

VORNADO REALTY TRUST

Form DEF 14A

May 01, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(RULE 14A-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

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

Definitive Additional Materials

Soliciting Material pursuant to §240.14a-12

VORNADO REALTY TRUST

(Name of Registrant as Specified In Its Charter)

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

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VORNADO REALTY TRUST
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND PROXY STATEMENT
2006**

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888 Seventh Avenue

New York, New York 10019

Notice of Annual Meeting of Shareholders To Be Held May 18, 2006

To our Shareholders:

The 2006 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 18, 2006, beginning at 12:30 P.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 successor is duly elected and qualified.

(2) To consider and vote upon the increase in the number of shares available for issuance under our 2002 Omnibus Share Plan, as amended, to the full 10,000,000 shares initially contemplated by the plan.

(3) To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2006 fiscal year.

(4) 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 April 14, 2006 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

Please review the attached Proxy Statement and proxy card. Whether or not you plan to attend the meeting, your shares should 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 wish to sign the enclosed proxy card and return it in the accompanying envelope. You will not need to attach postage to the envelope if it is mailed in the United States. 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.

By Order of the Board of Trustees,

Alan J. Rice

Secretary

May 1, 2006

888 Seventh Avenue

New York, New York 10019

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PROXY STATEMENT

Annual Meeting of Shareholders To Be Held May 18, 2006

The enclosed proxy is being solicited by the Board of Trustees (the Board) of Vornado Realty Trust, a Maryland real estate investment trust (we, our or the Company), for use at our 2006 Annual Meeting of Shareholders (the Annual Meeting) to be held on Thursday, May 18, 2006, beginning at 12:30 P.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. The accompanying Notice of the Annual Meeting of Shareholders, this Proxy Statement and the enclosed proxy will first be mailed on or about May 1, 2006, to our shareholders of record as of the close of business on April 14, 2006.

How do you vote?

You may authorize your proxy over the Internet, by telephone or by executing and returning the enclosed 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. Only the last vote of a shareholder will be counted.

We will pay the cost of soliciting proxies. We have hired Mackenzie Partners, Inc. to solicit proxies for a fee not to exceed \$5,000. In addition to solicitation by mail, by telephone and by 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 (i.e., through a bank, broker or other nominee), you will receive instructions from your nominee which 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 April 14, 2006 are entitled to notice of and to vote at the Annual Meeting. We refer to this date as the record date. On that date there were 141,583,056 of our common shares of beneficial interest, par value \$0.04 per share (the Shares) outstanding. Holders of Shares as of the record date are entitled to one vote per Share on each matter properly submitted 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

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name and wish to vote at the Annual Meeting, you will need to contact your nominee and obtain a 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. 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 or the ratification of the appointment of our registered independent public accountants. With respect to the proposal to increase the Shares available under our 2002 Omnibus Share Plan, as amended, abstentions and broker non-votes will have the effect of a vote against the proposal, unless holders of a majority in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will have no effect on the result of the vote.

PROPOSAL 1: ELECTION OF TRUSTEES

TRUSTEES STANDING FOR ELECTION

Our Board currently has 10 trustees. On February 23, 2006, our Board, on the recommendation of our Corporate Governance and Nominating Committee, nominated Steven Roth, Michael D. Fascitelli and Russell B. Wight, Jr. for election at our Annual Meeting to the class of trustees to serve until 2009 and until their successors are duly elected and qualified. Messrs. Roth, Fascitelli and Wight have previously served as members 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 successors have been duly elected and qualified.

Unless you direct otherwise in the proxy, each of the persons named in the enclosed 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 nominated by our Corporate Governance and Nominating Committee and designated by the Board. 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.

Under our Amended and Restated Bylaws (the Bylaws), the affirmative vote of 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 be counted for the purpose of determining the presence of a quorum but will have no effect on the result of the vote. A broker non-vote will have no effect on the result of the vote.

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 2009 and until his respective successor has been duly elected and qualified.

