

VORNADO REALTY TRUST
Form DEF 14A
April 13, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

(RULE 14a-1)

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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- Soliciting Material under Rule 14a-12

VORNADO REALTY TRUST

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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VORNADO REALTY TRUST
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND PROXY STATEMENT

2012

888 Seventh Avenue

New York, New York 10019

Notice of Annual Meeting of Shareholders to Be Held on May 24, 2012

To our Shareholders:

The 2012 Annual Meeting of Shareholders of Vornado Realty Trust, a Maryland real estate investment trust (the Company), will be held at the Saddle Brook Marriott, Interstate 80 and the Garden State Parkway, Saddle Brook, New Jersey 07663, on Thursday, May 24, 2012, beginning at 11:30 A.M., local time, for the following purposes:

- (1) To elect three persons to the Board of Trustees of the Company. Each person elected will serve for a term of three years and until his respective successor is duly elected and qualified.
- (2) To consider and vote upon the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the current fiscal year.
- (3) To consider and vote upon the approval of a non-binding, advisory resolution on executive compensation.
- (4) To consider and vote upon a non-binding shareholder proposal regarding majority voting, if properly presented at the meeting.
- (5) To consider and vote upon a non-binding shareholder proposal regarding establishing one class of trustees to be elected annually, if properly presented at the meeting.
- (6) To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

The Board of Trustees of the Company has fixed the close of business on March 30, 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting.

Please review the accompanying Proxy Statement and proxy card. Whether or not you plan to attend the meeting, it is important that your shares be represented and voted. You may authorize your proxy by the Internet or by touch-tone phone as described on the proxy card. Alternatively, you may sign the proxy card and return it in accordance with the instructions included with the proxy card. You may revoke your proxy by (1) executing and submitting a later-dated proxy card, (2) subsequently authorizing a proxy through the Internet or by telephone, (3) sending a written revocation of proxy to our Secretary at our principal executive office, or (4) attending the Annual Meeting and voting in person. To be effective, later-dated proxy cards, proxies authorized via the Internet or telephone or written revocations of proxies must be received by us by 11:59 P.M., New York City time, on Wednesday, May 23, 2012.

By Order of the Board of Trustees,

Alan J. Rice

Secretary

April 13, 2012

888 Seventh Avenue

New York, New York 10019

PROXY STATEMENT

Annual Meeting of Shareholders to Be Held on May 24, 2012

The accompanying proxy is being solicited by the Board of Trustees (the Board of Trustees or the Board) of Vornado Realty Trust, a Maryland real estate investment trust (we, us, our or the Company), for exercise at our 2012 Annual Meeting of Shareholders (the Annual Meeting) to be held on Thursday, May 24, 2012, beginning at 11:30 A.M., local time, at the Saddle Brook Marriott, Interstate 80 and the Garden State Parkway, Saddle Brook, New Jersey 07663. Our principal executive office is located at 888 Seventh Avenue, New York, New York 10019. Our proxy materials, including this Proxy Statement, the Notice of Annual Meeting of Shareholders, the proxy card or voting instruction form and our 2011 Annual Report are being distributed and made available on or about April 13, 2012.

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials to our shareholders on the Internet. Accordingly, a notice of Internet availability of proxy materials will be mailed on or about April 13, 2012 to our shareholders of record as of the close of business on March 30, 2012. Shareholders will have the ability to (1) access the proxy materials on a website referred to in the notice or (2) request that a printed set of the proxy materials be sent, at no cost to them, by following the instructions in the notice. **You will need your 12-digit control number that is included with the notice mailed on or about April 13, 2012, to vote your shares through the Internet. If you have not received a copy of this notice, please contact our investor relations department at 201-587-1000 or send an e-mail to ircontact@vno.com. If you wish to receive a printed version of these materials, you may request them at www.proxyvote.com or by dialing 1-800-579-1639 and following the instructions at that website or phone number.**

How do you vote?

You may vote in person at the Annual Meeting or you may authorize your proxy over the Internet (at www.proxyvote.com), by telephone (at 1-800-690-6903) or by executing and returning a proxy card. Once you authorize a proxy, you may revoke that proxy by (1) executing and submitting a later-dated proxy card, (2) subsequently authorizing a proxy through the Internet or by telephone, (3) sending a written revocation of proxy to our Secretary at our principal executive office or (4) attending the Annual Meeting and voting in person. Attending the Annual Meeting without submitting a new proxy or voting in person will not automatically revoke your prior authorization of your proxy. To be effective, later-dated proxy cards, proxies authorized via the Internet, telephone or written revocations of proxies must be received by us by 11:59 P.M., New York City time, on Wednesday, May 23, 2012.

If you hold your common shares in street name (that is, through a bank, broker or other nominee), your nominee will not vote your shares (other than with respect to the ratification of the appointment of our independent registered public accounting firm) unless you provide instructions to your nominee on how to vote your shares. You should instruct your nominee how to vote your shares by following the directions provided by your nominee.

We will pay the cost of soliciting proxies. We have hired MacKenzie Partners, Inc. to solicit proxies for a fee not to exceed \$5,500. In addition to solicitation by mail, by telephone and by e-mail or the Internet, arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to their principals and we may reimburse them for their expenses in so doing. If you hold shares in street name, you will receive instructions from your nominee that you must follow in order to have your proxy authorized, or you may contact your nominee directly to request these instructions.

Who is entitled to vote?

Only shareholders of record as of the close of business on March 30, 2012 are entitled to notice of and to vote at the Annual Meeting. We refer to this date as the record date. On that date, 185,642,051 of our common shares of beneficial interest, par value \$0.04 per share (the Shares), were outstanding. Holders of Shares as of the record date are entitled to one vote per Share on each matter properly presented at the Annual Meeting.

How do you attend the meeting in person?

If you would like to attend the Annual Meeting in person, you will need to bring an account statement or other evidence acceptable to us of ownership of your Shares as of the close of business on the record date. If you hold Shares in street name and wish to vote in person at the Annual Meeting, you will need to contact your bank, broker or other nominee and obtain a legal proxy from your nominee and bring it to the Annual Meeting.

How will your votes be counted?

The holders of a majority of the outstanding Shares as of the close of business on the record date, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Any proxy, properly executed and returned, will be voted as directed and, if no direction is given, will be voted as recommended by the Board of Trustees in this Proxy Statement and in the discretion of the proxy holder as to any other matter that may properly come before the meeting. A broker non-vote and any proxy marked withhold authority or an abstention, as applicable, will count for the purposes of determining a quorum, but will have no effect on the result of the vote on the election of trustees, the ratification of the appointment of our registered independent public accounting firm and the non-binding, advisory vote on executive compensation or the shareholder proposals. A broker non-vote is a vote that is not cast on a non-routine matter because the shares entitled to cast the vote are held in street name, the broker lacks discretionary authority to vote the shares and the broker has not received voting instructions from the beneficial owner.

The election of each of our nominees for trustee requires a plurality of the votes cast at the Annual Meeting. The ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm and the approval of the non-binding, advisory vote on executive compensation, the non-binding shareholder proposal regarding majority voting and the non-binding shareholder proposal regarding establishing one class of trustees to be elected annually each require a majority of the votes cast on such matters at the Annual Meeting.

PROPOSAL 1: ELECTION OF TRUSTEES

TRUSTEES STANDING FOR ELECTION

Our Board currently has 11 trustees. On February 23, 2012, our Board, on the recommendation of our Corporate Governance and Nominating Committee, nominated each of Messrs. Steven Roth, Michael D. Fascitelli and Russell B. Wight, Jr. for election at our Annual Meeting to the class of trustees to serve until the Annual Meeting of Shareholders in 2015 and until their respective successors are duly elected and qualified. Each of these nominees currently serves as a member of our Board. Our organizational documents provide that our trustees are divided into three classes, as nearly equal in number as reasonably possible, as determined by the Board. One class of trustees is elected at each Annual Meeting to hold office for a term of three years and until their respective successors have been duly elected and qualified.

Unless you direct otherwise in your signed proxy, each of the persons named in the attached proxy will vote your proxy for the election of the three nominees listed below as trustees. If any nominee at the time of election is unavailable to serve, it is intended that each of the persons named in the proxy will vote for an alternate nominee who will be recommended by our Corporate Governance and Nominating Committee and nominated by the Board. Alternatively, the Board may reduce the size of the Board and number of nominees. Proxies may be voted only for the nominees named or such alternates. We do not currently anticipate that any nominee for trustee will be unable to serve as trustee.

The Board of Trustees recommends that shareholders vote FOR approval of the election of each of the nominees listed below to serve as a trustee until the Annual Meeting of Shareholders in 2015 and until his respective successor has been duly elected and qualified.

