

Section 1: 8-K/A (VORNADO REALTY TRUST)

1

Exhibit Index on Page 16

As filed with the Securities and Exchange Commission on April 9, 1998

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) APRIL 1, 1998

Commission File Number: 1-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

MARYLAND

22-1657560

(State or other jurisdiction
of incorporation)

(I.R.S. Employer
Identification Number)

PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY

07663

(Address of principal executive offices)

(Zip Code)

(201)587-1000

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Page 1

2

This Form 8-K/A amends ITEM 7 of Vornado Realty Trust's Current Report on Form 8-K previously filed with the Securities and Exchange Commission on April 8, 1998 to include page 13 which was omitted.

ITEM 1. NOT APPLICABLE.

ITEM 2. On April 1, 1998, Vornado Realty Trust ("Vornado") closed its previously announced acquisition of a real estate portfolio from the Kennedy Family for approximately \$630 million, consisting of \$187 million in cash, \$116 million in Operating Partnership Units, \$77 million in existing debt and \$250 million of newly issued debt. The transaction was financed with borrowings under the Company's revolving credit facility.

The acquired real estate assets consist of a portfolio of properties used for office, retail and trade showroom space which aggregate approximately 5.3 million square feet and include the Merchandise Mart in Chicago. The transaction also includes the acquisition of Merchandise Mart Properties, Inc. which manages the properties and

trade shows.

This transaction was arrived at through an arms-length negotiation and was consummated through a subsidiary of Vornado Realty L.P., a limited partnership of which Vornado owns 92.7% and is the sole general partner.

ITEMS 3-6. NOT APPLICABLE

3

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a)-(b) There are filed herewith:

- (a) the historical Combined Statements of Revenues and Certain Operating Expenses of The Merchandise Mart Group of Properties and
- (b) the Condensed Consolidated Pro Forma Balance Sheet of Vornado Realty Trust as of December 31, 1997 and the Condensed Consolidated Pro Forma Income Statement of Vornado Realty Trust for the year ended December 31, 1997 commencing on page 11, prepared to give Pro Forma effect to the acquisition of The Merchandise Mart Group of Properties and the previously completed acquisitions and investments (Mendik Company, 90 Park Avenue, Arbor Property Trust, Americold Corporation and URS Logistics, Inc., The Montehiedra Town Center, The Riese Transaction, Charles E. Smith Commercial Realty L.P., The Hotel Pennsylvania, 640 Fifth Avenue, One Penn Plaza and 150 East 58th Street). The Pro Forma data also includes information updated through December 31, 1997 for certain previously completed acquisitions which were disclosed in Form 8-K's previously filed with the Securities and Exchange Commission.

PAGE
REFERENCE

The Merchandise Mart Group of Properties	
Independent Auditors' Report	4
Audited Combined Statements of Revenues and Certain Operating Expenses for the Year Ended December 31, 1997	5
Notes to Statements of Revenues and Certain Operating Expenses for the Year Ended December 31, 1997	6
Pro Forma financial information	
Condensed Consolidated Pro Forma Balance Sheet at December 31, 1997	11
Condensed Consolidated Pro Forma Income Statement for the Year Ended December 31, 1997	12
Notes to Condensed Consolidated Pro Forma Financial Statements	14

EXHIBIT NO. -----	EXHIBIT -----
23	Consent of independent auditors to incorporation by reference.
99.1	Press release dated April 2, 1998, of Vornado Realty Trust, announcing the completion of its acquisition of The Merchandise Mart and other properties from the Kennedy Family.

ITEM 7A. NOT APPLICABLE.

ITEM 8-9. NOT APPLICABLE.

4

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of the Partnerships and Members of the LLC's:

We have audited the accompanying combined statement of revenue and certain operating expenses (described in Note 2) of THE MERCHANDISE MART GROUP OF PROPERTIES ("Properties")(See Note 1) for the year ended December 31, 1997. This financial statement is the responsibility of the Properties' management.

Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement of revenue and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in the Form 8-K of Vornado Realty Trust and is not intended to be a complete presentation of the Properties' revenue and certain expenses.

