operating results. We expect that our results for 2009, when translated into dollars for consolidated reporting, will compare unfavorably to 2008 due to the weakening of the pound.

Our outlook for the remainder of 2009 is for the continuance of high levels of profitability, in local currency, despite the weaker economy and the expected decrease in net investment income related to the inflation index-linked bonds as previously discussed. We believe the implementation of our disciplined cost management process will reduce our operating expenses relative to premium income throughout 2009. We expect our profit margins will continue to be strong as we invest in new growth opportunities.

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The Colonial Life segment includes insurance for accident, sickness, and disability products, life products, and cancer and critical illness products issued primarily by Colonial Life & Accident Insurance Company and marketed to employees at the workplace through an agency sales force and brokers.

Operating Results

Shown below are financial results and key performance indicators for the Colonial Life segment.

(in millions of dollars, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income						
Accident, Sickness, and Disability	\$ 154.8	2.8%	\$ 150.6	\$ 311.6	3.8%	\$ 300.1
Life	40.8	4.6	39.0	82.0	5.8	77.5
Cancer and Critical Illness	55.2	4.2	53.0	110.6	4.9	105.4
Total Premium Income	250.8	3.4	242.6	504.2	4.4	483.0
Net Investment Income	28.4	7.6	26.4	56.0	7.1	52.3
Other Income	0.2	100.0	0.1	0.3	50.0	0.2
Total	279.4	3.8	269.1	560.5	4.7	535.5
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	116.4	2.3	113.8	233.7	2.8	227.3
Commissions	53.1	(0.6)	53.4	107.4	0.8	106.5
Deferral of Acquisition Costs	(56.6)	(1.0)	(57.2)	(113.9)	0.7	(113.1)
Amortization of Deferred Acquisition Costs	43.8	6.3	41.2	89.7	9.3	82.1
Other Expenses	51.4	3.4	49.7	101.4	4.4	97.1
Total	208.1	3.6	200.9	418.3	4.6	399.9
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$ 71.3	4.5	\$ 68.2	\$ 142.2	4.9	\$ 135.6

Operating Ratios (% of Premium Income):

Benefit Ratio	46.4%	46.9%	46.4%	47.1%
Other Expense Ratio	20.5%	20.5%	20.1%	20.1%
Before-tax Operating Income Ratio	28.4%	28.1%	28.2%	28.1%

Premium Persistency:

Accident, Sickness, and Disability	73.6%	76.1%
Life	84.7%	84.6%
Cancer and Critical Illness	83.1%	84.1%

The relatively low growth in premium income for the second quarter and first six months of 2009 compared to the prior year periods was attributable to the unfavorable persistency resulting from the loss of a few large policyholder accounts. Net investment income increased in the second quarter and first six months of 2009 in comparison to the prior year periods due primarily to growth in the level of assets supporting these lines of business, an increased level of prepayment income on mortgage-backed securities, and a higher yield on the portfolio due to the investment of new cash at a higher yield than that of the existing portfolio.

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The overall benefit ratio for this segment decreased in the second quarter and first six months of 2009 in comparison to the prior year periods, with a lower benefit ratio in the cancer and critical illness lines of business offset somewhat by a higher benefit ratio in the accident, sickness, and disability line of business. The cancer and critical illness product line reported a lower benefit ratio in the second quarter and first six months of 2009 relative to the prior year periods due primarily to a release of active life reserves partially offset by an increase in disabled life reserves associated with the older cancer products. The increase in the benefit ratio in the accident, sickness, and disability line of business resulted primarily from a slight increase in claim incidence rates relative to the favorable experience of last year. The benefit ratio for the life line of business increased slightly in the second quarter of 2009 compared to the prior year second quarter due to a higher level of death claims and decreased in the first six months of 2009 compared to the first six months of 2008 due to a lower level of death claims and a lower average claim cost.

The amortization of deferred acquisition costs related to certain of our interest-sensitive policies was higher in the first six months of 2009 due to unfavorable persistency resulting from the loss of one large policyholder account during the first quarter of 2009. The other expense ratio for the second quarter and first six months of 2009 was consistent with the prior year second quarter and first six months due to our continued focus on expense management.

Sales*(in millions of dollars)*

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Accident, Sickness, and Disability	\$ 51.0	(4.7)%	\$ 53.5	\$ 95.4	(2.1)%	\$ 97.4
Life	15.3		15.3	28.3	(1.7)	28.8
Cancer and Critical Illness	11.7	(5.6)	12.4	21.9	(3.5)	22.7
Total Sales	\$ 78.0	(3.9)	\$ 81.2	\$ 145.6	(2.2)	\$ 148.9

Colonial Life's sales in the second quarter of 2009 decreased 3.9 percent relative to the same period last year, with sales growth in the commercial market segment for employee groups with 500 or more lives being offset by sales declines within the commercial market segment for employee groups with fewer than 500 lives. Sales in the public sector market increased due to sales growth in the local government market. Sales on a year-to-date basis decreased 2.2 percent relative to the first six months of 2008. The number of new accounts and the average new case size for the first six months of 2009 both increased relative to the comparable prior year period.

Segment Outlook

During the remainder of 2009, we will continue with our commitment to fostering our risk management culture while we seek to further expand our distribution through recruiting, development, and training programs. We intend to focus our marketing resources on both existing accounts and new employers to maintain our in-force premium and generate sales opportunities. We believe sales and premium growth will be driven by the growth and productivity of our agency sales system, as well as continued product and brand development. We will also continue our collaboration with our Unum US business partners for marketing and product development opportunities.

Periods of economic downturns have historically had minimal impact on the operations of Colonial Life, due primarily to a diversified product portfolio that is designed with short duration, indemnity benefits. During the first six months of 2009, we did not experience a significant increase in claim incidence levels in the aggregate or in any particular market sector. We have experienced an impact on sales and premium growth and expect this may continue in the near term if current economic conditions continue to affect the buying patterns of employees or cause employers to defer introduction of new plans. We continuously monitor key indicators to assess our risk to an economic slowdown or recession and attempt to adjust our business plans accordingly.

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Our outlook for the remainder of 2009 is for the maintenance of high levels of profitability in this segment, but with margins decreasing modestly over time as the benefit ratio returns to more historic levels. Premium growth in the remainder of 2009 is expected to be slightly less than the comparable time period for 2008 due to slower sales trends.

Individual Disability - Closed Block Segment

The Individual Disability Closed Block segment generally consists of those individual disability policies in force before the substantial changes in product offerings, pricing, distribution, and underwriting, which generally occurred during the period 1994 through 1998. A small amount of new business continued to be sold after these changes, but we stopped selling new policies in this segment at the beginning of 2004 other than update features contractually allowable on existing policies.

Operating Results

Shown below are financial results and key performance indicators for the Individual Disability Closed Block segment.

(in millions of dollars, except ratios)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income	\$ 228.0	(3.9)%	\$ 237.2	\$ 457.6	(3.8)%	\$ 475.6
Net Investment Income	187.4	(5.5)	198.4	373.8	(4.0)	389.3
Other Income	25.8	1.6	25.4	52.7	6.5	49.5
Total	441.2	(4.3)	461.0	884.1	(3.3)	914.4
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	376.3	(2.3)	385.1	752.5	(2.6)	772.6
Commissions	14.8	(2.6)	15.2	30.1	(3.8)	31.3
Interest and Debt Expense	4.3	(53.3)	9.2	10.1	(49.8)	20.1
Other Expenses	35.8	(1.4)	36.3	70.1	(3.0)	72.3
Total	431.2	(3.3)	445.8	862.8	(3.7)	896.3
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$ 10.0	(34.2)	\$ 15.2	\$ 21.3	17.7	\$ 18.1
Interest Adjusted Loss Ratio	82.0%		82.4%	81.6%		82.4%
Operating Ratios (% of Premium Income):						
Other Expense Ratio	15.7%		15.3%	15.3%		15.2%
Before-tax Operating Income Ratio	4.4%		6.4%	4.7%		3.8%
Premium Persistency				93.6%		94.0%

The decrease in premium income for the second quarter and first six months of 2009 relative to the prior year periods is due to the expected run-off of this block of closed business due to persistency and policy maturities. Net investment income decreased in the second quarter and first six months of 2009 compared to the prior year periods due primarily to lower interest rates on floating rate assets as well as a lower level of assets supporting this closed block of business, partially offset by an increased level of prepayment income on mortgage-backed securities.