Under our Amended and Restated Bylaws (the "Bylaws"), a plurality of all the votes cast at the Annual Meeting, if a quorum is present, is sufficient to elect a trustee. Under Maryland law, proxies marked "withhold authority" will have no effect on the result of this vote. A broker non-vote will also have no effect on the result of this vote.

The following table lists the nominees and the other present members of the Board. For each such person, the table lists the age, principal occupation, position presently held with the Company, if any, and the year in which the person first became a member of our Board or a director of our predecessor, Vornado, Inc.

Name	Age	Principal Occupation and, if applicable, Present Position with the Company	Year Term Will Expire	Year First Appointed or Elected as Trustee
Nominees for Election to Serve as Trustees Until the Annual Meeting in 2015				
Steven Roth ⁽¹⁾	70	Chairman of the Board of Trustees of the Company; Managing General Partner of Interstate Properties	2015	1979
Michael D. Fascitelli ⁽¹⁾	55	President and Chief Executive Officer of the Company	2015	1996
Russell B. Wight, Jr. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	72	A general partner of Interstate Properties	2015	1979
Present Trustees Elected to Serve as Trustees Until the Annual Meeting in 2013				
Candace K. Beinecke ⁽²⁾⁽³⁾	65	Chair of Hughes Hubbard & Reed LLP	2013	2007
Robert P. Kogod ⁽²⁾⁽⁵⁾	80	President of Charles E. Smith Management LLC	2013	2002
David Mandelbaum ⁽²⁾⁽³⁾	76	A member of the law firm of Mandelbaum & Mandelbaum, P.C.; a general partner of Interstate Properties	2013	1979
Dr. Richard R. West ⁽²⁾⁽⁵⁾⁽⁶⁾	74	Dean Emeritus, Leonard N. Stern School of Business, New York University	2013	1982
Present Trustees Elected to Serve as Trustees Until the Annual Meeting in 2014				
Anthony W. Deering ⁽²⁾⁽⁵⁾	67	Chairman of Exeter Capital, LLC	2014	2005
Michael Lynne ⁽²⁾⁽⁶⁾	70	Principal of Unique Features	2014	2005
Ronald G. Targan ⁽²⁾⁽⁶⁾	85	President of Malt Products Corporation	2014	1980
Daniel R. Tisch ⁽²⁾	60	Managing Member of TowerView LLC	2014	2012

(1) Member of the Executive Committee of the Board.

(2) Independent pursuant to the rules of the New York Stock Exchange ("NYSE") as determined by vote of the Board.

(3) Member of the Corporate Governance and Nominating Committee of the Board.

(4) Lead Trustee.

(5) Member of the Audit Committee of the Board.

(6) Member of the Compensation Committee of the Board.

BIOGRAPHIES OF OUR TRUSTEES

Ms. Beinecke has served as Chair of Hughes Hubbard & Reed LLP, a New York law firm, since 1999 and is a practicing partner in Hughes Hubbard's Corporate Department. Ms. Beinecke also serves as Chairperson of the Board of Arnhold & S. Bleichroeder Advisors LLC's First Eagle Funds, Inc. (a U.S. public mutual fund family), and as a board member of ALSTOM (a public French transport and power company).

Mr. Deering is Chairman of Exeter Capital, LLC (a private investment firm). He previously served as Chairman of the Board and Chief Executive Officer of The Rouse Company (a public real estate company) until its merger with General Growth Properties in November 2004. Mr. Deering joined The Rouse Company in 1972 and also served as its Vice President and Treasurer, Senior Vice President and Chief Financial Officer, and President and Chief Operating Officer. Mr. Deering is also a director of a number of the T. Rowe Price Mutual Funds (investment management funds) and a director of Under Armour, Inc. (a sporting goods company). Mr. Deering served as a director of Mercantile Bank (a banking institution) from 2002 to 2007.

Mr. Fascitelli has been our President and a trustee since December 1996 and our Chief Executive Officer since May 2009. From December 1992 to December 1996, Mr. Fascitelli was a partner at Goldman, Sachs & Co. (an investment banking firm) in charge of its real estate practice and was a vice president prior thereto. He is also a director and the President of Alexander's, Inc. (Alexander's) (a real estate investment trust) and a director of Toys 'R Us, Inc. (a retailer). In addition, from August 2005 through June 2008, Mr. Fascitelli was a member of the Board of Trustees of GMH Communities Trust (a real estate investment trust).

Mr. Kogod was appointed a trustee on January 1, 2002, the date Charles E. Smith Commercial Realty L.P. merged into a subsidiary of the Company. Currently, Mr. Kogod is the President of Charles E. Smith Management LLC (a privately-owned investment firm that is not affiliated with the Company). Previously, Mr. Kogod was Co-Chief Executive Officer and Co-Chairman of the Board of Directors of Charles E. Smith Commercial Realty L.P., from October 1997 through December 2001, and was Co-Chief Executive Officer and Co-Chairman of the Board of Directors of Charles E. Smith Residential Realty from June 1994 to October 2001. Mr. Kogod also served as a trustee of Archstone-Smith Trust (a real estate investment trust) until it was sold in 2007.

Mr. Lynne has been a principal of Unique Features (a motion picture company) since its formation in 2008. Prior to that he was Co-Chairman and Co-Chief Executive Officer of New Line Cinema Corporation (a subsidiary of Time Warner, Inc. and a motion picture company) since 2001. Prior to 2001, Mr. Lynne served as President and Chief Operating Officer of New Line Cinema, starting in 1990. From 2006 until 2008, Mr. Lynne served on the Board of Directors of Time Warner Cable Inc. (a telecommunications company).

Mr. Mandelbaum has been a member of the law firm of Mandelbaum & Mandelbaum, P.C. since 1967. Since 1968, he has been a general partner of Interstate Properties (an owner of shopping centers and investor in securities and partnerships, Interstate). Mr. Mandelbaum is also a director of Alexander's.

Mr. Roth has been the Chairman of our Board of Trustees since May 1989 and Chairman of the Executive Committee of the Board since April 1980. From May 1989 until May 2009, Mr. Roth also served as our Chief Executive Officer. Since 1968, he has been a general partner of Interstate and he currently serves as its Managing General Partner. He is the Chairman of the Board and Chief Executive Officer of Alexander's. Since 2011, Mr. Roth has been a director of J. C. Penney Company, Inc. (a retailer). In addition, from 2005 until February 2011, Mr. Roth was a director of Toys 'R Us, Inc.

Mr. Targan has been the President of Malt Products Corporation of New Jersey (a producer of malt syrup) since 1962. From 1964 until July 2002, Mr. Targan was a member of the law firm of Schechner and Targan, P.A.

Mr. Tisch has been the Managing Member of TowerView LLC (a private investment partnership) since 2001. Mr. Tisch also serves as a member of the Board of Directors of Tejon Ranch Company (a real estate development and agribusiness company).

Dr. West is Dean Emeritus of the Leonard N. Stern School of Business at New York University. He was a professor there from September 1984 until September 1995 and Dean from September 1984 until August 1993. Prior thereto, Dr. West was Dean of the Amos Tuck School of Business Administration at Dartmouth College. Dr. West is also a director of Alexander's.

Mr. Wight has been a general partner of Interstate since 1968. Mr. Wight is also a director of Alexander's.

RELATIONSHIPS AMONG OUR TRUSTEES

We are not aware of any family relationships among any of our trustees or executive officers or persons nominated or chosen by us to become trustees or executive officers.

Messrs. Roth, Wight and Mandelbaum each are general partners of Interstate. Since 1992, Vornado has managed all the operations of Interstate for a fee as described in Certain Relationships and Related Transactions Transactions Involving Interstate Properties.

Messrs. Roth, Fascitelli, Wight and Mandelbaum and Dr. West are also directors of Alexander's. As of the record date, we, together with Interstate and its general partners, beneficially own approximately 60% of the outstanding common stock of Alexander's.

For more information concerning Interstate, Alexander's and other relationships involving our trustees, see Certain Relationships and Related Transactions.

CORPORATE GOVERNANCE

The common shares of the Company or its predecessor have been continuously listed on the NYSE since January 1962 and the Company is subject to the NYSE's Corporate Governance Standards.

The Board has determined that Ms. Beinecke and Messrs. Deering, Kogod, Lynne, Mandelbaum, Targan, Tisch and Wight and Dr. West are independent under the Corporate Governance Standards of the NYSE, with the result that nine of our 11 trustees are independent. The Board reached its conclusion after considering all applicable relationships between or among such trustees and the Company or management of the Company. These relationships are described in the sections of this proxy statement entitled Relationships Among Our Trustees and Certain Relationships and Related Transactions. Among other factors considered by the Board in making its determinations regarding independence was the Board's determination that these trustees met all of the bright-line requirements of the NYSE Corporate Governance Standards as well as the categorical standards adopted by the Board as contained in our Corporate Governance Guidelines.