In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the revenue and certain operating expenses of The Merchandise Mart Group of Properties (See Note 1) for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
April 8, 1998

Page 4

5

THE MERCHANDISE MART GROUP OF PROPERTIES
(SEE NOTE 1)

COMBINED STATEMENTS OF REVENUES AND
CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

	YEAR ENDED DECEMBER 31, 1997

REVENUES:	
Rentals, net	\$96,451,473
Parking revenues	1,124,720
Interest income	897,384
Other income	602,528

Total operating revenues	99,076,105

CERTAIN OPERATING EXPENSES:	
Operating	14,414,929
Real estate taxes	14,186,862
Marketing	8,572,659
Utilities	7,048,119
Administrative	3,703,852
Management fees (Note 5)	2,095,183

Total certain expenses	50,021,604

REVENUE IN EXCESS OF CERTAIN OPERATING EXPENSES	\$49,054,501
	=====

Page 5

6

THE MERCHANDISE MART GROUP OF PROPERTIES

NOTES TO STATEMENTS OF REVENUE AND CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

1. ORGANIZATION

The accompanying statement includes the accounts of the properties known as "The Merchandise Mart" owned by Merchandise Mart Owners, Ltd. ("MMOL"),

"The Apparel Center" owned by World Trade Center Chicago, L.L.C. ("WTCC"), "The Washington Office Center" of which the building is owned by WDC Associates Limited Partnerships ("WDCLP"), and the land is owned by Fourth and D Street Partners Limited Partnership ("FDS"), and "The Washington Design Center", of which the building is owned by Washington Design Center Limited Liability Company ("WDCLLC") and the land is owned by FDS (80.7514% interest) and Virginia Avenue Limited Partnership ("VALP")(19.4286% interest)(collectively referred to as the "Properties"). All of these properties are owned by the various interests of the Joseph P. Kennedy family, and all of these properties were sold to Vornado Realty Trust on April 1, 1998.

A breakdown of the occupied space of the Properties as of December 31, 1997 is as follows:

	PERCENT SQUARE FOOTAGE 1997			
	MMOL	Apparel Center	WDCLP	WDCLLC
Office/Retail	39%	59%	100%	6%
Home furnishing	21	--	--	82
Contract furnishings	17	--	--	12
Gift	13	--	--	--
Apparel	--	41	--	--
Expo Center	8	--	--	--
Building products	2	--	--	--
	100%	100%	100%	100%

2. BASIS OF PRESENTATION

The combined statement of revenue and certain operating expenses for the year ended December 31, 1997 relates to the operations of the Properties. The accompanying financial statement excludes certain expenses, such as interest, depreciation and amortization, professional fees, revenue and expenses related to land held for development which is not being sold to Vornado Realty Trust, and other costs not directly related to the operations of the Properties, in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Management is not aware of any material factors relating to the Properties which would cause the reported financial information not to be necessarily indicative of future operating results.

7

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. BASIS OF REPORTING -- The financial statement is presented on the accrual basis of accounting.
- b. RENTAL REVENUE -- Rentals from tenants with scheduled rent increases and rent abatements are recognized as revenue on a straight-line basis over the respective lease term.
- c. USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. HOTEL LEASE

WTCC is a party to a lease with a hotel operator whereby the operator, at its own expense, constructed a hotel atop The Apparel Center. The lease, which has a term of 65 years commencing January, 1977, provides for an annual base rental of \$159,600, additional rent payable based on hotel revenue, as defined, and an allocation of certain real estate taxes, rehabilitation and maintenance costs.

5. TRANSACTIONS WITH AFFILIATES

Merchandise Mart Properties, Inc. (Delaware)("MMPI-(Del.)"), which is owned by certain of the owners of the Properties, owns Merchandise Mart Properties, Inc. ("MMPI"). As a convenience, certain amounts are disbursed or collected by one entity on behalf of another.

- a. The Properties reimburse MMPI for certain payroll-related expenses incurred on behalf of The Properties.
- b. The Properties paid MMPI management fees of \$1,992,255 during 1997. Fees are calculated using various percentages of gross revenues as adjusted for uncollectible accounts and as summarized below:

TYPE OF REVENUE	APPLICABLE PERCENTAGE
Showroom (Chicago)	3.0%
Showroom (Washington, D.C.)	2.0%
Office, retail, exposition, hotel parking and tenant services	1.5%

Beginning 1996, MMPI became a tenant of MMOL. MMPI is master leasing the entire 8th floor for the development and operations of the new market suite showrooms. The space consists of 163,133 rentable square feet. The lease period commenced June 1, 1996 through December 31, 2006, a term of 10 years, 7 months. In 1997, the market suite showrooms added an additional 102,366 square feet on the 8th and 12th floors. The area was added by lease amendment and is coterminous with the original lease. MMPI shall pay to MMOL a monthly amount equal to the base rent, as defined. MMPI paid MMOL \$4,070,112 during 1997.