Other income, which includes the underlying results of certain blocks of reinsured business and the net investment income of portfolios held by those ceding companies to support the block we have reinsured, increased compared to the prior year periods due to favorable experience in the reinsured blocks.

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The interest adjusted loss ratio for the second quarter and first six months of 2009 was generally consistent with the prior year periods, with a slight increase in claim incidence during the second quarter of 2009 relative to the second quarter and first six months of 2008. Interest and debt expense decreased from the prior year second quarter and first six months due to lower rates of interest on our floating rate debt issued by Northwind Holdings, LLC (Northwind Holdings) and a decrease in the amount of outstanding debt resulting from principal payments made during the last 12 months.

Segment Outlook

We expect that this segment may experience volatility in net investment income due to the variability in interest rates on floating rate assets and also due to a reduced level of bond call premiums relative to historical levels. A portion of the volatility in interest income will be offset by commensurate changes in the interest expense on our floating rate debt.

We expect that operating revenue and income will decline over time as this closed block of business winds down. We believe that the interest adjusted loss ratio for this block of business will be relatively flat over the long term, but the segment may experience quarterly volatility. Claim resolution rates are very sensitive to operational and environmental changes and can be volatile over short periods of time. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period. It is possible, however, that variability in our reserve assumptions could result in a material impact on our reserve levels.

Corporate and Other Segment

The Corporate and Other segment includes investment income on corporate assets not specifically allocated to a line of business, interest expense on corporate debt other than non-recourse debt, and certain other corporate income and expense not allocated to a line of business. Corporate and Other also includes results from certain Unum US insurance products not actively marketed, including individual life and corporate-owned life insurance, reinsurance pools and management operations, group pension, health insurance, and individual annuities. We expect operating revenue and income resulting from these insurance products to decline over time as these business lines wind down.

Operating Results

(in millions of dollars)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	% Change	2008	2009	% Change	2008
Operating Revenue						
Premium Income	\$	(100.0)%	\$ 0.2	\$ 0.5	(44.4)%	\$ 0.9
Net Investment Income	43.4	(13.7)	50.3	84.9	(20.2)	106.4
Other Income	10.6	26.2	8.4	18.4	(1.1)	18.6
Total	54.0	(8.3)	58.9	103.8	(17.6)	125.9
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	23.0	(17.9)	28.0	45.8	(18.5)	56.2
Commissions	0.3		0.3	0.5	(28.6)	0.7
Interest and Debt Expense	25.6	(16.3)	30.6	51.6	(17.2)	62.3
Other Expenses	21.1	214.9	6.7	34.8	165.6	13.1
Total	70.0	6.7	65.6	132.7	0.3	132.3
Operating Loss Before Income Tax and Net Realized Investment Gains and Losses	\$ (16.0)	(138.8)	\$ (6.7)	\$ (28.9)	N.M.	\$ (6.4)

N.M. = not a meaningful percentage

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Non-Insurance Product Results

Operating revenue was \$17.5 million and \$35.3 million in the second quarter and first six months of 2009 compared to \$24.8 million and \$57.2 million in the same periods of 2008. Operating losses were \$24.7 million and \$46.3 million in the second quarter and first six months of 2009 compared to \$10.1 million and \$13.7 million in the same periods of 2008.

The decrease in operating revenue in the second quarter and first six months of 2009 compared to the prior year periods is due primarily to a decrease in net investment income resulting from lower levels of assets and lower interest rates on short-term investments.

Interest and debt expense declined in the second quarter and first six months of 2009 relative to the prior year periods due primarily to lower levels of outstanding debt and a favorable foreign exchange rate, as hedged, related to interest payments on our 6.85% senior debentures.

Other expenses were \$16.6 million and \$30.0 million in the second quarter and first six months of 2009 compared to \$4.3 million and \$8.6 million in the comparable periods of 2008. The increase is due primarily to increased pension costs in the second quarter and first six months of 2009 of approximately \$10.4 million and \$20.8 million, respectively.

Insurance Product Results

Reinsurance Pools and Management

Our reinsurance operations include the reinsurance management operations of Duncanson & Holt, Inc. and the risk assumption, which includes reinsurance pool participation; direct reinsurance, which includes accident and health, long-term care, and long-term disability coverages; and Lloyd's of London syndicate participations. Total operating revenue was \$1.9 million and \$1.6 million in the second quarters of 2009 and 2008, respectively, and \$2.9 million and \$3.6 million in the first six months of 2009 and 2008. Operating losses were \$1.1 million and \$0.4 million for the second quarters of 2009 and 2008, respectively, and \$1.9 million and \$2.9 million for the first six months of 2009 and 2008.

Individual Life and Corporate-Owned Life

During 2000, we reinsured substantially all of our individual life and corporate-owned life insurance blocks of business. The gain on these transactions was deferred and is being amortized into income based upon expected future premium income on the traditional insurance policies ceded and estimated future gross profits on the interest-sensitive insurance policies ceded. Total operating revenue for individual life and corporate-owned life insurance was \$9.1 million and \$8.4 million in the second quarters of 2009 and 2008, respectively, and \$16.8 million and \$16.7 million in the first six months of 2009 and 2008. Operating income was \$6.4 million and \$6.6 million for the second quarters of 2009 and 2008, respectively, and \$13.0 million and \$13.4 million for the first six months of 2009 and 2008.

Other

Operating revenue for the group pension, health insurance, individual annuities, and other closed lines of business was \$25.5 million and \$24.1 million in the second quarters of 2009 and 2008, respectively, and \$48.8 million and \$48.4 million in the first six months of 2009 and 2008. These closed lines of business had operating income of \$3.4 million and operating losses of \$2.8 million in the second quarters of 2009 and 2008, respectively, and operating income of \$6.3 million and operating losses of \$3.2 million in the first six months of 2009 and 2008.

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Segment Outlook

The general economic outlook for corporate bond defaults is currently high relative to historical levels. We have tested whether our capital plan for the remainder of 2009 has sufficient cushion to absorb possible losses. Because we currently have a margin of excess holding company liquidity and statutory capital above our capital management target guidelines, we believe we are well positioned for the economic downturn. It is possible, however, that defaults in our investment portfolio will result in realized investment losses, reduced net investment income, and lower statutory capital. Depending on the magnitude of defaults, we might need to seek external financing.

We expect our annual 2009 pension costs to be approximately \$42.0 million higher than the level of 2008. This increase in expense is being charged to our Corporate and Other segment.

Investments

Overview

Investment activities are an integral part of our business, and profitability is significantly affected by investment results. We segment our invested assets into portfolios that support our various product lines. Generally, our investment strategy for our portfolios is to match the effective asset cash flows and durations with related expected liability cash flows and durations to consistently meet the liability funding requirements of our businesses. We seek to earn investment income while assuming credit risk in a prudent and selective manner, subject to constraints of quality, liquidity, diversification, and regulatory considerations. Our overall investment philosophy is to invest in a portfolio of high quality assets that provide investment returns consistent with that assumed in the pricing of our insurance products. Assets are invested predominately in fixed maturity securities, and the portfolio is matched with liabilities so as to eliminate as much as possible our exposure to changes in the overall level of interest rates. Changes in interest rates may affect the amount and timing of cash flows.

