

VORNADO REALTY TRUST
Form DEF 14A
April 06, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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
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- Definitive Proxy Statement
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VORNADO REALTY TRUST

(Name of Registrant as Specified In Its Charter)

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**888 Seventh Avenue
New York, New York 10019**

Notice of Annual Meeting of Shareholders to Be Held on May 17, 2018

To our Shareholders:

The 2018 Annual Meeting of Shareholders of Vornado Realty Trust, a Maryland real estate investment trust ("Vornado" or 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 17, 2018, beginning at 11:30 A.M., New York City time, for the following purposes:

- (1) To consider and vote upon the election of seven persons to the Board of Trustees of the Company, each to serve for a one-year term expiring at the 2019 annual meeting of shareholders of the Company and until his or her 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 an amendment (the "Amendment") to our Company's Declaration of Trust (the "Declaration") to permit shareholders to vote on amendments to our Bylaws to the extent provided in the Bylaws and confirm the power of shareholders to vote on certain additional matters.
- (4) To consider and vote upon the approval of a non-binding, advisory resolution on executive compensation.
- (5) To transact any other business as may properly come before the meeting or any postponement or adjournment of the meeting.

The Board of Trustees of the Company has fixed the close of business on March 19, 2018 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 or voting instruction form. Whether or not you plan to attend the meeting, it is important that your shares be represented and voted. You may authorize your proxy through the Internet or by touch-tone telephone as described on the proxy card or voting instruction form. Alternatively, you may sign the proxy card or voting instruction form and return it in accordance with the instructions included with the proxy card or voting instruction form. You may revoke your proxy by (1) timely executing and submitting a later-dated proxy card or voting instruction form, (2) subsequently authorizing a proxy through the Internet or by telephone, (3) timely sending a written revocation of proxy to our Secretary at our principal executive office located at 888 Seventh Avenue, New York, New York 10019, or (4) attending the meeting and voting in person. To be effective, later-dated proxy cards, voting instruction forms, 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 16, 2018.

By Order of the Board of Trustees,
Alan J. Rice
Secretary
April 6, 2018

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2018 PROXY STATEMENT SUMMARY

Overview of Voting Items

This summary highlights certain information that is covered elsewhere in this Proxy Statement. You are encouraged to read our complete Proxy Statement before voting.

| | | |
|-------------|---|-----|
| Proposal 1: | Election of seven Trustees | For |
| Proposal 2: | Ratification of appointment of Independent Accounting Firm | For |
| Proposal 3: | Approval of amendment to the Company's Declaration of Trust to permit shareholders to vote on amendments to the Company's Bylaws to the extent provided in the Bylaws and confirm the power of shareholders to vote on certain additional matters | For |
| Proposal 4: | Advisory approval of executive compensation | For |

We made significant progress in furthering our simplification and focus strategy by completing the spin-off of our Washington, D.C. segment and combining it with the management business and certain Washington, D.C. assets of The JBG Companies, a Washington D.C. real estate company. The combined company, JBG SMITH Properties (NYSE: JBGS), is the largest, market-leading, best-in-class, pure-play Washington, D.C. real estate company. Over the past several years, including the spin-off of Urban Edge Properties and the JBG SMITH Properties transaction, we have distributed \$9.7 billion of assets to shareholders and exited \$6.2 billion of non-core assets.

Net Operating Income ("NOI") at share increased by \$37.3 million in 2017 over 2016. NOI and NOI at share are non-GAAP measures defined on page 22 of this Proxy Statement. "GAAP" means Generally Accepted Accounting Principles applicable in the United States.

We achieved a 2.7% increase in same store NOI at share in 2017 over 2016 for our New York Office and Retail portfolio, theMART and our 555 California Street complex.

FFO, as adjusted, increased \$30.4 million (or \$0.14 per diluted share) in 2017 over 2016. FFO and FFO, as adjusted are non-GAAP measures defined on page 22 of this Proxy Statement.

In 2017, we completed \$4.8 billion of financings in 10 transactions.

Strong leasing performance in 2017. In our New York portfolio, we leased approximately 1,900,000 square feet of office space with strong mark-to-markets of 12.8% GAAP and 9.9% cash and 126,000 square feet of retail space with positive mark-to-markets of 26.5% GAAP and

25.4% cash.

In 2017, we made a \$230 million upfront contribution for the acquisition of a 99-year leasehold of the Farley Post Office (a 50.1% interest). Please also see our Chairman's Letter that can be found on our website at www.vno.com/chairmansletter.