As part of its commitment to good corporate governance, the Board of Trustees has adopted the following documents:

- ☒ Audit Committee Charter
- ☒ Compensation Committee Charter
- ☒ Corporate Governance and Nominating Committee Charter
- ☒ Corporate Governance Guidelines (attached as Annex A)

☒ Code of Business Conduct and Ethics

We have made available on our website (www.vno.com) copies of these documents. We will post any future changes to these documents to our website and may not otherwise publicly file such changes. Our regular filings with the SEC and our trustees' and executive officers' filings under Section 16(a) of the Securities Exchange Act of 1934 are also available on our website. In addition, copies of these documents are available free of charge from the Company upon your written request. Requests should be sent to our investor relations department located at our principal executive office.

The Code of Business Conduct and Ethics applies to all of our trustees, executives and other employees.

COMMITTEES OF THE BOARD OF TRUSTEES

The Board has an Executive Committee, an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee. Other than the Executive Committee, each committee is comprised solely of independent trustees.

The Board held six meetings during 2011. Each trustee attended at least 75% of the combined total of the meetings of the Board and all committees on which he or she served during 2011.

In addition to full meetings of the Board, non-management trustees met four times in sessions without members of management present. Mr. Wight, as Lead Trustee, acts as presiding member during these non-management sessions. We do not have a policy with regard to trustees attendance at Annual Meetings of Shareholders. All of our trustees serving at the time of our 2011 Annual Meeting of Shareholders were present at the meeting.

Executive Committee

The Executive Committee possesses and may exercise certain powers of the Board in the management of the business and affairs of the Company. The Executive Committee consists of three members, Messrs. Roth, Fascitelli and Wight. Mr. Roth is the Chairman of the Executive Committee. The Executive Committee did not meet in 2011.

Audit Committee

The Audit Committee held seven meetings during 2011. During 2011, the members of the Audit Committee were: (a) Dr. West, as Chairman; (b) Mr. Deering; and (c) Mr. Targan, from January 1, 2011 until May 26, 2011, and Mr. Kogod, from May 26, 2011 until the present time.

The Board has adopted a written Audit Committee Charter, which sets forth the membership requirements and responsibilities of the Audit Committee, among other matters. The Board has determined that all existing Audit Committee members meet the NYSE and SEC standards for independence and the NYSE standards for financial literacy. In addition, at all times, at least one member of the Audit Committee has met the NYSE standards for financial management expertise.

The Board has determined that each of Dr. West and Mr. Deering is an audit committee financial expert, as defined by SEC Regulation S-K, and thus has at least one such expert serving on its Audit Committee. The Board reached these conclusions based on the relevant experience of Dr. West and Mr. Deering, including as described above under Biographies of our Trustees.

The Audit Committee's purposes are to (i) assist the Board in its oversight of (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) the independent registered public accounting firm's qualifications and independence, and (d) the performance of the independent registered public accounting firm and the Company's internal audit function; and (ii) prepare an Audit Committee report as required by the SEC for inclusion in our annual proxy statement. The function of the Audit Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of our financial statements and for the effectiveness of internal control over financial reporting. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for planning and carrying out a proper audit of our annual financial statements, reviewing our quarterly financial statements prior to the filing of each Quarterly Report on Form 10-Q and annually auditing the effectiveness of internal control over financial reporting and other procedures. Persons interested in contacting our Audit Committee members with regard to accounting, auditing or financial concerns will find information on how to do so on our website (www.vno.com).

Compensation Committee

The Compensation Committee is responsible for establishing the terms of the compensation of the executive officers and the granting and administration of awards under the Company's omnibus share plans. The committee, which held 10 meetings during 2011, consists of three members: Mr. Lynne, as Chairman, Mr. Targan and Dr. West. All members of the Compensation Committee have been determined by the Board to be independent. The Board has adopted a written Compensation Committee Charter.

Compensation decisions for our executive officers are made by the Compensation Committee. Decisions regarding compensation of other employees are made by our President and Chief Executive Officer in consultation with our Chairman and are subject to review and approval of the Compensation Committee. Compensation decisions for our trustees are made by the Compensation Committee and/or the full Board.

The agenda for meetings of the Compensation Committee is determined by its Chairman with the assistance of the Company's Secretary and/or other members of management. Compensation Committee meetings are attended from time to time by members of management at the invitation of the Compensation Committee. The Compensation Committee's Chairman reports the committee's determination of executive compensation to the Board. The Compensation Committee has authority under its charter to elect, retain, approve fees for and terminate compensation consultants, special counsel or other experts or consultants as it deems appropriate to assist in the fulfillment of its responsibilities. The Compensation Committee reviews the total fees paid by us to outside consultants to ensure that such consultants maintain their objectivity and independence when rendering advice to the committee.

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the committee. In particular, the Compensation Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the committee who are (i) Non-Employee Directors for the purposes of Rule 16b-3; and (ii) outside directors for the purposes of Section 162(m). Currently, all members of the Compensation Committee meet these criteria.

See Compensation Discussion and Analysis below for a discussion of the role of executive officers in determining or recommending compensation for our executive officers. We have also included under Compensation Discussion and Analysis a discussion of the role of compensation consultants in determining or recommending the amount or form of executive or trustee compensation.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee, which met two times during 2011, consists of Ms. Beinecke, as Chair, and Messrs. Mandelbaum and Wight. In addition, the Chair of our Corporate Governance and Nominating Committee participated in discussions with several of our shareholders directly and with members of our senior management regarding their discussions with shareholders concerning shareholder views on our governance and compensation. In addition, in connection with the selection of Mr. Tisch to join our Board in January of 2012, members of the Corporate Governance and Nominating Committee held several individual meetings and conducted several interviews prior to ultimately proposing Mr. Tisch to serve on the Board. Each of Ms. Beinecke and Messrs. Mandelbaum and Wight has been determined by the Board to be independent. The Board has adopted a written Corporate Governance and Nominating Committee Charter. The committee's responsibilities include the selection of potential candidates for the Board and the development and review of our governance principles. It also reviews trustee compensation and benefits, and oversees annual self-evaluations of the Board and its committees. The committee also makes recommendations to the Board concerning the structure and membership of the other Board committees as well as management succession plans. The committee selects and evaluates candidates for the Board in accordance with the criteria set out in the Company's Corporate Governance Guidelines and as are set forth below. The committee is then responsible for recommending to the Board a slate of candidates for trustee positions for the Board's approval. Generally, candidates for a position as a member of the Board are suggested by existing Board members, however, the Corporate Governance and Nominating Committee will consider shareholder recommendations for candidates for the Board sent to the Corporate Governance and Nominating Committee, c/o Alan J. Rice, Secretary, Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019, and will evaluate any such recommendations using the criteria set forth in the Corporate Governance and Nominating Committee Charter.

LEAD TRUSTEE

On February 23, 2012, our independent Trustees re-appointed Mr. Wight to serve as Lead Trustee for a one-year term. He has served in such capacity since February 2009. The responsibilities and duties of the Lead Trustee are described in our Corporate Governance Guidelines.

CRITERIA AND DIVERSITY

In considering whether to recommend any candidate for election or re-election as a trustee, including candidates recommended by shareholders, the Corporate Governance and Nominating Committee will apply the criteria set forth in our Corporate Governance Guidelines and considers criteria including:

- ¢ personal abilities and skills;
- ¢ personal qualities and characteristics, accomplishments and reputation in the business community;
- ¢ current knowledge and understanding of our industry, other industries relevant to our business and the communities in which we do business;
- ¢ ability and willingness to commit adequate time to Board and committee matters;
- ¢ the fit of the individual's skills with those of other trustees in building a Board that is effective and responsive to the needs of the Company; and
- ¢ diversity of viewpoints, experience and other demographics.