We actively manage our asset and liability cash flow match and our asset and liability duration match to minimize interest rate risk. We may redistribute investments between our different lines of business, when necessary, to adjust the cash flow and/or duration of the asset portfolios to better match the cash flow and duration of the liability portfolios. Asset and liability portfolio modeling is updated on a quarterly basis and is used as part of the overall interest rate risk management strategy. Cash flows from the inforce asset and liability portfolios are projected at current interest rate levels and also at levels reflecting an increase and a decrease in interest rates to obtain a range of projected cash flows under the different interest rate scenarios. These results enable us to assess the impact of projected changes in cash flows and duration resulting from potential changes in interest rates. Testing the asset and liability portfolios under various interest rate scenarios enables us to choose the most appropriate investment strategy as well as to minimize the risk of disadvantageous outcomes. This analysis is a precursor to our activities in derivative financial instruments, which are used to hedge interest rate risk and to manage duration match. We do not use derivatives for speculative purposes.

We believe that our investment portfolio is positioned to moderate the potential impact of an economic slowdown on our financial position or operating results. Our portfolio is well diversified by type of investment and industry sector. We have established an investment strategy that we believe will provide for adequate cash flows from operations and allow us to hold our securities through periods where significant decreases in fair value occur.

We have no exposure to subprime mortgages, Alt-A loans, or collateralized debt obligations in our asset-backed or mortgage-backed securities portfolios. At June 30, 2009, we held \$16.8 million fair value (\$17.0 million amortized cost) of collateralized debt obligations within our public bond portfolio. We had \$160.0 million fair value (\$181.0 million amortized cost) of exposure to investments for which the payment of interest and principal is guaranteed under a financial guaranty insurance policy. The weighted average rating of the underlying securities, absent the guaranty insurance policy, is A1. We held \$316.3 million fair value (\$492.8 million amortized cost) of perpetual debentures, or hybrid securities, that generally have no fixed maturity date. Interest on these securities due on any payment date may be deferred by the issuer. The interest payments are generally deferrable only to the

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extent that the issuer has suspended dividends or other distributions or payments to any of its shareholders or any other perpetual debt instrument.

For information on our valuation of investments and our formal investment philosophy, including our overall quality and diversification objectives, see *Critical Accounting Estimates* and *Investments* in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2008.

Investment Results

Net investment income was lower in the second quarter and first six months of 2009 relative to the prior year periods. The weaker pound in 2009 relative to 2008 unfavorably affected translated results for net investment income. We also received lower investment income on bonds in Unum UK for which interest income is linked to a U.K. inflation index, which was completely offset in the second quarter of 2009 and partially offset for the first six months of 2009 by lower claim reserves due to lower claim payments which are also linked to inflation. In addition, we earned lower interest rates on our floating rate assets, largely offset by lower interest expense on our floating rate debt. We also received fewer bond call premiums and consent fees during the second quarter and first six months of 2009 compared to the prior year periods. Somewhat mitigating the impact of these items is continued growth in the level of invested assets, an increase in the level of prepayment income on mortgage-backed securities, and a slight increase in our portfolio yield due to the investment of new cash at higher rates than that of prior periods.

The duration weighted book yield on the fixed income securities in our investment portfolio was 6.74 percent as of June 30, 2009, and the weighted average credit rating was A3. This compares to a yield of 6.72 percent as of December 31, 2008 and a weighted average credit rating of A2. At June 30, 2009, the weighted average duration of our policyholder liability portfolio was approximately 7.56 years, and the weighted average duration of our investment portfolio supporting those policyholder liabilities was approximately 6.77 years.

Before-tax realized investment gains and losses recognized in earnings are as follows:

(in millions of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Fixed Maturity Securities				
Gross Gains on Sales	\$ 11.3	\$ 10.6	\$ 15.3	\$ 32.9
Gross Losses on Sales	(29.0)	(15.6)	(45.8)	(28.5)
Other-Than-Temporary Impairment Loss	(48.1)	(0.2)	(121.7)	(6.9)
Mortgage Loans and Other Invested Assets				
Gross Gains on Sales	1.9	7.9	3.2	9.3
Gross Losses on Sales	(0.2)	(2.1)	(0.3)	(3.5)
Impairment Loss	(1.0)		(4.0)	(4.6)
Embedded Derivative in Modified				
Coinsurance Arrangement	140.1	25.0	163.7	(39.1)
Other Derivatives	12.3	0.5	12.3	(2.0)
Net Realized Investment Gain (Loss)	\$ 87.3	\$ 26.1	\$ 22.7	\$ (42.4)

Realized Investment Losses \$10.0 Million or Greater from Other-Than-Temporary Impairments

During the first six months of 2009, we recognized an other-than-temporary impairment loss of \$33.3 million on securities issued by a U.S. media conglomerate. The company reported mixed fourth quarter 2008 operating results as its outdoor advertising weakened significantly. During the first quarter of 2009, the company borrowed \$1.6 billion against its lines of credit and completed a tender/exchange offer to improve its near term debt maturity profile. Continued signs that the company's operations have weakened materially in the first quarter 2009, as well as the continued weakness in the economy, have led us to believe that covenant violations could occur in the near future. At the time of the impairment loss, these securities had been in an unrealized loss position for a period of greater than three years.

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During the first six months of 2009, we recognized an other-than-temporary impairment loss of \$23.9 million on securities issued by a U.S. automotive parts company. Due to the weak economy, automobile production decreased dramatically in recent quarters, with the expectation of further production reductions in future quarters. Declining earnings caused the company to be out of compliance with covenants in certain of its debt issues. The company eventually obtained waivers on these covenants, the terms of which precluded the company from making interest payments on certain of its other debt issues. The company was unable to cure this default within the grace period and ultimately was forced to file for bankruptcy. At the time of the impairment loss, these securities had been in an unrealized loss position for a period of greater than three years.

During the first six months of 2009, we recognized an other-than-temporary impairment loss of \$20.1 million on securities issued by a large specialty chemical company. The company reported fourth quarter 2008 earnings that were weaker than expected, which limited its prospects of refinancing its 2009 debt maturities. The company had been pursuing asset sales to raise cash but was unable to do so in time to avoid a financial restructuring. During the first quarter of 2009, the company filed for bankruptcy protection. At the time of the impairment loss, these securities had been in an unrealized loss position for a period of greater than two years but less than three years.

During the first six months of 2009, we recognized an other-than-temporary impairment loss of \$19.5 million on securities issued by a U.S. automotive parts company. The majority of the company's revenues are generated by sales to a single domestic automobile manufacturer. Due to the weak economy, automobile production has decreased dramatically in recent quarters, with the expectation of further production cuts in future quarters. The U.S. government has made available a \$5 billion credit facility to several automotive parts companies to help maintain automotive supplier liquidity. However, with their largest customer likely to undergo a major financial restructuring and/or bankruptcy filing, the company faces increased challenges. While the company recently obtained covenant relief from its banks and has no major debt payments due until 2011, in March 2009 its external auditors stated there was substantial doubt about the company's ability to continue as a going concern if the automotive industry's financial problems were not resolved soon. At the time of the impairment loss, these securities had been in an unrealized loss position for a period of greater than three years.