Mart Franchise Center, Inc., a subsidiary of MMPI, doing business as Franchising and Licensing World Center ("FLWC"), Inc., is currently master leasing 35,498

8

rentable square feet located on the 2nd floor of MMOL. The FLWC is a permanent exhibition/sales facility for the franchising and licensing industries as well as provides related support services. The lease period commenced January 1, 1996, and continues through March 31, 2016, a term of 20 years, 3 months. FLWC's monthly base rent is equal to \$32,000 as required by the lease.

6. FUTURE MINIMUM RENTALS UNDER TENANT LEASES:

The Properties lease showroom, office and retail space under noncancellable operating leases with terms ranging from 1 to 15 years. Future minimum rentals to be received as of December 31, 1997, are summarized as follows:

Year ending December 31 --	
1998	\$ 80,145,725
1999	76,239,847
2000	70,328,042
2001	62,426,073
2002	56,035,641
Future years	256,707,314

Total future minimum rentals	\$601,882,642
	=====

7. PROPERTY DAMAGE INSURANCE

Property damage insurance for The Apparel Center and The Merchandise Mart is written on a combined, agreed amount basis. The combined, agreed amount exceeds the replacement value of The Apparel Center. However, based on management's evaluation, the combined replacement of The Apparel Center and The Merchandise Mart structures and other personal property exceeds the insured coverage.

8. SALE OF EQUIPMENT

On December 31, 1996, pursuant to the Asset Purchase Agreement, MMOL sold and transferred to Unicom Thermal Technologies, Inc. ("UTT") certain fixtures and equipment to be used by UTT in the production of chilled water.

The purchase price for the fixtures and equipment was, in the aggregate, \$7,680,000. Payment of the purchase price is divided into three equal installments of \$2,560,000. The first installment was received by MMOL on December 31, 1996. The second installment was received on December 30, 1997

and the third installment is due on December 31, 1998.

Contemporaneously with the sale of fixtures and equipment, MMOL and UTT entered into a lease, pursuant to which MMOL will lease certain space to UTT in The Merchandise Mart and a chilled water service agreement by which UTT will provide The Merchandise Mart with chilled water.

Page 8

9

Pursuant to the chilled water service agreement UTT agreed to meet MMOL's cooling needs in the building up to the contract capacity on the terms and subject to the conditions set forth within the chilled water service agreement. MMOL is obligated to pay UTT the contract capacity charge equal to \$90,735 usage charge or any other charges every month with respect to service during the term of this agreement.

The commencement date was January 1, 1997. The term of this agreement is for twenty (20) years subject to early termination or extension as provided for within the agreement, as defined. The lease term is the same as specifically provided in the chilled water service agreement. Commencing on January 1, 2002 (the rent commencement date) UTT shall pay to MMOL an annual base rent equal to \$155,000, payable in equal monthly installments. The base rent shall be adjusted on an annual basis in accordance with the escalation provision, as defined.

UTT is obligated to pay all costs of the operation of UTT's business in the building, including utility charges. Following the expiration or termination of the chilled water service agreement, certain fixtures and equipment purchased by UTT pursuant to the asset purchase agreement are required to be returned to MMOL.

Page 9

10

PRO FORMA FINANCIAL INFORMATION:

The unaudited condensed consolidated pro forma financial information attached presents: (A) the condensed consolidated pro forma income statements of Vornado Realty Trust ("Vornado") for the year ended December 31, 1997, as if (i) the acquisition of The Merchandise Mart Group of Properties ("Merchandise Mart") and (ii) the previously completed acquisitions and investments (Mendik Company, 90 Park Avenue, Arbor Property Trust, Americold Corporation and URS Logistics, Inc., The Montehiedra Town Center, The Riese Transaction, Charles E. Smith Commercial Realty L.P., The Hotel Pennsylvania, 640 Fifth Avenue, One Penn Plaza and 150 East 58th Street) and the financings attributable thereto, had occurred on January 1, 1997 and (B) the condensed consolidated pro forma balance sheet of Vornado as of December 31, 1997, as if the above acquisitions had occurred on December 31, 1997. The Pro Forma data also includes information updated through December 31, 1997 for certain previously completed acquisitions which were disclosed in Form 8-K's previously filed with the Securities and Exchange Commission.