Accordingly, in consideration with many other factors, the Committee selects nominees with a broad diversity of abilities, experience, professions, skills and backgrounds. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of members of our Board of Trustees, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

We believe our current nominees for the Board of Trustees and the other members of our Board collectively have the abilities, skills and experience to create a board that is well-suited to oversee the management of Vornado. Each member has the integrity, business judgment and commitment to our Board and our shareholders that comprise essential characteristics for a trustee of Vornado. Our trustees also bring to the Board highly developed skills in diverse areas such as finance and investing, accounting, law and the operation of real estate companies and are recognized leaders in their respective fields. In addition, members of the Board have diverse views and experiences that strengthen their ability to guide our Company. Additionally, we believe that the significant shareholdings in our Company held by our Board members are an important factor in aligning our Board's perspective with those of its shareholders in general. All of our trustees have equity interests in our Company. In addition, all of our trustees have extensive experience serving on the boards, and/or being at the most senior management level, of other public or private organizations. More specifically, Messrs. Roth, Fascitelli, Deering, Kogod, Mandelbaum, Targan and Wight each has extensive experience in the real estate industry generally, and with Vornado specifically, and is skilled in the investment in and operation of real estate or real estate companies. Dr. West and Mr. Deering each bring extensive experience in financial and accounting oversight. Messrs. Deering, Kogod, Lynne, Targan and Tisch each has experience leading other companies. Dr. West has had a lengthy career in academia and as a leader of prominent business schools. Ms. Beinecke and Messrs. Mandelbaum and Targan each has led a law firm. Mr. Tisch has extensive experience in investing, in the capital markets and in risk management. Our Board greatly benefits from this robust and diverse set of abilities, skills and experience.

LEADERSHIP STRUCTURE

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Currently, our Board of Trustees has an active, independent Lead Trustee and the positions of Chairman and Chief Executive Officer are held by separate persons. At present, our Board believes that this structure is appropriate and that it facilitates independent oversight of management.

THE BOARD'S ROLE IN RISK OVERSIGHT

While risk management is primarily the responsibility of the Company's senior management team, the Board of Trustees is responsible for the overall supervision of the Company's risk management activities. The Board's oversight of the material risks faced by our Company occurs at both the full Board level and at the committee level. The Board's role in the Company's risk oversight process includes receiving reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate risk owner within our organization or in connection with other management-prepared presentations of risk to enable the Board (or committee, as applicable) to understand our risk identification, risk management and risk mitigation strategies. By risk owner, we mean that person or group of persons who is or are primarily responsible for overseeing a particular risk. As part of its charter, the Audit Committee discusses our policies with respect to risk assessment and risk management and reports to the full Board its conclusions as a partial basis for further discussion by the full Board. This enables the Board and the applicable committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. In addition to the Board's review of risks applicable to the Company generally, the Board conducts an annual strategic and personnel review.

* * * * *

Persons wishing to contact the independent members of the Board should call (866) 537-4644. A recording of each phone call to this number will be sent to one independent member of the Audit Committee as well as to a member of management who may respond to any such call if the caller provides a return number. This means of contact should not be used for solicitations or communications with us of a general nature. Information on how to contact us generally is available on our website (www.vno.com).

PRINCIPAL SECURITY HOLDERS

The following table lists the number of Shares and Units beneficially owned, as of March 30, 2012, by (i) each person who holds more than a 5% interest in the Company or our operating partnership, Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership), (ii) trustees of the Company, (iii) the executive officers of the Company defined as Named Executive Officers in Executive Compensation below, and (iv) the trustees and all executive officers of the Company as a group. Unless otherwise specified, Units are Class A units of limited partnership interest of our Operating Partnership and other classes of units convertible into Class A units. The Company's ownership of Units is not reflected in the table but is described in footnotes (1) and (2).

Name of Beneficial Owner	Address of Beneficial Owner	Number of Shares and Units Beneficially Owned ⁽¹⁾⁽²⁾	Percent of All Shares ⁽¹⁾⁽²⁾⁽³⁾	Percent of All Shares and Units ⁽¹⁾⁽²⁾⁽⁴⁾
Named Executive Officers and Trustees				
Steven Roth ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	(9)	8,615,645	4.63%	4.35%
David Mandelbaum ⁽⁵⁾⁽⁸⁾⁽¹⁰⁾	(9)	9,053,368	4.88%	4.58%
Russell B. Wight, Jr. ⁽⁵⁾⁽⁸⁾⁽¹¹⁾	(9)	6,075,125	3.27%	3.07%
Michael D. Fascitelli ⁽⁷⁾⁽⁸⁾⁽¹²⁾	(9)	2,529,091	1.36%	1.28%
Robert P. Kogod ⁽⁸⁾⁽¹³⁾	(9)	2,054,833	1.10%	1.04%
Ronald G. Targan ⁽⁸⁾	(9)	607,935	*	*
David R. Greenbaum ⁽⁷⁾⁽⁸⁾⁽¹⁴⁾	(9)	488,859	*	*
Joseph Macnow ⁽⁷⁾⁽⁸⁾⁽¹⁵⁾	(9)	193,570	*	*
Mitchell N. Schear ⁽⁷⁾⁽⁸⁾	(9)	133,982	*	*
Richard R. West ⁽⁸⁾⁽¹⁶⁾	(9)	30,074	*	*
Anthony W. Deering ⁽⁸⁾	(9)	9,429	*	*
Michael Lynne ⁽⁸⁾	(9)	6,058	*	*
Candace K. Beinecke ⁽⁸⁾	(9)	4,427	*	*
Daniel R. Tisch ⁽⁸⁾	(9)		*	*
All trustees and executive officers as a group (17 persons) ⁽⁷⁾⁽⁸⁾	(9)	18,795,094	9.98%	9.44%
Other Beneficial Owners				
The Vanguard Group, Inc. ⁽¹⁷⁾	100 Vanguard Blvd Malvern, PA 19355	16,085,500	8.66%	8.13%
BlackRock, Inc. ⁽¹⁸⁾	40 East 52 nd Street New York, NY 10019	14,018,362	7.55%	7.09%
Cohen & Steers, Inc. ⁽¹⁹⁾	280 Park Avenue New York, NY 10017	11,311,437	6.09%	5.72%

*Less than 1%.

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- (1) Unless otherwise indicated, each person is the direct owner of, and has sole voting power and sole investment power with respect to, such Shares and Units. Numbers and percentages in the table are based on 185,642,051 Shares and 12,172,197 Units (other than Units held by the Company) outstanding as of March 30, 2012.*

- (2) In April 1997, the Company transferred substantially all of its assets to the Operating Partnership. As a result, the Company conducts its business through, and substantially all of its interests in properties are held by, the Operating Partnership. The Company is the sole general partner of, and owned approximately 94% of the Units of, the Operating Partnership as of March 30, 2012 (one Unit for each Share outstanding). Generally,*

any time after one year from the date of issuance (or two years in the case of certain holders), holders of Units (other than the Company) have the right to have their Units redeemed in whole or in part by the Operating Partnership for cash equal to the fair market value, at the time of redemption, of one Share for each Unit redeemed or, at the option of the Company, cash or one Share for each Unit tendered, subject to customary anti-dilution provisions (the Unit Redemption Right). Holders of Units may be able to sell publicly Shares received upon the exercise of their Unit Redemption Right pursuant to registration rights agreements with the Company. The Company has filed registration statements with the SEC to register the issuance or resale of certain of the Shares issuable upon the exercise of the Unit Redemption Right.

- (3) The total number of Shares outstanding used in calculating this percentage assumes that all Shares that each person has the right to acquire within 60 days of the record date (pursuant to the exercise of options or upon the redemption or conversion of other Company or Operating Partnership securities for or into Shares) are deemed to be outstanding, but are not deemed to be outstanding for the purpose of computing the ownership percentage of any other person.
- (4) The total number of Shares and Units outstanding used in calculating this percentage assumes that all Shares and Units that each person has the right to acquire within 60 days of the record date (pursuant to the exercise of options or upon the redemption or conversion of Company or Operating Partnership securities for or into Shares or Units) are deemed to be outstanding, but are not deemed to be outstanding for the purpose of computing the ownership percentage of any other person.
- (5) Interstate, a partnership of which Messrs. Roth, Wight and Mandelbaum are the three general partners, owns 5,603,548 Shares. These Shares are included in the total Shares and the percentage of class for each of them. Messrs. Roth, Wight and Mandelbaum share voting power and investment power with respect to these Shares. 1,000,000 of the Shares held by Interstate are pledged as security for loans from a third party.
- (6) Includes 252,928 Shares held in a grantor trust and 3,873 Shares owned by the Daryl and Steven Roth Foundation, over which Mr. Roth holds sole voting power and sole investment power. Does not include 37,299 Shares owned by Mr. Roth's wife, as to which Mr. Roth disclaims any beneficial interest.
- (7) The number of Shares beneficially owned by the following persons includes the number of Shares indicated due to the vesting of options: Steven Roth 434,661; Michael D. Fascitelli 411,342; Joseph Macnow 92,780; David R. Greenbaum 114,172; Mitchell N. Schear 74,021; and all trustees and executive officers as a group 1,256,927.
- (8) The number of Shares beneficially owned by Richard R. West includes 304 shares of unvested restricted stock and 9,477 shares of unvested restricted stock for all trustees and executive officers as a group. Dr. West may direct the voting of these unvested restricted Shares deemed owned by him. The number of Shares and Units (but not the number of Shares alone) beneficially owned by the following persons also includes the number of vested and redeemable restricted units (as described below) as indicated: David Mandelbaum 982; Russell B. Wight, Jr. 982; Robert P. Kogod 982; Ronald G. Targan 982; Richard R. West 678; Anthony W. Deering 3,786; Michael Lynne 3,786; Candace K. Beinecke 3,786; and all trustees and executive officers as a group 15,964. The number of Shares or Units beneficially owned by the following persons does not include the number of unvested or unredeemable restricted units as indicated: Steven Roth 190,347; David Mandelbaum 2,270; Russell B. Wight, Jr. 2,270; Michael D. Fascitelli 189,935; Robert P. Kogod 2,270; Ronald G. Targan 2,270; David R. Greenbaum, 64,369; Joseph Macnow 55,494; Mitchell N. Schear 60,968; Richard R. West 1,966; Anthony W. Deering 2,270; Michael Lynne 2,270; Candace K. Beinecke 2,007; Daniel R. Tisch 2,966; and all trustees and executive officers as a group 657,372. The number of Shares or Units beneficially owned by the following persons does not include the number of unvested OPP Units as indicated: Steven Roth 88,328; Michael D. Fascitelli 88,328; David R. Greenbaum 17,666; Joseph Macnow 16,060; Mitchell N. Schear 16,060; and all trustees and executive officers as a group 261,774.