During the first six months of 2009, we recognized an other-than-temporary impairment loss of \$12.6 million on securities issued by a U.K. financial institution. During 2008, a significant decrease in funding liquidity ultimately required the U.K. government to nationalize this institution. In this process, the government provided guarantees on deposits, senior debt, and loans. Since 2008, the company initiated several programs to improve its liquidity and to repay the loans to the government. In the first quarter of 2009, the company announced it had developed a plan for a legal and capital restructuring of the company, which it expected to complete in the second half of 2009. During the second quarter of 2009, the company submitted its plan to the European Commission (EC) and requested permission to begin the program under EC competition rules. The EC recently released various aspects of the company's restructuring plan, which included splitting the company into multiple entities. The EC has expressed an unofficial opinion that the company's proposed structure would likely not be accepted as proposed due to the EC's belief that the plan would put the company into a non-competitive position. Despite the EC concerns, the U.K. government has shown its intentions to split the company, and it now appears we will be unable to recover the entire cost basis of our securities, which are subordinate to the government's debt as well as other creditors. At the time of the impairment loss, these securities had been in an unrealized loss position for a period of greater than two years but less than three years.

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Realized Investment Losses \$10.0 Million or Greater from Sale of Fixed Maturity Securities

During the first six months of 2009, we recognized a loss of \$14.2 on the sale of securities issues by a large publisher of yellow page advertising. The company had suffered from deterioration in print directories advertising as well as a significant rise in bad debt expenses due to the impact of the recession on small business customers. The company maintained significant amounts of available cash and was still generating free cash flows despite the weakening economy. However, during the first quarter of 2009, the company announced that it had hired a financial adviser to review its capital structure alternatives regarding debt payments due in 2010. At the time of disposition, these securities had been in an unrealized loss position for a period of greater than three years. The circumstances of this investment have no impact on other investments.

We had no individual realized investment losses \$10.0 million or greater from other-than-temporary impairments or from the sale of fixed maturity securities during the first six months of 2008.

Embedded Derivative in a Modified Coinsurance Arrangement

We report changes in the fair value of an embedded derivative in a modified coinsurance arrangement as realized investment gains and losses, as required under the provisions of generally accepted accounting principles (GAAP). GAAP requires us to include in our realized investment gains and losses a calculation intended to estimate the value of the option of our reinsurance counterparty to cancel the reinsurance contract with us. However, neither party can unilaterally terminate the reinsurance agreement except in extreme circumstances resulting from regulatory supervision, delinquency proceedings, or other direct regulatory action. Cash settlements or collateral related to this embedded derivative are not required at any time during the reinsurance contract or at termination of the reinsurance contract, and any accumulated embedded derivative gain or loss reduces to zero over time as the reinsured business winds down. We therefore view the effect of realized gains and losses recognized for this embedded derivative as a reporting requirement that will not result in a permanent reduction of assets or stockholders' equity.

The changes in fair value of this embedded derivative recognized as realized gains and losses during the first six months of 2009 and 2008 resulted primarily from a change in credit spreads in the overall investment market. The fair value of this embedded derivative was \$(196.8) million at June 30, 2009 compared to \$(360.5) million at December 31, 2008 and is reported in other liabilities in our consolidated balance sheets.

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Fixed maturity securities at June 30, 2009, included \$34.8 billion, or 99.8 percent, of bonds and \$71.8 million, or 0.2 percent, of redeemable preferred stocks. The following table shows the fair value composition by internal industry classification of the fixed maturity security portfolio and the associated unrealized gains and losses.

Fixed Maturity Securities By Industry Classification

As of June 30, 2009

(in millions of dollars)

Classification	Fair Value	Net Unrealized Gain (Loss)	Fair Value of Fixed Maturity Securities with Gross Unrealized Loss	Gross Unrealized Loss	Fair Value of Fixed Maturity Securities with Gross Unrealized Gain	Gross Unrealized Gain
Basic Industry	\$ 1,875.0	\$ (188.8)	\$ 1,230.4	\$ 230.2	\$ 644.6	\$ 41.4
Capital Goods	2,835.5	(115.2)	1,765.6	216.1	1,069.9	100.9
Communications	2,150.8	11.7	761.3	122.6	1,389.5	134.3
Consumer Cyclical	1,196.7	(170.4)	823.8	194.3	372.9	23.9
Consumer Non-Cyclical	4,729.1	63.1	1,629.5	155.9	3,099.6	219.0
Energy (Oil & Gas)	2,743.2	105.2	816.3	75.4	1,926.9	180.6
Financial Institutions	2,679.1	(429.0)	2,242.4	446.0	436.7	17.0
Mortgage/Asset-Backed	3,819.3	299.7	329.2	10.2	3,490.1	309.9
Sovereigns	1,547.7	106.7	445.6	11.1	1,102.1	117.8
Technology	728.3	(9.5)	332.1	41.2	396.2	31.7
Transportation	919.6	26.9	344.9	29.7	574.7	56.6
U.S. Government Agencies and Municipalities	1,781.8	(36.0)	738.3	116.3	1,043.5	80.3
Utilities	7,824.9	(113.6)	3,887.8	405.2	3,937.1	291.6
Redeemable Preferred Stocks	71.8	(37.8)	71.8	37.8		
Total	\$ 34,902.8	\$ (487.0)	\$ 15,419.0	\$ 2,092.0	\$ 19,483.8	\$ 1,605.0

The following two tables show the length of time our investment-grade and below-investment-grade fixed maturity securities had been in a gross unrealized loss position as of June 30, 2009 and at the end of the prior four quarters. The relationships of the current fair value to amortized cost are not necessarily indicative of the fair value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of the relationships after June 30, 2009. As is shown in the time period progression, the elevated level of unrealized losses during the third and fourth quarters of 2008 resulted primarily from the significant widening of credit spreads that occurred in the overall market.

Table of Contents**Unrealized Loss on Investment-Grade Fixed Maturity Securities****Length of Time in Unrealized Loss Position****As of June 30, 2009***(in millions of dollars)*

	2009		2008		
	June 30	March 31	December 31	September 30	June 30
<i>Fair value < 100% >= 70% of amortized cost</i>					
<= 90 days	\$ 19.8	\$ 95.2	\$ 171.3	\$ 293.4	\$ 95.8
> 90 <= 180 days	30.2	107.7	342.3	223.2	115.2
> 180 <= 270 days	47.2	321.8	271.8	231.3	24.4
> 270 days <= 1 year	133.4	270.2	292.9	50.6	28.3
> 1 year <= 2 years	367.4	598.8	461.4	465.3	284.3
> 2 years <= 3 years	303.2	247.7	198.1	477.7	487.4
> 3 years	435.0	455.9	404.2	391.3	125.9
Sub-total	1,336.2	2,097.3	2,142.0	2,132.8	1,161.3
<i>Fair value < 70% >= 40% of amortized cost</i>					
<= 90 days		4.1		4.9	
> 90 <= 180 days		2.1	8.6	1.2	
> 180 <= 270 days	3.0	29.3	76.6	18.5	
> 270 days <= 1 year		71.0	76.4		
> 1 year <= 2 years	87.1	197.6	261.2	77.9	
> 2 years <= 3 years	94.8	172.9	69.9	60.0	5.6
> 3 years	39.2	275.3	187.9	55.3	48.3
Sub-total	224.1	752.3	680.6	217.8	53.9
<i>Fair Value < 40%</i>					
> 270 days <= 1 year			6.3		
> 1 year <= 2 years		43.8	31.3		
> 2 years <= 3 years		61.7	22.9		
> 3 years	0.6	13.2	0.6		
Sub-total	0.6	118.7	61.1		
Total	\$ 1,560.9	\$ 2,968.3	\$ 2,883.7	\$ 2,350.6	\$ 1,215.2

Table of Contents**Unrealized Loss on Below-Investment-Grade Fixed Maturity Securities****Length of Time in Unrealized Loss Position****As of June 30, 2009***(in millions of dollars)*