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The following table lists the nominees and the other present members of the Board. All of the nominees are currently 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 or was nominated to become 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 Appointed or Will Nominated as Trustee Expire	Year First
Nominees for Election to Serve as Trustees Until the Annual Meeting in 2009				
Steven Roth ⁽¹⁾	64	Chairman of the Board and Chief Executive Officer of the Company; Managing General Partner of Interstate Properties	2009	1979
Michael D. Fascitelli ⁽¹⁾	49	President of the Company	2009	1996
Russell B. Wight, Jr. ⁽¹⁾⁽²⁾⁽³⁾	66	A general partner of Interstate Properties	2009	1979
Present Trustees Elected to Serve as Trustees Until the Annual Meeting in 2008				
Ronald G. Targan ⁽²⁾⁽⁴⁾⁽⁵⁾	79	President of Malt Products Corporation of New Jersey	2008	1980
Robert H. Smith ⁽¹⁾	77	Chairman of the Charles E. Smith Commercial Realty Division of the Company; Trustee of Archstone-Smith Trust	2008	2002
Anthony W. Deering ⁽²⁾⁽³⁾⁽⁴⁾	61	Chairman of Exeter Capital, LLC; previously, Chairman and Chief Executive Officer of The Rouse Company	2008	2005
Michael Lynne ⁽²⁾⁽⁵⁾	65	Co-Chairman and Co-Chief Executive Officer of New Line Cinema Corporation	2008	2005
Present Trustees Elected to Serve Until the Annual Meeting in 2007				
David Mandelbaum ⁽²⁾⁽³⁾	70	A member of the law firm of Mandelbaum & Mandelbaum, P.C.; a general partner of Interstate Properties	2007	1979

Dr. Richard R. West ⁽²⁾⁽⁴⁾⁽⁵⁾	68	Dean Emeritus, Leonard N. Stern School of Business, New York University	2007	1982
Robert P. Kogod	74	Trustee of Archstone-Smith Trust	2007	2002

(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) Member of the Audit Committee of the Board

(5) Member of the Compensation Committee of the Board

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BIOGRAPHIES OF OUR TRUSTEES

Mr. Roth has been our Chairman of the Board and Chief Executive Officer since May 1989 and Chairman of the Executive Committee of the Board since April 1980. Since 1968, he has been a general partner of Interstate Properties (an owner of shopping centers and investor in securities and partnerships; Interstate) and, more recently, he has been its Managing General Partner. He is the Chairman of the Board and Chief Executive Officer of the Board of Alexander s, Inc. (Alexander s) (a real estate investment trust). Mr. Roth is also a director of Toys R Us, Inc. (a retailer).

Mr. Fascitelli has been our President and a trustee since December 1996. 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. Mr. Fascitelli is a director of Toys R Us, Inc. and a trustee of GMH Communities Trust (a real estate investment trust).

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

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. Smith was appointed our trustee and the Chairman of the Charles E. Smith Commercial Realty Division of the Company on January 1, 2002, the date Charles E. Smith Commercial Realty L.P. merged into a subsidiary of the Company. Previously, Mr. Smith was Co-Chief Executive Officer and Co-Chairman of the Board of Directors of Charles E. Smith Commercial Realty L.P. from October 1997 until December 2001. Mr. Smith is also a trustee of Archstone-Smith Trust (a real estate investment trust).

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), which merged with General Growth Properties in November 2004. Mr. Deering joined The Rouse Company in 1972 and was previously 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 Mercantile Bankshares Corporation (a regional bank) and a number of the T. Rowe Price Mutual Funds (an investment management firm).

Mr. Lynne is Co-Chairman and Co-Chief Executive Officer of New Line Cinema Corporation (a subsidiary of Time Warner Inc. and a motion picture company). He has served in this position since 2001. Prior to that, Mr. Lynne served as President and Chief Operating Officer of New Line Cinema starting in 1990.

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. Mr. Mandelbaum is also a director of Alexander s.

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, Bowne & Co., Inc. (a commercial printing company) and 20 investment companies managed by Merrill Lynch Investment Managers.

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Mr. Kogod was appointed our trustee on January 1, 2002, the date Charles E. Smith Commercial Realty L.P. merged into a subsidiary of 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.

Mr. Kogod is also a trustee of Archstone-Smith Trust.

RELATIONSHIPS AMONG OUR TRUSTEES

Mr. Smith and Mr. Kogod are brothers-in-law. We are not aware of any other family relationships among any trustees or executive officers of the Company or persons nominated or chosen by the Company to become trustees or executive officers.