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(9) *The address of such person(s) is c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.*

(10) *Of these Shares, 2,909,252 are held in a partnership of which the general partner is Mr. Mandelbaum and the limited partners are Mr. Mandelbaum and trusts for the benefit of Mr. Mandelbaum and his issue. In addition, 122,002 of these Shares are held in trusts for the benefit of Mr. Mandelbaum's grandchildren.*

(11) Includes 8,495 Shares owned by the Wight Foundation, over which Mr. Wight holds sole voting power and sole investment power. Does not include 16,575 Shares owned by the spouse and children of Mr. Wight. Mr. Wight disclaims any beneficial interest in these Shares.

(12) The number of Shares beneficially owned by Mr. Fascitelli includes 271,462 Shares held in grantor annuity trusts and 105,191 Shares held in a limited liability company and does not include 3,150 Shares owned by his children.

(13) Includes 940,057 Units held through corporations (individually or jointly with spouse). Excludes 289,424 Shares/Units held by spouse.

(14) Includes 49,817 units held by a limited liability company and 100,000 Shares held in grantor trusts. Excludes 78,060 Shares and 3,040 Units held by his children and 17,566 held by his spouse.

(15) Mr. Macnow and his wife jointly own 100,790 of these Shares, which are pledged as security for loans from third parties.

(16) Dr. West and his wife own 3,356 of these Shares jointly. Also included are 1,433 Shares that may be acquired upon conversion of 1,000 Series A preferred shares of beneficial interest owned by Dr. West.

(17) According to an amendment to Schedule 13G filed on February 2, 2012, The Vanguard Group, Inc., either directly or through affiliates, beneficially owns and has dispositive power and/or it directs the voting of those Shares.

(18) According to an amendment to Schedule 13G filed on February 2, 2012, BlackRock, Inc. and related entities control these Shares.

(19) According to an amendment to Schedule 13G filed on February 14, 2012, Cohen & Steers, Inc., either directly or through affiliates, beneficially owns and/or has dispositive power with respect to these shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our trustees and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership of, and transactions in, certain classes of our equity securities with the SEC. Such trustees, executive officers and 10% shareholders are also required to furnish us with copies of all Section 16(a) reports they file.

Based solely on a review of the Forms 3, 4 and 5, and any amendments thereto, furnished to us, and on written representations from certain reporting persons, we believe that there were no filing deficiencies under Section 16(a) by our trustees, executive officers and 10% shareholders in the year ended December 31, 2011 (or in 2012, prior to the mailing of this proxy statement) that were not reported in the proxy statement for our 2011 Annual Meeting of Shareholders.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis, or CD&A, describes our executive compensation program for fiscal year 2011, certain elements of our 2012 program and the executive pay philosophy adhered to by our Compensation Committee in making executive compensation decisions. We use our executive compensation program to attract, retain and appropriately reward the members of our senior executive management team who lead our Company. In particular, this CD&A explains how the Compensation Committee made 2011 compensation decisions for our senior executive management team, including the following named executive officers (the Named Executive Officers or NEOs):

- ☒ Steven Roth, Chairman

- ☒ Michael D. Fascitelli, President and Chief Executive Officer (our CEO)

- ☒ Joseph Macnow, Executive Vice President, Finance and Administration and Chief Financial Officer

- ☒ David Greenbaum, President, New York Office Division

- ☒ Mitchell Schear, President, Vornado/Charles E. Smith Washington, DC Office Division

Executive Summary

Historically, we have awarded compensation in a combination of salary, bonus (payable in cash and/or equity) determined on a non-formulaic basis and long-term incentives in the form of equity. We typically have sought to align the interests of our executives with those of our shareholders by awarding a high proportion of total compensation in the form of equity which vests over time. In connection with our most recent equity decisions, we determined to replace our annual bonuses with an annual incentive award that is performance-based with a formulaic threshold (we must achieve at least 80% of the prior year's Comparable FFO (as described later)) and cap (total awards cannot exceed 1.25% of Comparable FFO). In addition, for our senior executive management team, we have determined to provide that approximately 50% of their equity compensation be in the form of performance-based equity awards. As described in more detail later, we believe these changes, among others described in this section, respond to the concerns of our shareholders without subjecting the Company to undue risk. The specifics of our new short and long-term incentive programs are described below in this section under Elements of Our Compensation Program.

Following the results of the Say on Pay vote at our 2011 Annual Meeting of Shareholders, our management reached out to shareholders to discuss our executive compensation program. This was a follow-up to the contact we had with some of the institutional holders of our shares that took place in connection with our 2011 Say on Pay vote as well the feedback we received from leading proxy advisory firms in their proxy research reports. In conjunction with our shareholder outreach, our Compensation Committee approved certain changes to our executive compensation program. These changes have been fully implemented for our 2012 fiscal year and partially implemented for our 2011 fiscal year. Specifically, changes have been made to annual incentive compensation to make it subject to formula-based criteria and to long-term incentive compensation to shift more of executive compensation to performance-based compensation, and, therefore, further increase alignment with the interests of the Company's shareholders. To date, the feedback we have received from our shareholders regarding these changes has been universally positive.

We believe that the quality, skills and dedication of our Named Executive Officers are critical factors that affect the long-term value of the Company. Accordingly, one of the fundamental objectives of our Compensation Committee is to ensure we provide a comprehensive compensation program that aids us in our efforts to attract, retain and appropriately reward a best-in-class executive management team to achieve continued success in a highly-competitive commercial real estate industry. To better align the interests of our executive officers with those of our shareholders in a pay-for-performance setting, a significant portion of each executive's total compensation is variable through a combination of performance-based short- and long-term incentives, which are described in more detail below. We believe the effectiveness of our compensation program in creating alignment of management and shareholder interests has contributed to our long-term performance, as

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evidenced by our total shareholder return (TSR) for the ten-year period through 2011 of 187%, which outperformed the MSCI REIT

Index TSR of 163% and the S&P 500 TSR of 33% over the same time period. Nonetheless, the aggregate compensation of our CEO for 2011 as reflected in the Total Direct Compensation Table in this proxy statement is down 4.4% compared to 2010, reflecting our Compensation Committee's recognition of our TSR of -4.6% during 2011 and the relatively flat level of comparable funds from operations (Comparable FFO), a key operating metric within the REIT industry that we believe is one of the primary drivers of our long-term TSR performance.