	2009			2008	
	June 30	March 31	December 31	September 30	June 30
<i>Fair value < 100% >= 70% of amortized cost</i>					
<= 90 days	\$ 1.4	\$ 0.7	\$ 25.6	\$ 11.5	\$ 2.7
> 90 <= 180 days	0.7	18.5	48.7	10.5	8.8
> 180 <= 270 days	25.9	37.9	42.2	27.6	12.5
> 270 days <= 1 year	23.1	36.9	16.3	19.4	12.6
> 1 year <= 2 years	121.9	62.5	39.8	88.7	46.0
> 2 years <= 3 years	59.5	7.0	0.4	14.5	31.1
> 3 years	34.2	20.7	26.6	30.1	37.6
Sub-total	266.7	184.2	199.6	202.3	151.3
<i>Fair value < 70% >= 40% of amortized cost</i>					
> 90 <= 180 days		23.1	17.5		2.2
> 180 <= 270 days	8.8	16.8	32.3	2.6	
> 270 days <= 1 year	9.7	37.9	18.4	3.5	13.9
> 1 year <= 2 years	121.0	197.7	160.8	29.9	15.1
> 2 years <= 3 years	38.7	36.1	28.1	8.4	25.0
> 3 years	74.1	29.3	67.5	54.7	22.0
Sub-total	252.3	340.9	324.6	99.1	78.2
<i>Fair Value < = 40%</i>					
> 180 <= 270 days			6.2		
> 270 days <= 1 year		2.7	15.3		
> 1 year <= 2 years		73.2	39.7	36.5	
> 2 years <= 3 years	12.1	28.8	37.1	21.8	
> 3 years		91.4	45.5	28.6	
Sub-total	12.1	196.1	143.8	86.9	
Total	\$ 531.1	\$ 721.2	\$ 668.0	\$ 388.3	\$ 229.5

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The following two tables show our fixed maturity securities with a gross unrealized loss of \$10.0 million or greater, by industry type, and with a gross unrealized loss of \$20.0 million or greater, by individual security.

Gross Unrealized Losses on Fixed Maturity Securities**\$10.0 Million or Greater****As of June 30, 2009***(in millions of dollars)*

Classification	Fair Value	Gross Unrealized Loss	Number of Issuers
<i>Investment-Grade</i>			
Financial Institutions	\$ 635.5	\$ 198.2	13
Utilities	590.1	103.0	9
U.S. Government Agencies	574.0	102.9	1
Basic Industry	283.8	69.2	4
Communications	135.0	41.3	3
Consumer Cyclical	74.0	32.7	3
Capital Goods	124.8	23.8	2
Transportation	72.2	12.0	1
Consumer Non-Cyclical	83.8	10.5	1
Total	\$ 2,573.2	\$ 593.6	37
<i>Below-Investment-Grade</i>			
Financial Institutions	\$ 61.1	\$ 67.1	3
Consumer Cyclical	141.2	57.8	4
Basic Industry	85.0	53.2	4
Utilities	76.6	26.0	3
Communications	38.7	17.3	2
Capital Goods	49.5	15.4	1
Total	\$ 452.1	\$ 236.8	17

Table of Contents**Gross Unrealized Losses on Fixed Maturity Securities****\$20.0 Million or Greater****As of June 30, 2009***(in millions of dollars)*

Fixed Maturity Securities	Fair Value	Gross Unrealized Loss	Length of Time in a Loss Position
<i>Investment-Grade</i>			
Principal Protected Equity Linked Trust Certificates	\$ 52.0	\$ 30.0	> 1 year <= 2 years
U.K. Financial Institution	50.1	28.8	> 2 years <= 3 years
U.S. Government Sponsored Mortgage Funding Company	574.0	102.9	> 3 years
Dutch Financial Institution	53.1	21.4	> 3 years
Canadian Metals Company	80.0	20.8	> 3 years
U.K. Financial Institution	46.2	17.2	> 3 years (1)
Total	\$ 855.4	\$ 221.1	
<i>Below-Investment-Grade</i>			
U.K. Financial Institution	\$ 9.4	\$ 11.2	> 2 years <= 3 years (1)
U.K. Financial Institution	46.6	46.1	> 3 years
South African Paper Products Company	16.6	23.9	> 3 years
Total	\$ 72.6	\$ 81.2	

(1) Represents the same issuer whereby certain of its securities are investment-grade and certain securities are below-investment-grade. For those securities with a gross unrealized loss of \$20.0 million or greater, further discussed as follows are (a) the factors which we believe resulted in the impairment and (b) the information we considered, both positive and negative, in reaching the conclusion that the impairments were not other than temporary. We believe the decline in fair value of these securities is temporary. We do not intend to sell these securities or believe we more likely than not will be required to sell these securities before recovery of the amortized cost. See Note 4 of the Notes to Consolidated Financial Statements contained herein in Item 1 for a discussion of the process we use to monitor and evaluate our fixed maturity securities for determining other-than-temporary impairments.

Investment-Grade Fixed Maturity Securities:

The principal protected equity linked trust certificates represent our investment in a trust which holds forward contracts to purchase shares of a Vanguard S&P 500 index mutual fund. This trust also holds a defeasance swap contract for U.S. Treasury bonds to provide principal protection for the investments. The trust investment derives its value from the underlying S&P 500 index mutual fund. This security is currently at an unrealized loss because the fixed rate of accretion on the note has exceeded the rate of return on the underlying S&P 500 index fund since the purchase date of the note. Because we purchased this security at a price point in a previous market decline in the S&P 500 index mutual fund, we believe that the value of the underlying S&P 500 index mutual fund will equate to or exceed the par value of the security at maturity.

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The decline in fair value of the U.K. financial institution securities is primarily the result of the global credit crisis and the slowdown in the economy. The company is well diversified and has global market operations in capital markets, asset-backed securities, wealth management, asset management, commodities, and insurance. The company has recently raised capital apart from the government program and has purchased capital market businesses. The company eliminated its dividend during 2008 to accumulate additional capital.

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The fixed maturity securities of the U.S. government sponsored mortgage funding company were issued by the Federal Home Loan Mortgage Corporation. The securities were rated AAA by S&P as of June 30, 2009, with no negative outlook by any major rating agencies. The decline in the fair value of these securities relates to changes in interest rates subsequent to purchase of the securities as well as concerns related to the overall mortgage market.

The decline in fair value of the Dutch financial services company securities is primarily the result of the global credit crisis, the general economic slowdown and market concerns about financial institutions. Additionally, the company's earnings have declined, which we believe is as a consequence of the overall economic slowdown. The company's balance sheet is strong, and the company's receipt of a capital infusion by the Dutch government strengthened its liquidity.

The decline in fair value of the Canadian metals company securities is due to the increased slowdown in global economic activity, resulting in lower commodity prices and earnings pressure for the sector. The company has maintained adequate liquidity and free cash flow from operations by reducing costs, putting non-core assets up for sale, and entering into various capital raising transactions to either retire or refinance its short-term debt.

The decline in fair value of the U.K. financial institution securities is due to the global credit crisis and overall widening of credit spreads in the corporate bond market. The company recently completed a merger with another large U.K. financial institution, which in time is expected to create a financial institution with the largest market share in the U.K. The company received capital infusions from the U.K. government and participated in the government's asset protection plan. Currently, the company is approximately 46 percent owned by the U.K. government. (1 as noted in above chart)

Below-Investment-Grade Fixed Maturity Securities:

See previous discussion under Investment-Grade Fixed Maturity Securities. (1 as noted in above chart).

The decline in fair value of the U.K. financial institution securities is primarily the result of the global credit crisis and the slowdown in the economy. In addition, a major acquisition during the credit cycle required this institution to realize impairments on loans and other assets, resulting in the need for additional capital. This capital was initially provided by shareholders and others, but as the economic environment deteriorated further, the company participated in the government guarantee of senior debt, capital injections, and insurance. Currently, the company is approximately 70 percent owned by the U.K. government. Its current strategy is to reduce risk on its balance sheet and sell assets as the market improves.