In connection with the January 1, 2002 merger of Charles E. Smith Commercial Realty L.P. into a subsidiary of the Company, Mr. Roth, Mr. Fascitelli and Interstate, who collectively beneficially own, as of April 14, 2006, 21,656,965 Shares representing approximately 14.3% of the outstanding Shares, entered into an agreement with Mr. Smith, Mr. Kogod and Charles E. Smith Commercial Realty L.L.C. pursuant to which they are obligated to vote all of the Shares which they own (or over which they exercise voting control) in favor of the election of Mr. Smith and Mr. Kogod (or their permitted designees) to the Board until the earlier to occur of (i) January 1, 2008 or (ii) the date on which, under the terms of the agreement for the above merger, none of Mr. Smith, Mr. Kogod or their respective designees is entitled to be nominated for election to the Board. Under the terms of the merger agreement, upon the death of Mr. Smith, the Smith family will no longer have the right to designate a nominee for election to the Board, and upon the death of Mr. Kogod, the Kogod family will no longer have the right to designate a nominee for election to the Board. In the event of the deaths of both Mr. Smith and Mr. Kogod, the Smith and Kogod families will have the right, jointly, to appoint one designee approved by the Company to complete any unexpired term and to be nominated for election as a trustee for the remaining period that Mr. Smith and Mr. Kogod would have been entitled to be nominated for election to the Board. Furthermore, if the members of the Smith family or the Kogod family and their permitted transferees beneficially own less than 75% in number of the Vornado Realty L.P. Class A Units issued to such family in the merger, the Company will no longer be obligated to provide Mr. Smith or Mr. Kogod, respectively, or their designees, the rights described above. Upon the termination of such rights, the obligations of Mr. Roth, Mr. Fascitelli and Interstate under the voting agreement will terminate.

Messrs. Roth, Wight and Mandelbaum are each 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. The Company, together with Interstate, beneficially owns approximately 60% of the common stock of Alexander s.

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

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CORPORATE GOVERNANCE

The Company has been continuously listed on the NYSE since January 1962 and is subject to the NYSE's Corporate Governance Standards.

The Board has determined that Messrs. Deering, Lynne, Mandelbaum, Targan and Wight and Dr. West are independent under the Corporate Governance Rules of the NYSE, making six out of the 10 of the Company's trustees 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 Rules as well as the categorical standards adopted by the Board in the Company's Corporate Governance Guidelines. These categorical standards are included in our Governance Guidelines, a copy of which is attached as Annex A to this proxy statement.

As part of its commitment to good corporate governance, the Board of Trustees has adopted the following committee charters and policies:

§ Audit Committee Charter

§ Compensation Committee Charter

§ Corporate Governance and Nominating Committee Charter

§ Corporate Governance Guidelines

§ Code of Business Conduct and Ethics

The Company has made available on its website (www.vno.com) copies of these charters, guidelines and policies and included copies of each as an attachment to our proxy statement for our 2004 Annual Meeting. We will post any future changes to these charters, guidelines and policies to the Company's website and may not otherwise publicly file such changes. Our regular filings with the Securities and Exchange Commission (SEC) and our trustees' and executive officers' filings under Section 16(a) of the Securities Exchange Act of 1934 are also available on the Company's website.

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 11 meetings during 2005. Each trustee attended at least 75% of the combined total of the meetings of the Board and all committees on which he served during 2005.

In addition to full meetings of the Board, non-management trustees met four times in sessions without members of management present. During these meetings, the independent trustees selected their own presiding member. The Company does not

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have a policy with regard to trustees' attendance at Annual Meetings of Shareholders. All of our trustees other than Mr. Lynne were present at the 2005 Annual Meeting of Shareholders.

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. During 2005, the Executive Committee consisted of four members, Messrs. Roth, Fascitelli, Smith and Wight. Mr. Roth is the Chairman of the Executive Committee. The Executive Committee did not meet in 2005. Prior to our Annual Meeting in 2005, Stanley Simon, a member of our Board who retired effective at that Annual Meeting, served on the Executive Committee.