Shareholder Engagement and Recent Governance Changes

During the last four years, our Board of Trustees has adopted, or is proposing, a number of significant governance changes. These changes follow extensive engagement with our shareholders to better understand their views on our corporate governance practices. The Chair of our Corporate Governance and Nominating Committee was an active participant in these meetings with investors and she and members of our

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management team reported and discussed the feedback received with the full Board. As part of this engagement, we held in-person or telephonic meetings with shareholders representing approximately 50% of our outstanding common shares of beneficial interest in each of the last four years. In addition to the changes outlined below, we have also significantly enhanced the corporate governance, sustainability and executive compensation disclosures in our proxy statement.

Changes made since the date of our last proxy statement

Subject to shareholder approval at this meeting, taking action to permit our shareholders to amend our Bylaws.

Appointing Ms. Mandakini Puri, an additional "audit committee financial expert" to our Audit Committee so that each of the three current members qualifies as an "audit committee financial expert."

Changes made between 2016 and 2017 proxy statements

Adding Ms. Mandakini Puri as a new independent Trustee.

Adopting proxy access.

Further enhancing the role and responsibilities of the Lead Trustee.

Other changes made since 2015

Amending our Corporate Governance Guidelines to provide that, in an uncontested election, if a nominee for Trustee does not receive majority support for election to the Board (more "for" votes than "withhold" votes) that Trustee must offer to resign from the Board. The Board would then determine whether to accept or reject the resignation and disclose its rationale for its decision.

Amending our Declaration of Trust to provide for the phased-in annual election of our Board of Trustees, with the Board fully declassified in 2019.

Appointing Ms. Candace K. Beinecke as our new Lead Trustee.

Amending our Corporate Governance Guidelines to provide for increased clarity and emphasis on diversity as a criteria for the selection of new Trustees.

Increasing the power and authority of our Lead Trustee to reflect best practices.

Increasing Trustee equity ownership requirements to five times (from four times) their annual cash retainer.

Designating a second member of the Audit Committee to be an "audit committee financial expert."

Adopting an anti-hedging policy.

Adopting a claw-back policy.

Corporate Governance Highlights

- ü Highly independent Board actively engaged in strategic, risk and management oversight
 - ü Resignation policy for any Trustee who does not receive majority support in an uncontested election
 - ü A highly experienced Board of Trustees with diverse experiences and expertise applicable to our strategic and business needs
 - ü Robust role for Lead Independent Trustee who is elected annually by the independent Trustees
 - ü Continued and enhanced focus on Board composition, refreshment and rotation
-

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- ü Annual evaluations of our Board, our Trustees and our Board committees
- ü Open communication and strong working relationships among Trustees with regular access to management
- ü High Trustee share ownership
- ü Strong succession planning oversight
- ü Proactive shareholder engagement program and responsive to shareholder feedback
- ü Proxy access (3%/3 years/20 aggregation)
- ü Commencing in 2019, a single class of Trustees
- ü Assuming shareholder approval of the Amendment, permitting shareholders to amend the Bylaws

Executive Compensation Highlights

- ü Significant portion of compensation is variable and performance-based

Formula-driven annual bonus plan

- ü Equity grants tied to share performance goals which require a return to shareholders prior to their having any value
- ü Significant share ownership and retention requirements (6x salary for CEO, 5x annual cash retainer for Trustees, 3x salary for other NEOs)
- ü Double trigger equity acceleration upon a change of control
- ü Policy against hedging or pledging
- ü Clawback policy
- ü No tax gross-ups
- ü No excess perks and limited retirement benefits
- ü No golden parachute or contractual severance arrangement for our CEO

Executive Compensation Program Objectives:

Retain a highly-experienced, "best-in-class" team of executives who have worked together as a team for a long period of time and who make major contributions to our success.

Attract other highly-qualified executives to strengthen that team as needed.

Motivate our executives to contribute to the achievement of company-wide and business-unit goals as well as to pursue individual goals.

Emphasize equity-based incentives with long-term performance measurement periods and vesting conditions.

Align the interests of executives with shareholders by linking payouts under annual incentives to performance measures that promote the creation of long-term shareholder value.

Achieve an appropriate balance between risk and reward in our compensation programs that does not encourage excessive or inappropriate risk-taking.

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**888 Seventh Avenue
New York, New York 10019**

PROXY STATEMENT

Annual Meeting of Shareholders to Be Held on May 17, 2018

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 2018 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, May 17, 2018, beginning at 11:30 A.M., New York City 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