

## 6. Notes and Mortgage Loans Receivable

### GENERAL MOTORS BUILDING MEZZANINE LOANS

On October 20, 2003, the Company made a \$200,000,000 mezzanine loan secured by partnership interests in the General Motors Building. The Company's loan is subordinate to \$900,000,000 of other debt. The loan is based on a rate of LIBOR plus 8.685% (with a LIBOR floor of 1.5%) and currently yields 10.185%. On October 30, 2003, the Company made an additional \$25,000,000 loan, as part of a \$50,000,000 loan, the balance of which was funded by an affiliate of Soros Fund Management LLC. This loan, which is junior to the \$1,100,000,000 of loans noted above, is based on a rate of LIBOR plus 12.81% (with a LIBOR floor of 1.5%) and currently yields 14.31%. The loans mature in October 2005, with three one-year extensions.

### LOAN TO COMMONWEALTH ATLANTIC PROPERTIES ("CAPI")

On March 4, 1999, the Company made an additional \$242,000,000 investment in CESC by contributing to CESC the land under certain CESC office properties in Crystal City, Arlington, Virginia and partnership interests in certain CESC subsidiaries. The Company acquired these assets from CAPI, an affiliate of Lazard Freres Real Estate Investors L.L.C., for \$242,000,000, immediately prior to the contribution to CESC. In addition, the Company acquired from CAPI for \$8,000,000 the land under a Marriott Hotel located in Crystal City. The Company paid the \$250,000,000 purchase price to CAPI by issuing 4,998,000 of the Company's Series E-1 convertible preferred units. In connection with these transactions, the Company agreed to make a five-year \$41,200,000 loan to CAPI with interest at 8%, increasing to 9% ratably over the term. The loan is secured by approximately 1.1 million of the Company's Series E-1 convertible preferred units issued to CAPI. Each Series E-1 convertible preferred unit is convertible into 1.1364 of the Company's common shares. As of December 31, 2003, the balance of the loan was \$38,500,000. In February 2004, CAPI converted all of its Series E-1 units into 5,679,727 Vornado common shares. Subsequent to the conversion the loan is secured by 1,250,000 Vornado common shares.

### LOAN TO VORNADO OPERATING COMPANY ("VORNADO OPERATING")

At December 31, 2003, the amount outstanding under the revolving credit agreement with Vornado Operating was \$21,989,000. Vornado Operating has disclosed that there is substantial doubt as to its ability to continue as a going concern and its ability to discharge its liabilities in the normal course of business. Vornado Operating has incurred losses since its inception and in the aggregate its investments do not, and for the foreseeable future are not expected to, generate sufficient cash flow to pay all of its debts and expenses. Vornado Operating estimates that it has adequate borrowing capacity under its credit facility with the Company to meet its cash needs until December 31, 2004. However, the principal, interest and fees outstanding under the line of credit come due on such date. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates a further lease restructuring in 2004, although the Landlord is under no obligation to do so and there can be no assurance that it will do so. Vornado Operating is expected to have a source to repay the debt under this facility from the lease restructuring or other options, although not by its original due date. Since January 1, 2002, the Company has not recognized interest income on the debt under this facility. The Company has assessed the collectibility of this loan as of December 31, 2003 and determined that it is not impaired.

### DEARBORN CENTER MEZZANINE CONSTRUCTION LOAN

On March 19, 2003, the outstanding amount of \$29,401,000 was received from Dearborn representing the full satisfaction of the mezzanine construction loan. The loan bore interest at 12% per annum plus additional interest of \$5,655,000 which was received upon repayment.