Audit Committee

The Audit Committee, which held five meetings during 2005, consisted of three members in 2005: Dr. West and Messrs. Deering and Targan. Dr. West is the Chairman of the Audit Committee. Prior to our Annual Meeting in 2005, Stanley Simon, a member of our Board who retired effective at that Annual Meeting, served on the Audit Committee. Mr. Deering joined the Audit Committee following the 2005 Annual Meeting.

The Board has adopted a written Audit Committee Charter, which sets forth the membership requirements of the Audit Committee, among other matters. The Board has determined that all existing and proposed 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 individual serving on its Audit Committee. The Board reached these conclusions based on their relevant experiences, as described above under Trustees Standing for Election.

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, reviews of our quarterly financial statements prior to the filing of each Quarterly Report on Form 10-Q, annually auditing management's assessment of 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).

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Compensation Committee

The Compensation Committee is responsible for establishing the terms of the compensation of the executive officers and the granting of awards under the Company's 2002 Omnibus Share Plan, as amended. The committee held four meetings and acted twice by written consent during 2005. During 2005, the committee consisted of Dr. Richard R. West and Mr. Stanley Simon until his retirement from our Board following our annual meeting in 2005. Upon Mr. Simon's retirement, Mr. Ronald G. Targan replaced him as a member of the committee. Furthermore, on February 23, 2006, our Board of Trustees increased the size of our Compensation Committee to three members and appointed Mr. Michael Lynne to fill the vacancy. Dr. West is the Chairman of the Compensation Committee. All existing and proposed members of the Compensation Committee are independent. The Board has adopted a written Compensation Committee Charter.

Corporate Governance and Nominating Committee

During 2005, the members of the Corporate Governance and Nominating Committee were Mr. Russell B. Wight, Jr., who chairs the committee, Mr. David Mandelbaum and Dr. Richard R. West. On February 23, 2006, Dr. West resigned from the committee and was replaced by Mr. Anthony W. Deering. Each of the committee members is independent. The committee's responsibilities include the selection of potential candidates for the Board and the development and annual review of our governance principles. It will also annually review trustee compensation and benefits, and oversee 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 pursuant to the Corporate Governance and Nominating Committee Charter. The committee is then responsible for recommending to the full Board a slate of candidates for trustee positions for the full 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. The Corporate Governance and Nominating Committee met once in 2005.

* * * * *

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 Board who sits on 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 the Company of a general nature. Information on how to contact the Company generally is available on our website (www.vno.com).

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PRINCIPAL SECURITY HOLDERS

The following table lists the number of Shares and Units as of April 14, 2006, beneficially owned 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 Covered Executives in Executive Compensation below, and (iv) the trustees and all executive officers of the Company as a group. Units are Class A units of limited partnership interest of our Operating Partnership and other classes of units convertible into Class A units of limited partnership interest (collectively, Units). The Company's ownership of Units is not reflected in the table but is described in footnote (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)	14,478,417	9.89%	8.97%
David Mandelbaum ⁽⁵⁾⁽⁸⁾	(9)	10,762,305	7.60%	6.87%
Russell B. Wight, Jr. ⁽⁵⁾⁽⁸⁾⁽¹⁰⁾	(9)	8,314,807	5.87%	5.31%
Michael D. Fascitelli ⁽⁷⁾⁽⁸⁾⁽¹¹⁾	(9)	7,178,548	4.88%	4.42%
Robert P. Kogod ⁽⁸⁾⁽¹²⁾⁽¹³⁾	(9)	2,101,030	1.46%	1.34%
Robert H. Smith ⁽⁷⁾⁽⁸⁾⁽¹²⁾⁽¹⁴⁾	(9)	1,727,912	1.21%	1.10%
Ronald Targan ⁽⁸⁾	(9)	750,307	*	*
David R. Greenbaum ⁽⁷⁾⁽⁸⁾⁽¹⁵⁾	(9)	708,887	*	*
Joseph Macnow ⁽⁷⁾⁽⁸⁾⁽¹⁶⁾	(9)	107,327	*	*
Sandeep Mathrani ⁽⁷⁾⁽⁸⁾	(9)	53,428	*	*
Richard West ⁽⁸⁾⁽¹⁷⁾	(9)	26,307	*	*
Anthony W. Deering ⁽⁸⁾	(9)	5,307	*	*
Michael Lynne ⁽⁸⁾	(9)	307	*	*
All trustees and executive officers as a group (17 persons) ⁽⁷⁾⁽⁸⁾	(9)	30,791,661	19.63%	18.34
Other Beneficial Owners				
Interstate Properties ⁽⁵⁾	(9)	7,943,000	5.61%	5.07%
Cohen & Steers Capital Management, Inc. ⁽¹⁸⁾	757 Third Avenue New York, NY 10017 100	7,873,092	5.56%	5.03%
The Vanguard Group ⁽¹⁹⁾	Vanguard Blvd. Malvern, PA 19355	7,238,458	5.11%	4.62%