Response to the 2011 Say on Pay Vote

At the 2011 Annual Meeting of Shareholders, of our shareholders voting on our Say on Pay proposal, 55% voted FOR and 45% voted AGAINST the executive compensation of our NEOs set forth in our 2011 proxy statement. In response, our Compensation Committee and members of management undertook an in-depth review of our pay practices and our management engaged in the shareholder outreach discussed above. Following this review, our Compensation Committee modified our executive compensation program to address feedback received from our shareholders and from leading proxy advisory firms in their proxy research reports. These modifications are:

- ☒ We adopted a formula-based short-term annual incentive compensation program for our senior executive management team tied to the achievement of a Comparable FFO minimum performance threshold to replace our non-formulaic program. Our Compensation Committee formally adopted this program for fiscal 2012 compensation, but also used this metric as a guide in determining the 2011 fiscal year maximum amount of short-term annual incentive awards for our senior executive management team.
- ☒ In 2012, we implemented a multi-year, performance-based equity compensation plan, the 2012 Outperformance Plan (2012 OPP), for 50% of the total long-term incentive award, with the remaining 50% of the long-term incentive award being comprised of restricted unit awards. We have committed to incorporating similar outperformance plans (OPP) or other performance-based long-term incentive (LTI) plans or awards as a key component of our equity compensation mix on an annual basis. Awards granted in 2012, pursuant to the 2012 OPP, relate to 2011 fiscal year compensation. Under the 2012 OPP, participants have the opportunity to earn compensation payable in the form of equity awards if and only if the Company outperforms a pre-determined TSR and/or outperforms the market with respect to relative TSR in any year during a three-year performance period, thus creating further alignment of management and shareholder interests.
- ☒ We adopted a policy that dividend payments on performance-based equity compensation awards, such as those that may potentially be earned under the 2012 OPP, will be paid to participants if and only if the awards are ultimately earned based on the achievement of required performance objectives.
- ☒ Prospectively, all of our equity award agreements will provide for double trigger acceleration of the vesting of any unvested equity awards in connection with a change of control (previously a single trigger). Moreover, with regard to any unvested equity awards subject to performance-based vesting criteria, in addition to the required double trigger, such unvested equity awards would only be afforded accelerated vesting upon a qualifying termination in connection with a change of control only in the event that the required performance criteria has been achieved through the date of change of control.
- ☒ In 2012, we amended the employment agreement for our President and CEO to eliminate the provision that would allow our President and CEO to resign voluntarily within a specified time frame following a change of control, for any reason or for no reason, and collect a severance benefit.
- ☒ In 2012, we adopted stock ownership guidelines for our senior executive management team and our Board of Trustees, as described below, under which our Named Executive Officers and trustees are required to maintain a minimum ownership level of Vornado equity. As a result of the aforementioned efforts, if our President and CEO were to receive the same direct compensation (as described later in this Compensation Discussion and Analysis section) for 2012 as he did for 2011, approximately 50% of his total compensation would be performance-based.

Objectives of Our Executive Compensation Program

Our executive compensation philosophy is designed to achieve the following objectives:

- € to attract, retain and appropriately reward a best-in-class executive management team capable of creating long-term shareholder value;
- € to provide compensation opportunities that are competitive with the prevailing market, are rooted in a pay-for-performance philosophy, and create a strong alignment of management and shareholder interests; and
- € to achieve an appropriate balance between risk and reward in our compensation programs that does not encourage excessive or inappropriate risk taking.

Our executive compensation program is intended to reward the achievement of annual, long-term and strategic goals of both the Company and the individual executive. In order to reach these goals, our executive compensation program includes both fixed and variable components as described below. In particular, for our Chairman and our President and CEO, a substantial majority of their compensation has been provided in the form of equity compensation subject to multi-year performance (2012 OPP units) and/or time-based vesting provisions designed to ensure that these executive officers maintain a long-term focus that aligns their interests with that of the Company and its shareholders.

How We Determine Executive Compensation

Our Compensation Committee determines compensation for our Named Executive Officers and is comprised of three independent trustees, Michael Lynne (Chairman), Ronald G. Targan and Dr. Richard R. West. Our Compensation Committee exercises independent judgment with respect to executive compensation matters and administers our equity incentive programs, including reviewing and approving equity grants to our executives pursuant to our 2010 Omnibus Share Plan (the 2010 Plan). Our Compensation Committee operates under a written charter adopted by the Board, a copy of which is available on our website at <http://www.vno.com>.

We make our compensation decisions generally in the first quarter of a fiscal year. These decisions cover the prior year and are based on the prior year's performance by the Company and/or division or functional area and applicable employee. In addition, in the first quarter of 2012, we established the 2012 performance threshold for our formula-based short-term annual incentive program.

Our decisions on compensation for our Named Executive Officers are based primarily upon our assessment (and the review and approval of the Compensation Committee) of each executive's leadership, operational performance and potential to enhance long-term shareholder value. Historically, awards have been based upon a post year-end analysis of actual performance for the preceding year rather than being based on pre-established targets. However, our new short-term annual incentive program provides a minimum performance threshold and a cap on the aggregate dollar value of annual incentive awards we can make to our senior executive management team. We believe that this method, as opposed to an entirely formulaic method of determining compensation, provides us with the ability to adjust compensation based on a number of performance factors affecting an individual executive within a formulaic cap. It also has the added benefit of reducing the risk to the Company that could potentially be associated with entirely formulaic compensation decisions. Key factors affecting our judgment include: actual performance compared to the financial, operational and strategic goals established for the Company or the executive's operating division at the beginning of the year; the nature, scope and level of responsibilities; the contribution to the Company's financial results, particularly with respect to key metrics such as earnings before interest, taxes, depreciation and amortization (EBITDA), funds from operations (FFO), Comparable FFO (as provided in our regular annual and quarterly reports) and TSR for the year; and the contribution to the Company's commitment to corporate responsibility, including success in creating a culture of unyielding integrity and compliance with applicable laws and our ethics policies. These factors may be considered on an absolute and/or relative basis with respect to other companies or indices.

We also consider each executive's current salary and prior-year bonus (or annual incentive award), the value of an executive's equity stake in the Company, and the appropriate balance between incentives for long-term and

short-term performance and the compensation paid to the executive s peers within the Company. We also consider competitive market compensation paid by other companies that operate in our business or that compete for the same talent pool, such as other S&P 500 REITs, other real estate companies operating in our core markets and, in some cases, investment banking, hedge fund and private equity firms. However, we do not tie our compensation decisions to any particular range or level of total compensation paid to executives at these companies.

In addition, we encourage alignment with shareholders interests through long-term, equity-based compensation. We apportion cash payments and equity incentive awards as we think best in order to provide the appropriate incentives to meet our compensation objectives both individually and in the aggregate for executives and other employees. The factors we consider in evaluating compensation for any particular year may not be applicable to determinations in other years. Typically our Chairman and our President and CEO receive a higher proportion of their compensation in the form of equity than other members of our senior executive management team who, in turn, receive a higher proportion of their compensation in the form of equity (almost 50% for 2011) than our other employees. This allocation is based on (1) the relative seniority of the applicable executives; and (2) a determination that the applicable executives should have a greater proportion of their compensation in a form that aligns further their interests with those of shareholders. We believe the most important indicator of whether our compensation objectives are being met is whether we have incentivized our named executives on a cost-effective basis to deliver superior performance and retained them to continue their careers with us.

Role of the Corporate Governance and Nominating Committee, the Compensation Committee, the Chairman and the President and CEO

The Corporate Governance and Nominating Committee of our Board is responsible for evaluating potential candidates for executive positions, including the Chairman and the President and CEO, and for overseeing the development of executive succession plans. The Compensation Committee of our Board (1) reviews and approves the compensation of our officers and other employees whose total cash compensation exceeds \$200,000 per year, (2) oversees the administration and implementation of our incentive compensation and other equity-based awards, and (3) regularly evaluates the effectiveness of our overall executive compensation program.

As part of this responsibility, the Compensation Committee oversees the design, development and implementation of the compensation program for our Chairman, our President and CEO and our other Named Executive Officers. The Compensation Committee evaluates the performance of our Chairman and our President and CEO and sets their compensation. Our Chairman and our President and CEO and the Compensation Committee together assess the performance of our named executives and determine their compensation, based on the initial recommendations of our Chairman and our President and CEO. The other Named Executive Officers do not play a role in determining their own compensation, other than discussing individual performance objectives with our Chairman and our President and CEO.

In support of these responsibilities, members of our senior executive management team, in conjunction with other senior executives, have the initial responsibility of reviewing the performance of the employees reporting to him or her and recommending compensation actions for such employees.

This process involves multiple meetings among our Chairman, our President and CEO, our Compensation Committee and our Compensation Committee s compensation consultants. Typically, in the third and fourth quarters of each year, these parties meet to discuss and establish an overall level of compensation for the year and the base compensation for the following year. For 2011, as has been our historical practice, our President and CEO obtained individual recommendations from division heads as to compensation levels for those persons reporting to the division heads. These recommendations are discussed among our President and CEO and the division heads prior to a recommendation being presented to the Compensation Committee. For our senior executive management team, other than our Chairman and our President and CEO, recommendations are prepared based upon discussions among the Compensation Committee, our Chairman and our President and CEO. These recommendations are based upon our objectives described above and may include factors such as information obtained from compensation consultants. Our Chairman and our President and CEO discuss these recommendations with our other senior executives in one-on-one meetings. After these discussions, certain allocations or other aspects of compensation may be revised to some degree and the revised recommendations

are presented to the Compensation Committee for discussion and review and, ultimately, through a continued process, approval. The compensation of our Chairman and our President and CEO is determined in accordance with a similar process involving direct discussions among the Compensation Committee, our Chairman, our President and CEO and the Compensation Committee's compensation consultants.