The decline in fair value of the South African paper products company securities is primarily the result of the cyclical downturn in the global advertising market and its correlated affect on paper demand and pricing. The company has a low cost asset base and maintains leading market positions. The company has preserved liquidity by reducing its capital expenditures, and has a strong asset base through its ownership of approximately one million acres of South African timberland.

At June 30, 2009, our mortgage/asset-backed securities had an average life of 4.43 years, effective duration of 4.00 years, and a weighted average credit rating of AAA. The mortgage/asset-backed securities are valued on a monthly basis using valuations supplied by the brokerage firms that are dealers in these securities as well as independent pricing services. The primary risk involved in investing in mortgage/asset-backed securities is the uncertainty of the timing of cash flows from the underlying loans due to prepayment of principal with the possibility of reinvesting the funds in a lower interest rate environment. We use models which incorporate economic variables and possible future interest rate scenarios to predict future prepayment rates. The timing of prepayment cash flows may also cause volatility in our recognition of investment income. We recognize investment income on these securities using a constant effective yield based on projected prepayments of the underlying loans and the estimated economic life of the securities. Actual prepayment experience is reviewed periodically, and effective yields are recalculated when differences arise between prepayments originally projected and the actual prepayments received and currently

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projected. The effective yield is recalculated on a retrospective basis, and the adjustment is reflected in net investment income.

We have not invested in mortgage-backed derivatives, such as interest-only, principal-only, or residuals, where market values can be highly volatile relative to changes in interest rates. All of our mortgage-backed securities have fixed rate coupons. The credit quality of our mortgage-backed securities portfolio has not been negatively impacted by the recent issues in the market concerning subprime mortgage loans. The change in value of our mortgage-backed securities portfolio has moved in line with that of prime agency-backed mortgage-backed securities.

As of June 30, 2009, the amortized cost and fair value of our below-investment-grade fixed maturity securities was \$2,678.6 million and \$2,174.2 million, respectively. Below-investment-grade securities are inherently more risky than investment-grade securities since the risk of default by the issuer, by definition and as exhibited by bond rating, is higher. Also, the secondary market for certain below-investment-grade issues can be highly illiquid. Additional downgrades may occur, but we do not anticipate any liquidity problems resulting from our investments in below-investment-grade securities, nor do we expect these investments to adversely affect our ability to hold our other investments to maturity.

Mortgage Loans

Our mortgage loan portfolio was \$1,300.6 million and \$1,274.8 million on an amortized cost basis at June 30, 2009 and December 31, 2008, respectively. Our mortgage loan portfolio is comprised entirely of commercial mortgage loans. We expect that we will continue to add investments in this category either through the secondary market or through loan originations. We believe our mortgage loan portfolio is well diversified geographically and among property types. The incidence of problem mortgage loans and foreclosure activity is currently low. Due to conservative underwriting, we expect the level of delinquencies and problem loans to remain low relative to the industry. At June 30, 2009, we held one delinquent mortgage loan, defined as a loan which is past due more than 30 days as to interest or principal payments. This loan is considered impaired and is carried at the estimated net realizable value of \$2.2 million, net of a valuation allowance of \$1.5 million. At December 31, 2008, delinquent mortgage loans totaled \$5.2 million. We had no valuation allowance for mortgage loans at December 31, 2008.

See Note 4 of the Notes to Consolidated Financial Statements contained herein in Item 1 for further discussion of our investments.

Derivative Financial Instruments

We use derivative financial instruments primarily to manage reinvestment risk, duration, and currency risk. Historically, we have utilized interest rate futures contracts, current and forward interest rate swaps and options on forward interest rate swaps, current and forward currency swaps, interest rate forward contracts, forward treasury locks, currency forward contracts, and forward contracts on specific fixed income securities. Our current credit exposure on derivatives, which is limited to the value of those contracts in a net gain position less collateral held, was \$15.1 million at June 30, 2009. The carrying value of fixed maturity securities posted as collateral to our counterparties was \$74.7 million at June 30, 2009. We believe that our credit risk is mitigated by our use of multiple counterparties, all of whom are rated A or better by both Moody's and S&P. See Note 5 of the Notes to Consolidated Financial Statements contained herein in Item 1 for further discussion of our derivative financial instruments.

Other

Our exposure to non-current investments, on a fair value basis, totaled \$49.1 million and \$11.8 million at June 30, 2009 and December 31, 2008, respectively.

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Liquidity and Capital Resources

Our liquidity requirements are met primarily by cash flows provided from operations, principally in our insurance subsidiaries. Premium and investment income, as well as maturities and sales of invested assets, provide the primary sources of cash. Debt and/or securities offerings provide an additional source of liquidity. Cash is applied to the payment of policy benefits, costs of acquiring new business (principally commissions), operating expenses, and taxes, as well as purchases of new investments.

We have established an investment strategy that we believe will provide for adequate cash flows from operations. We attempt to match our asset cash flows and durations with expected liability cash flows and durations to meet the funding requirements of our business. However, deterioration in the credit market may delay our ability to sell our positions in certain of our fixed maturity securities in a timely manner, which may negatively impact our cash flows. Furthermore, if we experience defaults on securities held in the investment portfolios of our insurance subsidiaries, this will negatively impact statutory capital, which could reduce our insurance subsidiaries' capacity to pay dividends to our holding companies. A reduction in dividends to our holding companies could force us to seek external financing to avoid impairing our ability to pay our stockholder dividends or meet our debt and other payment obligations.

Our policy benefits are primarily in the form of claim payments, and we have minimal exposure to the policy withdrawal risk associated with deposit products such as individual life policies or annuities. A decrease in demand for our insurance products or an increase in the incidence of new claims or the duration of existing claims could negatively impact our cash flows from operations. However, our historical pattern of benefits paid to revenues is consistent, even during cycles of economic downturns, which serves to minimize liquidity risk.

We have met all minimum pension funding requirements set forth by ERISA. During the first six months of the year, we made voluntary contributions of \$70.0 million in 2009 and \$55.0 million in 2008 to our U.S. qualified defined benefit pension plan, based on current tax law. We have evaluated the Pension Protection Act of 2006 which requires companies to fully fund defined benefit pension plans over a seven year period and have made estimates of amounts to be funded in the future. Based on this assessment, we do not believe that the funding requirements of the Pension Protection Act will cause a material adverse effect on our liquidity.

We also contribute to our U.K. pension plan sufficient to meet the minimum funding requirement under U.K. legislation. During the first six months of 2009, we made contributions of £1.7 million to our U.K. pension plan. We anticipate that we will make additional contributions of approximately £1.8 million during the second half of 2009.

In the near term, we expect that our need for external financing is small, but changes in our business as noted above could increase our need. We have a \$250.0 million unsecured revolving credit facility and an open shelf registration that we can utilize as needed to provide additional liquidity and financial flexibility. We believe our cash resources are sufficient to meet our liquidity requirements for the next 12 months and that our current level of holding company liquidity can be utilized to mitigate potential losses from defaults. We do not currently plan to issue long-term debt during the remainder of 2009 unless a specific business need arises or unless the cost is opportunistically low.

During the remainder of 2009, we intend to retain sufficient capital in our traditional U.S. insurance subsidiaries to maintain a weighted average risk-based capital ratio in excess of our stated long-term objective of 300 percent. We also intend to maintain our leverage ratio at or slightly below our target levels and maintain, as a minimum threshold, liquidity at our holding companies sufficient to cover one year of fixed charges, measured as interest expense plus common stock dividends.