The unaudited condensed consolidated pro forma financial information is not necessarily indicative of what Vornado's actual results of operations or financial position would have been had these transactions been consummated on the dates indicated, nor does it purport to represent Vornado's results of operations or financial position for any future period.

The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 and the Combined Statements of Revenues and Certain Operating Expenses of The Merchandise Mart Group of Properties included herein. In management's opinion, all adjustments necessary to reflect these transactions have been made.

Page 10

11

CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEET
DECEMBER 31, 1997
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

Net income (loss) applicable to common shares	\$ 45,474 =====	\$ 32,850 =====	\$ 78,324 =====	\$ 49,054 =====	\$(47,923) =====	\$ 79,455 =====
Net income per common share - basic (based on 55,098 shares and 80,874 shares)	\$ 0.83 =====					\$.98 =====
Net income per common share - diluted (based on 57,217 shares and 82,993 shares)	\$ 0.79 =====					\$.96 =====

Page 12

13

CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1997
(UNAUDITED)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL VORNADO	PREVIOUSLY COMPLETED ACQUISITIONS(1)	COMPANY PRO FORMA	HISTORICAL MERCHANDISE MART ACQUISITION	PRO FORMA ADJUSTMENTS FOR MERCHANDISE MART ACQUISITION	TOTAL PRO FORMA
	-----	-----	-----	-----	-----	-----
OTHER DATA:						
Funds from Operations (2):						
Net income (loss) applicable to common shares	\$ 45,474	\$ 32,850	\$ 78,324	\$ 49,054	\$ (47,923)	\$ 79,455
Depreciation and amortization of real property	22,413	24,602	47,015	--	11,867	58,882
Straight-lining of property rent escalations	(3,359)	(7,134)	(10,493)	(3,807)	(1,922)	(16,222)
Leasing fees received in excess of income recognized	1,733	--	1,733	--	--	1,733
Proportionate share of adjustments to income from equity investments to arrive at FFO	6,358	30,964	37,322	--	--	37,322
Non-recurring lease cancellation income and write-off of related costs	--	(11,581)	(11,581)	--	--	(11,581)
	=====	=====	=====	=====	=====	=====
	\$ 72,619	\$ 69,701	\$ 142,320	\$ 45,247	\$ (37,978)	\$ 149,588
	=====	=====	=====	=====	=====	=====
CASH FLOW PROVIDED BY (USED IN):						
Operating activities	\$ 110,754	\$ 55,251	\$ 166,005	\$ 45,247	\$ (37,978)	\$ 173,274
Investing activities	\$(1,064,484)	\$(285,384)	\$(1,349,868)	\$ --	\$(1,217,000)	\$(2,566,868)
Financing activities	\$ 1,219,988	\$ 283,384	\$ 1,503,372	\$ --	\$ 1,125,000	\$ 2,628,372

(1) Certain revenue and expense items have been reclassified to conform to Vornado's presentation.

(2) Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of Vornado's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities, and investing activities, it provides investors with an indication of the ability of Vornado to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures employed by other REITs since a number of REITs, including Vornado's, method of calculating funds from operations is different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing

Basis of Pro Forma:

The unaudited Condensed Consolidated Pro Forma Financial Statements were prepared to give Pro Forma effect to the acquisition of The Merchandise Mart Group of Properties ("Merchandise Mart"). The previously completed acquisitions and investments (Mendik Company, 90 Park Avenue, Arbor Property Trust, Americold Corporation and URS Logistics, Inc., The Montehiedra Town Center, The Riese Transaction, Charles E. Smith Commercial Realty L.P., The Hotel Pennsylvania, 640 Fifth Avenue, One Penn Plaza and 150 East 58th Street) are included in "Historical Vornado" from their respective dates of acquisition. The column headed "Previously Completed Acquisitions" includes the results of operations of those entities for the period of time during 1997 prior to their acquisition. The Pro Forma data also includes information updated through December 31, 1997 for certain previously completed acquisitions which were disclosed in Form 8-K's previously filed with the Securities and Exchange Commission.