Role of Compensation Consultants

Our Compensation Committee has retained Towers Watson & Co. (Towers Watson) as its independent compensation consulting firm to provide the Compensation Committee with relevant data concerning the marketplace, our peer group and its own independent analysis and recommendations concerning executive compensation. Towers Watson regularly participates in Compensation Committee meetings. Our Compensation Committee has the authority to replace Towers Watson as its independent outside compensation consultant or hire additional consultants at any time. Towers Watson does not provide any additional services either to our Compensation Committee or otherwise to the Company.

For 2011 compensation decisions, Towers Watson was directed to review our comparative compensation levels for our senior executive management team. Towers Watson prepared an analysis of compensation levels and performance using the metrics described below at the following companies that it identified as peer companies within the context of the executive pay philosophy of the Compensation Committee: BlackRock, Inc.; Boston Properties, Inc.; CB Richard Ellis Group, Inc.; Equity Residential; Franklin Resources, Inc.; Host Hotels & Resorts, Inc.; Jefferies Group, Inc.; Jones Lang LaSalle Incorporated; Lazard Ltd.; Legg Mason, Inc.; ProLogis; Simon Property Group, Inc.; and SL Green Realty Corp. Our Compensation Committee has elected to use the foregoing executive compensation peer group, as the competitive landscape in which we compete for investment capital and executive talent is comprised of other publicly-traded REITs as well as real estate operating companies and asset managers not structured as REITs. Additionally, as many of our competitors in the markets in which we operate, particularly with respect to our New York Office and Retail divisions, are private entities such as real estate opportunity funds, sovereign wealth funds and pension funds, among others, our Compensation Committee also evaluated compensation levels and trends amongst our non-public competitors as obtained from surveys and other proprietary data sources.

Consistent with prior years, the Compensation Committee reviewed and discussed the analyses prepared by Towers Watson, and the consensus was that the analyses were useful in indicating that the compensation opportunities awarded to executive officers are in line with the prevailing competitive market. Furthermore, realized awards duly reflect the performance of the Company and shareholder value created.

Analysis of Risk Associated with Our Executive Compensation Program

Our Compensation Committee has discussed the concept of risk as it relates to our executive compensation program and the Compensation Committee does not believe our executive compensation program encourages excessive or inappropriate risk taking for the reasons stated below.

We structure our pay to consist of both fixed and variable compensation. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of our Share price performance so that executives do not feel pressured to focus exclusively on Share price performance to the detriment of other important business metrics.

The variable (cash incentive and equity) portions of compensation are designed to encourage and reward both short- and long-term corporate performance. For short-term performance, cash incentives are awarded based on assessments of performance during the prior year. For long-term performance, our options, restricted shares, restricted units, OPP awards and other equity awards generally vest over three, four and five years and only have value (in the case of awards such as options or OPP awards) or only increase in value (in the case of awards such as restricted shares or restricted units) if our Share price increases over time. We believe that these variable elements of compensation are a sufficient percentage of total compensation to incentivize executives to produce superior short- and long-term corporate results, while the fixed element is also sufficiently high that the executives are not encouraged to take unnecessary or excessive risks in doing so. We and our Compensation Committee also believe that the mix of formulaic criteria and a non-formulaic evaluation of historic performance and determination of short-term compensation provides an incentive for our executives to produce superior

performance without the distorting effects of providing a pre-determinable compensation award based on the performance of only one division or business unit or upon other results that may not reflect the long- or short-term results of the Company as a whole.

As demonstrated above, our executive compensation program is structured to achieve its objectives by (i) providing incentives to our Named Executive Officers to manage the Company for the creation of long-term shareholder value, (ii) avoiding the type of disproportionately large short-term incentives that could encourage our Named Executive Officers to take risks that may not be in the Company's long-term interests, (iii) requiring our Named Executive Officers to maintain a significant investment in the Company, and (iv) evaluating annually an array of performance criteria in determining executive compensation rather than focusing on a singular metric that may encourage unnecessary risk taking. We believe this combination of factors encourages our Named Executive Officers to manage the Company prudently.

Elements of Our Compensation Program

Our Named Executive Officers' compensation currently has three primary components:

• annual base salary;

• annual incentive awards, which include cash payments and/or awards of equity; and

• long-term equity incentives, which include restricted units, stock options and long-term incentive performance unit awards such as those awarded under our 2012 OPP.

The overall levels of compensation and the allocation of these elements is determined annually by our Compensation Committee based upon an analysis of the Company's performance during the year and a review of the prevailing competitive market in which we operate. Historically, a substantial majority of the total compensation for our Chairman and our President and CEO has been in the form of long-term equity awards, including performance-based awards subject to relative performance thresholds such as those awarded under our 2012 OPP. These longer-term awards further the Compensation Committee's desire to align directly management and shareholder interest and to provide incentives for each executive to successfully implement our long-term strategic goals.

Annual Base Salary

Base salaries for our Named Executive Officers are established based on the scope of their responsibilities, taking into account the competitive market compensation paid by other companies for similar positions as well as salaries paid to the executives' peers within the Company and any applicable employment agreement. In accordance with our pay-for-performance philosophy, we structure an executive's annual base salary to be a relatively low percentage of total compensation. There were no increases in our Named Executive Officers' base salary levels for 2011 over that of 2010, nor have there been any increases in our Named Executive Officers' base salary levels for the past several years.

Annual Incentive Awards

In structuring our annual incentive awards for 2012, we considered the results of the advisory vote cast by shareholders on the compensation of our NEOs as set forth in our 2011 proxy statement and reached out to shareholders to obtain feedback on compensation. As a result of these steps, our Compensation Committee elected to establish for fiscal 2012 an annual incentive program for the senior executive management team that formulaically ties annual incentive award payouts to achieving a Comparable FFO performance threshold and provides for a maximum aggregate award pool based on performance. The Company and our shareholders view Comparable FFO as one of the key operating metrics within the REIT industry and, we believe, a primary driver of long-term TSR performance. Under our annual incentive program for compensation, members of our senior executive management team, including all of our Named Executive Officers, will have the ability to earn annual cash incentive payments and/or equity awards if and only if the Company achieves Comparable FFO of at least 80% or more of the prior year Comparable FFO. In the event that the Company fails to achieve Comparable FFO

of 80% or more of the prior year Comparable FFO, no incentive payments would be earned or paid under the program. Moreover, in the event the Company does achieve the stipulated Comparable FFO performance requirement under the annual incentive program, the Compensation Committee always retains the right, consistent with best practices, to elect to make no payments under the program. Our Compensation Committee has elected to use Comparable FFO as the primary metric for our annual incentive award rather than total FFO. Comparable FFO excludes the impact of certain non-recurring items such as income or loss from discontinued operations, the sale or mark-to-market of marketable securities or derivatives and early extinguishment of debt, restructuring costs and non-cash impairment losses, among others, and thus the Compensation Committee believes provides a better metric than total FFO for assessing management's performance for the year.

Aggregate incentive awards earned under the annual incentive program by our senior executive management team are subject to a cap of 1.25% of Comparable FFO earned by the Company for the year, with individual award allocations under the program determined by the Compensation Committee based on an assessment of individual and overall performance. Performance criteria evaluated by the Compensation Committee when determining individual incentive awards under the annual incentive program, assuming the Company has achieved the required Comparable FFO performance threshold necessary for our senior executive management team to be eligible to earn incentive awards under the program, will include, among others, the following:

- ¢ TSR, both on an absolute basis and relative to the performance of the peer group and the REIT industry;

- ¢ Leasing performance and occupancy levels;

- ¢ Capital markets performance and maintenance of a strong balance sheet;

- ¢ Same store EBITDA;

- ¢ Implementation and achievement of goals, including expense control and adherence to budget; and

- ¢ Achievement of business unit and/or departmental objectives.

Any awards earned under the annual incentive program are payable in cash and/or equity awards, generally in the first quarter of each year for the prior year's performance.

Importantly, although the aggregate cap of 1.25% of Comparable FFO was not in place for executive officer compensation earned in 2011, our Compensation Committee evaluated in 2012 the annual incentive award for 2011 using this criteria and granted awards bearing in mind this cap. The amounts awarded were well below the capped amount based on, in part, the Company's negative TSR for 2011. For incentive awards earned for 2011, consistent with prior years, as part of the strong ownership culture fostered amongst our senior executive management team, our Chairman and our President and CEO were granted their annual incentive awards in the form of restricted units, thus further strengthening the alignment of management and shareholder interests.