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Consolidated Cash Flows

Operating Cash Flows

Net cash provided by operating activities was \$608.1 million for the six months ended June 30, 2009, compared to \$701.3 million for the comparable period of 2008. Operating cash flows are primarily attributable to the receipt of premium and investment income, offset by payments of claims, commissions, expenses, and income taxes. Premium income growth is dependent not only on new sales, but on renewals of existing business, renewal price increases, and stable persistency. Investment income growth is dependent on the growth in the underlying assets supporting our insurance reserves and on the level of portfolio yield rates. The level of commissions and operating expenses is attributable to the level of sales and the first year acquisition expenses associated with new business as well as the maintenance of existing business. The level of paid claims is due partially to the growth and aging of the block of business and also to the general economy, as previously discussed in the operating results by segment. Operating cash flows for the first six months of 2009 and 2008 include our pension contributions previously discussed.

Investing Cash Flows

Investing cash inflows consist primarily of the proceeds from the sales and maturities of investments. Investing cash outflows consist primarily of payments for purchases of investments. Net cash used by investing activities was \$406.6 million for the six months ended June 30, 2009 compared to \$245.4 million for the comparable period of 2008.

Proceeds from sales and maturities of available-for-sale securities in the first six months of 2009 were lower than the level of the comparable period of 2008 primarily due to a decrease in bond maturities, bond calls, and proceeds from mortgage-backed securities prepayments. Proceeds also declined due to lower sales of fixed maturity securities and the translation of investment proceeds from our U.K. operations at lower exchange rates. Proceeds from sales and maturities of other investments increased in the first six months of 2009 primarily due to an increase in proceeds from terminations of derivatives within our cash flow hedging programs. This increase was partially offset by a decline in proceeds from commercial mortgage loan maturities and prepayments.

Purchases of available-for-sale securities decreased during the first six months of 2009 relative to the same period of 2008. This decrease resulted from fewer funds available for reinvestment as compared to the prior year due to the lower level of proceeds from sales and maturities of available-for-sale securities, as noted in the preceding paragraph, and from the lower exchange rate for translation of purchases within our U.K. operations.

Net sales of short-term investments decreased during the first six months of 2009 relative to the prior year period due in part to the sale of investments during the first six months of 2008 to help fund the \$350.0 million accelerated share repurchase agreement executed in January 2008, as well as the transition to floating rate fixed maturity securities in lieu of short-term investments during the first six months of 2008. This decrease in proceeds was partially offset by the transition of our portfolio out of short-term investments into fixed maturity securities during the first six months of 2009.

Proceeds from the acquisition of business for the six months ended June 30, 2008 relate to the Unum UK acquisition of a group long-term disability claims portfolio.

Financing Cash Flows

Financing cash flows consist primarily of borrowings and repayments of debt, issuance or repurchase of common stock, and dividends paid to stockholders. Net cash used by financing activities was \$203.0 million for the six months ended June 30, 2009 compared to \$561.1 million for the comparable period of 2008.

During the first six months of 2009, we purchased and retired the remaining \$132.2 million of our outstanding 5.859% notes. During the first six months of 2009, we repaid the \$58.3 million reverse repurchase agreements outstanding at December 31, 2008. At June 30, 2009, we held \$45.0 million of short-term debt which was borrowed during the second quarter of 2009.

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During each of the first six months of 2009 and 2008, Tailwind Holdings, LLC (Tailwind Holdings) made principal payments of \$5.0 million on its floating rate, senior secured non-recourse notes due 2036. During the first six months of 2009 and 2008, Northwind Holdings made principal payments of \$3.8 million and \$25.4 million, respectively, on its floating rate, senior secured non-recourse notes due 2037.

In the first six months of 2008, we purchased approximately 15.4 million shares of Unum Group common stock for \$350.0 million using an accelerated share repurchase agreement.

During the first six months of 2008, we purchased and retired \$36.6 million aggregate principal amount of our outstanding 6.85% notes due 2015 and retired the remaining \$175.0 million of our 5.997% senior notes.

See **Debt** contained in this Item 2 for further information.

Cash Available from Subsidiaries

Unum Group and certain of its intermediate holding company subsidiaries depend on payments from subsidiaries to pay dividends to stockholders, to pay debt obligations, and/or to pay expenses. These payments by our insurance and non-insurance subsidiaries may take the form of interest payments on loans from the parent to a subsidiary, operating and investment management fees, and/or dividends.

Restrictions under applicable state insurance laws limit the amount of ordinary dividends that can be paid to a parent company from its insurance subsidiaries in any 12-month period without prior approval by regulatory authorities. For life insurance companies domiciled in the United States, that limitation generally equals, depending on the state of domicile, either ten percent of an insurer's statutory surplus with respect to policyholders as of the preceding year end or the statutory net gain from operations, excluding realized investment gains and losses, of the preceding year.

The payment of ordinary dividends to a parent company from its insurance subsidiaries is generally further limited to the amount of statutory surplus as it relates to policyholders. Based on the restrictions under current law, during 2009, \$653.3 million is available for the payment of ordinary dividends to Unum Group from its traditional U.S. insurance subsidiaries, excluding Northwind Reinsurance Company (Northwind Re) and Tailwind Reinsurance Company (Tailwind Re). Northwind Holdings and Tailwind Holdings ability to meet their debt payment obligations will be dependent upon the receipt of dividends from Northwind Re and Tailwind Re, respectively. The ability of Northwind Re and Tailwind Re to pay dividends to their respective parent companies will depend on their satisfaction of applicable regulatory requirements and on the performance of the reinsured business.

Unum Group and/or certain of its intermediate holding company subsidiaries may also receive dividends from its United Kingdom-based affiliate, Unum Limited, subject to applicable insurance company regulations and capital guidance in the United Kingdom. Approximately £145.5 million is available for the payment of dividends from Unum Limited during 2009, subject to regulatory approval.

The payment of dividends to the parent company from our subsidiaries also requires the approval of the individual subsidiary's board of directors.

The ability of Unum Group and certain of its intermediate holding company subsidiaries to continue to receive dividends from their insurance subsidiaries without regulatory approval generally depends on the level of earnings of those insurance subsidiaries as calculated under law. In addition to regulatory restrictions, the amount of dividends that may be paid by insurance subsidiaries will depend on additional factors, such as risk-based capital ratios, funding growth objectives at an affiliate level, and maintaining appropriate capital adequacy ratios to support desired ratings. Insurance regulatory restrictions do not limit the amount of dividends available for distribution from non-insurance subsidiaries except where the non-insurance subsidiaries are held directly or indirectly by an insurance subsidiary and only indirectly by Unum Group.

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Debt

At June 30, 2009, we had long-term debt, including senior secured notes and junior subordinated debt securities, totaling \$2,250.6 million and short-term debt of \$45.0 million. Short-term debt consisted of reverse repurchase agreements with a weighted average interest rate of 0.60 percent and a maturity date of August 6, 2009. Our leverage ratio, when calculated excluding the non-recourse debt and associated capital of Tailwind Holdings and Northwind Holdings, was 18.5 percent at June 30, 2009 compared to 21.5 percent at December 31, 2008. Our leverage ratio, when calculated using consolidated debt to total consolidated capital, was 23.9 percent at June 30, 2009 compared to 26.6 percent at December 31, 2008.

During the six months ended June 30, 2009, we made principal payments of \$3.8 million and \$5.0 million on our senior secured non-recourse variable rate notes issued by Northwind Holdings and Tailwind Holdings, respectively. We also purchased and retired the remaining \$132.2 million of our 5.859% senior notes due May 2009.