Acquisitions were consummated through subsidiaries or preferred stock affiliates of Vornado and were recorded under the purchase method of accounting. Net assets and have been included in these financial statements since their respective dates of acquisition. The respective purchase costs were allocated to acquired assets and assumed liabilities using their relative fair values as of the closing dates, based on valuations and other studies which are not yet complete. Accordingly, the initial valuations are subject to change as such information is finalized. Vornado believes that any such change will not be significant since the allocations were principally to real estate.

The following adjustments were required to give pro forma effect to the Merchandise Mart acquisition:

Pro Forma December 31, 1997 Balance Sheet:

- (A) Reflects the acquisition of a real estate portfolio from the Kennedy Family for approximately \$630 million (including \$30 million for the acquisition of Merchandise Mart Properties, Inc. which manages the properties and trade shows), consisting of \$187 million in cash, \$116 million in Operating Partnership Units, \$77 million in existing debt and \$250 million of newly issued debt.

Pro Forma December 31, 1997 Income Statement:

- (B) To adjust rentals for the year ended December 31, 1997 arising from the straight-lining of tenant leases that contain escalations over the lease term.
- (C) To record equity in Management Company equal to management fees charged to properties.
- (D) Adjustment to depreciation expense for the year ended December 31, 1997 for the acquisition of The Merchandise Mart Group of Properties.
- (E) To reflect (i) interest for newly issued debt of approximately \$250,000 at LIBOR plus 1.35% (6.85% at January 1, 1997) (ii) historical interest for existing debt of approximately \$77,000 and (iii) interest on the revolving credit facility at LIBOR plus .83% (6.8% at December 31, 1997).
- (F) To reflect preferred dividend at a blended rate of 6.0% on \$67,467 of preferred units.

Date: April 9, 1998

/s/ Irwin Goldberg

IRWIN GOLDBERG
Vice President,
Chief Financial Officer

Page 15

16

INDEX TO EXHIBITS

EXHIBIT NO. -----	EXHIBIT -----	PAGE REFERENCE -----
23.	Consent of independent auditors to incorporation by reference.....	17
99.1	Press release dated April 2, 1998, of Vornado Realty Trust, announcing the completion of its acquisition of The Merchandise Mart and other properties from the Kennedy Family.....	18

Page 16

[\(Back To Top\)](#)

Section 2: EX-23 (CONSENT OF INDEPENDENT AUDITORS)

1

Exhibit 23

As independent public accountants, we hereby consent to the incorporation by reference into the S-3 Registration Statements No. 333-40787 and No. 333-29013 of Vornado Realty Trust and Vornado Realty L.P. of our report dated April 8, 1998, on the combined statement of revenues and certain operating expenses of The Merchandise Mart Group of Properties for the year ended December 31, 1997 which report appears in this Form 8-K/A and to all references to our Firm included in those registration statements.

Arthur Andersen LLP

Chicago, Illinois
April 8, 1998

[\(Back To Top\)](#)

Section 3: EX-99.1 (PRESS RELEASE DATED APRIL 2, 1998)

1

EXHIBIT 99.1

CONTACT: JOSEPH MACNOW
(201) 587-1000

Park 80 West, Plaza II
Saddle Brook, NJ 07663

VORNADO REALTY TRUST COMPLETES THE ACQUISITION OF
THE MERCHANDISE MART AND OTHER PROPERTIES
FROM THE KENNEDY FAMILY

SADDLE BROOK, NEW JERSEY....VORNADO REALTY TRUST (NYSE:VNO) today announced that it has closed its previously announced acquisition of a real estate portfolio from the Kennedy Family for approximately \$630 million, consisting of \$187 million in cash, \$116 million in Operating Partnership Units, \$77 million in existing debt and \$250 million of newly issued debt.

The acquired real estate assets consist of a portfolio of properties used for office, retail and trade showroom space which aggregate approximately 5.3 million square feet and include the famed Merchandise Mart in Chicago. The transaction also includes the acquisition of Merchandise Mart Properties, Inc. which manages the properties and trade shows.

Vornado is a fully-integrated equity real estate investment trust.

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

####

Page 18

[\(Back To Top\)](#)