Long-Term Equity Incentives

Compensation is awarded to our Named Executive Officers in the form of long-term equity incentives issued under our 2010 Plan through performance-based equity awards such as those that may be earned under our 2012 OPP and future out-performance plans, grants of stock options and restricted units. The granting of equity awards links a Named Executive Officer's compensation directly to the performance of our Share price. We believe this encourages our NEOs to make decisions with an ownership mentality.

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Our 2012 OPP was developed with the guidance and input of FTI Consulting, Inc., compensation consultants retained by the Company, and Towers Watson. The vesting provisions of awards granted under the 2012 OPP are designed with back-end vesting requirements (during years three, four and five) to act as a retention device and provide a strong incentive to the executives to increase shareholder value long after they performed the services for which the equity awards were initially granted. In particular, the awards provide for immediate cancellation if the executive voluntarily leaves or is terminated with cause, excluding certain outstanding awards held by retirement eligible executives and employees above the age of 65 that generally would be afforded accelerated vesting upon retirement or other qualifying termination.

Our 2012 OPP is designed to provide compensation in a pay for performance structure. Awards under the OPP are a class of units (collectively referred to as OPP Units) of the Company's operating partnership, Vornado Realty L.P., issued under our 2010 Plan, as amended. If the specific performance objectives of the OPP are achieved, the earned OPP Units become convertible into Class A common units of the operating partnership (and ultimately into Shares) following vesting, and their value fluctuates with changes in the value of our Shares. If the performance objectives are not met, the OPP Units are cancelled. Generally, unvested OPP Units are forfeited if the executive leaves the Company, except that OPP Units vest automatically on death. OPP Units are intended to also provide recipients with better income tax attributes than grants of options. Under our 2012 OPP, participants have the opportunity to earn compensation payable in the form of equity if and only if we outperform a predetermined TSR and/or outperform the market with respect to relative TSR in any year during a three-year performance period. Specifically, awards under our 2012 OPP may potentially be earned if the Company (i) achieves a TSR above that of the SNL US REIT Index (the Index) over a one-year, two-year or three-year performance period (the Relative Component), and/or (ii) achieves a TSR level greater than 7% per annum, or 21% over the three-year performance period (the Absolute Component). To the extent awards would be earned under the Absolute Component but the Company underperforms the Index, such awards earned under the Absolute Component would be reduced (and potentially fully negated) based on the degree to which the Company underperforms the Index. In certain circumstances, if the Company outperforms the Index, but awards would not otherwise be earned under the Absolute Component, awards may still be earned under the Relative Component. Moreover, to the extent awards would otherwise be earned under the Relative Component but the Company fails to achieve at least a 6% per annum absolute TSR level, such awards earned under the Relative Component would be reduced based on the Company's absolute TSR performance, with no awards being earned in the event the Company's TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which we may outperform the Index. If the designated performance objectives are achieved, OPP Units are also subject to time-based vesting requirements. This creates, in the aggregate, up to a five-year retention period with respect to participants in the 2012 OPP. Even after achieving the performance thresholds, during the remaining two years until full vesting, the Named Executive Officers will continue to bear the same Share price and total return risk as our shareholders. Share dividend payments on awards issued accrue during the performance period and are paid to participants if and only if awards are ultimately earned based on the achievement of the designated performance objectives.

Stock option awards issued under our 2010 Plan provide our executives the opportunity to purchase Shares at an exercise price determined on the date of grant. Historically, our stock option awards have either been in the form of at-the-money stock options, whereby the option exercise price is equal to the market price of Shares on the date of grant, or in the form of premium stock options, whereby the option exercise price is established at a level above the market price of Shares on the date of grant. In both instances, the market price of Shares must increase to a level above the option exercise price in order for the executives to achieve any value from their stock option awards. Generally, the stock options vest and become exercisable in equal annual installments over a four- or five-year period beginning one year after the date of grant, and remain exercisable for a period of ten years from the date of grant. Our 2010 Plan (i) prohibits the granting of in-the-money stock options and (ii) prohibits without shareholder approval the repricing of outstanding stock options that have fallen out-of-the-money. Recipients of stock options do not receive any dividends paid on Shares on their outstanding option awards.

Restricted shares are grants of Shares issued under our 2010 Plan that generally vest in three, four or five equal annual installments beginning approximately one year after the grant date. Restricted units are grants of limited partnership interests in Vornado Realty L.P., our operating partnership through which we conduct substantially all of our business. These units also generally vest in three, four or five equal annual installments beginning approximately one year after the grant date and are exchangeable on a one-for-one basis into Vornado Realty L.P.'s Class A common units in certain circumstances. These circumstances principally include the requirement that Vornado Realty L.P. must have gone through certain tax book-up events whereby sufficient profits have been allocated to the restricted units so that they have the same capital account (and value) as Class A common units. In addition, there is a two-year holding requirement. Vornado Realty L.P.'s Class A common units can be redeemed for Shares on a one-for-one basis (or for the equivalent value in cash at the Company's option) with only limited restrictions, such as a 60-day waiting period between the time that a redemption notice is given and the date that Shares may be delivered. Restricted units are intended to also provide recipients with better income tax attributes than restricted shares. During the restricted period, each restricted share or restricted unit entitles the recipient to receive payments from the Company equal to the dividends on one Share. Restricted equity awards further contribute in aligning management and shareholder interests, and the multi-year vesting

requirements ranging from three-to-five years aid in our efforts to retain our executives and key employees over the long-term. Further, our Compensation Committee believes restricted equity awards are a key component of a balanced equity compensation program, as incorporating time-based restricted equity awards into the equity compensation mix, as opposed to an equity compensation program comprised solely of stock awards subject to performance-based vesting requirements, ensures that a portion of each executive's equity compensation retains value even in a depressed market and provides executives with a baseline of value that lessens the likelihood that executives will take unreasonable risks to keep their market-based performance equity award vehicles in-the-money. Recipients of time-based restricted equity awards receive dividends paid on Shares (or dividend equivalents, as applicable) concurrently with our shareholders.

Nonqualified Deferred Compensation Plans

We maintain two nonqualified deferred compensation plans, the Vornado Realty Trust Nonqualified Deferred Compensation Plan (Plan I) and the Vornado Realty Trust Nonqualified Deferred Compensation Plan II (Plan II ; collectively, the Plans). Plan I and Plan II are substantially similar, except that Plan II, which applies to deferrals on and after January 1, 2005, is designed to comply with the deferred compensation restrictions of Section 409A of the Internal Revenue Code of 1986, as amended.

Employees having annual compensation of at least \$200,000 are eligible to participate in Plan II, provided that they qualify as accredited investors under securities laws. Members of our Board of Trustees are also eligible to participate. To participate, an eligible individual must make an irrevocable election to defer at least \$20,000 of his or her compensation (whether cash or equity) per year. Participant deferrals are always fully vested. The Company is permitted to make discretionary credits to the Plans on behalf of participants, but as yet has not done so. Deferrals are credited with earnings based on the rate of return of specific security investments or various benchmark funds selected by the individual, some of which are based on the performance of the Company's securities.

Participants may elect to have their deferrals credited to a Retirement Account or a Fixed Date Account. Retirement Accounts are generally payable following retirement or termination of employment. Fixed Date Accounts are generally payable at a time selected by the participant, which is at least two full calendar years after the year for which deferrals are made. Participants may elect to receive distributions as a lump sum or in the form of annual installments over no more than ten years. In the event of a change of control of the Company, all accounts become immediately payable in a lump sum. Plan I also permits a participant to withdraw all or a portion of his or her accounts at any time, subject to a 10% withdrawal penalty.

Retirement and 401(k) Plans

We offer a 401(k) Retirement Plan to all of our employees in which we provide matching contributions (up to 75% of the statutory maximum but not more than 7.5% of cash compensation) which vest over five years. We do not have any other retirement plan. Retirement plans are not a factor in our current compensation determinations.

Perquisites and Other Compensation

We provide our Named Executive Officers with certain perquisites that we believe are reasonable and in-line with the prevailing competitive market. These perquisites include supplemental life insurance and an allowance for financial counseling and tax preparation services for certain Named Executive Officers. Additionally, due to the location of our corporate offices in New York City and the extensive business-related travel requirements of our Named Executive Officers, we provide certain of our Named Executive Officers with the use of a car and driver. Providing a car and driver allows these executive officers to use their travel time efficiently and productively for business purposes, including (i) telephonic meetings and (ii) visiting our properties and meeting with our tenants. Accordingly, we believe providing these benefits serv