

VORNADO REALTY TRUST  
Form 10-Q  
May 04, 2010

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended: **March 31, 2010**

**Or**

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

**For the transition period from:** \_\_\_\_\_ **to** \_\_\_\_\_

**Commission File Number:** **001-11954**

**VORNADO REALTY TRUST**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of incorporation or  
organization)

**22-1657560**  
(I.R.S. Employer Identification Number)

**888 Seventh Avenue, New York, New York**

**10019**

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(Address of principal executive offices)

(Zip Code)

**(212) 894-7000**

(Registrant's telephone number, including area code)

**N/A**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  
 Non-Accelerated Filer (Do not check if smaller reporting company)

Accelerated Filer  
 Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of March 31, 2010, 181,913,554 of the registrant's common shares of beneficial interest are outstanding.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**VORNADO REALTY TRUST**  
**CONSOLIDATED BALANCE SHEETS**

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)	<b>March 31,</b>	<b>December 31,</b>
<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
Real estate, at cost:		
Land	\$ 4,610,165	\$ 4,606,065
Buildings and improvements	13,003,703	12,902,086
Development costs and construction in progress	244,486	313,310
Leasehold improvements and equipment	129,600	128,056
Total	17,987,954	17,949,517
Less accumulated depreciation and amortization	(2,597,709 )	(2,494,441 )
Real estate, net	15,390,245	15,455,076
Cash and cash equivalents	788,940	535,479
Short-term investments	15,000	40,000
Restricted cash	307,849	293,950
Marketable securities	413,954	380,652
Accounts receivable, net of allowance for doubtful accounts of \$50,797 and \$46,708	159,805	157,325
Investments in partially owned entities, including Alexander's of \$197,181 and \$193,174	839,476	799,832
Investment in Toys 'R Us	517,497	409,453
Mezzanine loans receivable, net of allowance of \$185,738 and \$190,738	126,777	203,286
Receivable arising from the straight-lining of rents, net of allowance of \$5,108 and \$4,680	701,733	681,526
Deferred leasing and financing costs, net of accumulated amortization of \$201,565 and \$183,224	326,743	311,825
Due from officers	13,182	13,150
Other assets	818,492	903,918
	\$ 20,419,693	\$ 20,185,472
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>		
Notes and mortgages payable	\$ 8,432,533	\$ 8,445,766
Senior unsecured notes	1,224,790	711,716
Exchangeable senior debentures	486,061	484,457
Convertible senior debentures	447,261	445,458
Revolving credit facility debt	500,217	852,218
Accounts payable and accrued expenses	491,464	475,242
Deferred credit	671,366	682,384
Deferred compensation plan	84,028	80,443
Deferred tax liabilities	17,789	17,842
Other liabilities	100,057	88,912
Total liabilities	12,455,566	12,284,438
Commitments and contingencies		

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Redeemable noncontrolling interests:		
Class A units 14,080,613 and 13,892,313 units outstanding	1,065,902	971,628
Series D cumulative redeemable preferred units 10,953,847 and 11,200,000 units outstanding	273,846	280,000
Total redeemable noncontrolling interests	1,339,748	1,251,628
Vornado shareholders equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 33,949,584 and 33,952,324 shares	823,549	823,686
Common shares of beneficial interest: \$.04 par value per share; authorized, 250,000,000 shares; issued and outstanding 181,913,554 and 181,214,161 shares	7,247	7,218
Additional capital	6,877,529	6,961,007
Earnings less than distributions	(1,520,690)	(1,577,591)
Accumulated other comprehensive income	29,953	28,449
Total Vornado shareholders equity	6,217,588	6,242,769
Noncontrolling interests in consolidated subsidiaries	406,791	406,637
Total equity	6,624,379	6,649,406
	\$ 20,419,693	\$ 20,185,472

See notes to consolidated financial statements (unaudited).

## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Amounts in thousands, except per share amounts)	For The Three Months Ended March 31,	
	2010	2009
<b>REVENUES:</b>		
Property rentals	\$ 560,950	\$ 549,787
Tenant expense reimbursements	92,921	98,029
Fee and other income	42,460	30,750
Total revenues	696,331	678,566
<b>EXPENSES:</b>		
Operating	279,055	278,898
Depreciation and amortization	135,824	131,656
General and administrative	48,730	79,065
Litigation loss accrual	10,056	
Total expenses	473,665	489,619
Operating income	222,666	188,947
Income applicable to Alexander's	6,460	18,133
Income applicable to Toys 'R Us	125,870	97,147
Income (loss) from partially owned entities	4,884	(7,543)
Interest and other investment income, net	14,708	14,059
Interest and debt expense (including amortization of deferred financing costs of \$4,426 and \$4,049)	(139,735)	(157,760)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	3,305	
Net gain on early extinguishment of debt		5,905
Income before income taxes	238,158	158,888
Income tax expense	(5,614)	(5,049)
Income from continuing operations	232,544	153,839
Income from discontinued operations		2,592
Net income	232,544	156,431
Net income attributable to noncontrolling interests, including unit distributions	(17,992)	(16,321)
Net income attributable to Vornado	214,552	140,110
Preferred share dividends	(14,267)	(14,269)
<b>NET INCOME attributable to common shareholders</b>	<b>\$ 200,285</b>	<b>\$ 125,841</b>
<b>INCOME PER COMMON SHARE - BASIC:</b>		
Income from continuing operations, net	\$ 1.10	\$ 0.79
Income from discontinued operations, net		0.02
Net income per common share	\$ 1.10	\$ 0.81
Weighted average shares	181,542	155,991
<b>INCOME PER COMMON SHARE - DILUTED:</b>		

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Income from continuing operations, net	\$	1.09	\$	0.78
Income from discontinued operations, net				0.02
Net income per common share	\$	1.09	\$	0.80
Weighted average shares		183,445		157,103
<b>DIVIDENDS PER COMMON SHARE</b>	\$	0.65	\$	0.95

See notes to consolidated financial statements (unaudited).

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## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings	Accumulated	Non-	T
	Shares	Amount	Shares	Amount	Capital	Less Than	Other	controlling	Equity
						Distributions	Comprehensive	Interests	
							Income (Loss)		
<b>December 31,</b>	33,954	\$823,807	155,286	\$6,195	\$6,025,976	\$(1,047,340)	\$(6,899)	\$412,913	\$6,211,110
Income (loss)						140,110		(463)	139,747
Paid on common			2,761	110	88,453	(147,678)			(59,215)
Paid on preferred						(14,269)			(14,269)
Issuance of Series A									
Redeemed shares to									
Common shares	(2)	(90)	3		90				
Restricted compensation									
and options				2	23,288				23,288
Common shares issued:									
Redemption of Class									
Participating									
Partnership units, at									
Carrying value			221	8	10,938				10,938
Employee share									
Plan			7	(14)	505	(435)			56
Change in unrealized net									
Loss									
Securities available-for-sale							(39,305)		(39,305)
Voluntary surrender of									
Awards on									
December 31, 2009					13,722				13,722
Payments to redeemable									
Partnership units					271,856				271,856
					(113)	5	(593)		(701)
<b>March 31, 2009</b>	33,952	\$823,717	158,278	\$					