We monitor our compliance with our debt covenants. There are no significant financial covenants associated with any of our outstanding debt obligations. A ratings downgrade from either S&P or Moody's with respect to the shadow or underlying debt rating on the non-recourse debt issued by Tailwind Holdings or Northwind Holdings could cause an increase in the fee paid to the third party guarantor on those debt issuances but would not cause a breach. We remain in compliance with all debt covenants and have not observed any current trends that would cause a breach of any debt covenants.

See *Debt* in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2008, for further discussion.

Commitments and Off-Balance Sheet Arrangements

With respect to our commitments and off-balance sheet arrangements, see the discussion under *Commitments* in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2008. During the first six months of 2009, there were no substantive changes in our commitments, contractual liabilities, or other off-balance sheet arrangements.

Ratings

AM Best, Fitch, Moody's, and S&P are among the third parties that assign issuer credit ratings to Unum Group and financial strength ratings to our insurance subsidiaries. Issuer credit ratings reflect an agency's opinion of the overall financial capacity of a company to meet its senior debt obligations. Financial strength ratings are specific to each individual insurance subsidiary and reflect each rating agency's view of the overall financial strength (capital levels, earnings, growth, investments, business mix, operating performance, and market position) of the insuring entity and its ability to meet its obligations to policyholders. Both the issuer credit ratings and financial strength ratings incorporate quantitative and qualitative analyses by rating agencies and are routinely reviewed and updated on an ongoing basis.

We compete based in part on the financial strength ratings provided by rating agencies. A downgrade of our financial strength ratings can be expected to adversely affect us and could potentially, among other things, adversely affect our relationships with distributors of our products and services and retention of our sales force, negatively impact persistency and new sales, particularly large case group sales and individual sales, and generally adversely affect our ability to compete. A downgrade in the issuer credit rating assigned to Unum Group can be expected to adversely affect our cost of capital or our ability to raise additional capital.

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The table below reflects the issuer credit ratings for Unum Group and the financial strength ratings for each of our traditional insurance subsidiaries as of the date of this filing.

Issuer Credit Ratings	AM Best bbb- (Good)	Fitch BBB- (Good)	Moody's Ba1 (Speculative)	S&P BBB- (Good)
Financial Strength Ratings				
Provident Life & Accident	A- (Excellent)	A- (Strong)	Baa1 (Adequate)	A- (Strong)
Provident Life & Casualty	A- (Excellent)	A- (Strong)	Not Rated	Not Rated
Unum Life of America	A- (Excellent)	A- (Strong)	Baa1 (Adequate)	A- (Strong)
First Unum Life	A- (Excellent)	A- (Strong)	Baa1 (Adequate)	A- (Strong)
Colonial Life & Accident	A- (Excellent)	A- (Strong)	Baa1 (Adequate)	A- (Strong)
Paul Revere Life	A- (Excellent)	A- (Strong)	Baa1 (Adequate)	A- (Strong)
Paul Revere Variable	A- (Excellent)	A- (Strong)	Baa1 (Adequate)	Not Rated
Unum Limited	A- (Excellent)	Not Rated	Not Rated	A- (Strong)

We maintain an ongoing dialogue with the four rating agencies that evaluate us in order to inform them of progress we are making regarding our strategic objectives and financial plans, as well as other pertinent issues. A significant component of our communications involves an annual review meeting; included as well are other meetings not limited to quarterly updates regarding our business. We held our annual review meeting with S&P during the second quarter of 2009. We plan to hold our annual review meetings with AM Best and Fitch during the second half of 2009.

On March 13, 2008, AM Best reaffirmed its ratings of Unum Group and its operating subsidiaries, maintaining the outlook for the Company as stable. On May 5, 2009, Fitch reaffirmed its ratings for the Company and maintained the outlook for the Company as positive. On June 10, 2009, Moody's reaffirmed its ratings for the Company and maintained the outlook as stable.

On July 17, 2008, S&P raised its counterparty credit and senior unsecured debt rating on Unum Group from BB+ to BBB- and raised its counterparty credit and financial strength ratings on Unum Group's insurance subsidiaries from BBB+ to A-. S&P stated that the rating actions were reflective of the maintenance of our market position, the improved insurance risk profile of the Company, our operating profitability, the enhanced investments quality of our portfolio, and our stronger capitalization through statutory earnings. Coincident with the ratings action, S&P revised its outlook for the Company from positive to stable.

There have been no other changes in any of the rating agencies' outlook statements or ratings during the first six months of 2009 or prior to the date of this filing.

Agency ratings are not directed toward the holders of our securities and are not recommendations to buy, sell, or hold our securities. Each rating is subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be regarded as an independent assessment, not conditional on any other rating. Given the dynamic nature of the ratings process, changes by these or other rating agencies may or may not occur in the near-term. Based on our ongoing dialogue with the rating agencies concerning our improved insurance risk profile, our financial flexibility, our operating performance, and the quality of our investment portfolio, we do not expect any negative actions from any of the four rating agencies related to either Unum Group's current issuer credit ratings or the financial strength ratings of its insurance subsidiaries. However, in the event that we are unable to meet the rating agency specific guideline values to maintain our current ratings, including but not limited to maintenance of our capital management metrics at the threshold values stated and maintenance of our financial flexibility and operational consistency, we could be placed on a negative credit watch, with a potential for a downgrade to both our issuer credit ratings and our financial strength ratings.

See our annual report on Form 10-K for the year ended December 31, 2008, for further information regarding our debt and financial strength ratings and the risks associated with rating changes.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to various market risk exposures including interest rate risk and foreign exchange rate risk. With respect to our exposure to market risk, see the discussion under "Investments" in Item 2 of this Form 10-Q and in Part II, Item 7A of our annual report on Form 10-K for the year ended December 31, 2008. During the first six months of 2009, there was no substantive change to our market risk or the management of this risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as 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 quarterly report. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective as of June 30, 2009.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, during the quarter ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In the ordinary course of business, our internal control over financial reporting changes as we modify and enhance our processes and information technology systems to meet changing needs and increase our efficiency. Any significant changes in internal controls are evaluated prior to implementation to help maintain the continued effectiveness of our internal control. While changes have occurred in our internal controls during the quarter ended June 30, 2009, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II****ITEM 1. LEGAL PROCEEDINGS**

Refer to Part I, Item 1, Note 9 of the Notes to Consolidated Financial Statements for information on legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2008.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our Annual Meeting of Stockholders on May 22, 2009. The stockholders voted on two items at the Annual Meeting as set forth below:

1. The election of four directors each to serve for a term expiring at our Annual Meeting of Stockholders in 2012.

Nominee	For	Against	Abstain
Pamela H. Godwin	285,694,482	1,679,803	89,521
Thomas Kinser	285,852,142	1,524,026	87,638
A. S. MacMillan, Jr.	269,932,823	17,435,842	95,141
Edward J. Muhl	285,898,441	1,472,110	93,255

Other directors whose terms of office continued after the meeting are as follows:

E. Michael Caulfield

Jon S. Fossel

Ronald E. Goldsberry

Kevin T. Kabat

Gloria C. Larson

Michael J. Passarella

William J. Ryan

Thomas R. Watjen

2. The ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm.

For: 284,146,968

Against: 3,191,177

Abstain: 125,661

Broker Non-Vote: 0

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ITEM 6. EXHIBITS

Index to Exhibits

Exhibit 15	Letter Re: Unaudited Interim Financial Information.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following financial statements from Unum Group's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, filed on August 5, 2009, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Comprehensive Income, (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text.

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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.

Unum Group
(Registrant)

Date: August 5, 2009

/s/ Thomas R. Watjen
Thomas R. Watjen
President and Chief Executive Officer

Date: August 5, 2009

/s/ Robert C. Greving
Robert C. Greving
Executive Vice President, Chief Financial Officer and

Chief Actuary