* Less than 1%.

(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 141,583,056 Shares and 15,072,529 Units (other than Units held by the Company) outstanding as of April 14, 2006.*

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- (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 90% of the common limited partnership interest in, the Operating Partnership as of April 14, 2006. At any time after one year from the date of issuance (or two years in the case of certain holders), holders of Class A units of limited partnership interest (other than the Company) have the right to have their Class A 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 Class A unit redeemed or, at the option of the Company, one Share for each Class A unit tendered, subject to customary anti-dilution provisions (the Unit Redemption Right). Holders of Class A 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 pursuant to the exercise of options or upon the redemption of Units or conversion of Series A preferred shares of beneficial interest of the Company for 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 pursuant to the exercise of options or upon the conversion of Series A preferred shares of beneficial interest of the Company for 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.*
- (5) *Interstate, a partnership of which Messrs. Roth, Wight and Mandelbaum are the three general partners, owns 7,943,000 Shares. These Shares are included in the total Shares and the percentage of class for each of them and for Interstate. Messrs. Roth, Wight and Mandelbaum share voting power and investment power with respect to these Shares.*
- (6) *Includes 15,600 Shares owned by the Daryl and Steven Roth Foundation, over which Mr. Roth holds sole voting power and sole investment power. Does not include 36,000 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 4,801,787; Michael D. Fascitelli 5,586,242; Robert H. Smith 6,500; David R. Greenbaum 434,661; Joseph Macnow 3,690; Sandeep Mathrani 23,792, and all trustees and executive officers as a group 11,247,638.*
- (8) *The number of Shares beneficially owned by the following persons includes the number of shares of restricted stock indicated: Steven Roth 38,100; David Mandelbaum 307; Russell B. Wight, Jr. 307; Michael D. Fascitelli 30,500; Robert P. Kogod 307; Robert H. Smith 10,500; Ronald Targan 307; David R. Greenbaum 8,000; Joseph Macnow 7,622; Sandeep Mathrani 23,236; Richard West 307; Anthony W. Deering 307; Michael Lynne 307 and all trustees and executive officers as a group 193,101.*
- (9) *The address of such person(s) is c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.*
- (10)

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Includes 27,800 Shares owned by the Wight Foundation, over which Mr. Wight holds sole voting power and sole investment power. Does not include 2,000 Shares owned by children of Mr. Wight and 15,000 Shares owned by Mr. Wight's wife. Mr. Wight disclaims any beneficial interest in these Shares.

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- (11) *The number of Shares beneficially owned by Mr. Fascitelli includes 1,546,106 vested Shares underlying awards of convertible units and does not include 13 Shares owned by a child of Mr. Fascitelli. See Executive Compensation Employment Contracts Michael D. Fascitelli.*
- (12) *Includes 40,647 Units as to which Mr. Kogod and Mr. Smith share investment power.*
- (13) *Does not include 263,063 Shares and 130,952 Units owned by Mr. Kogod's wife. Mr. Kogod disclaims any beneficial interest in these Shares and Units. Includes 1,997,013 Units as to which Mr. Kogod shares investment power with his wife and/or children.*
- (14) *Does not include 219,713 Units owned by Mr. Smith's wife and/or children. Mr. Smith disclaims any beneficial interest in these Units. Includes 1,727,912 Units as to which Mr. Smith shares investment power with his wife.*
- (15) *Includes 47,948 Units as to which Mr. Greenbaum shares investment power with his wife. Does not include 16,909 Units owned by his wife and 78,060 Units owned by his children in each case in which Mr. Greenbaum disclaims any beneficial interest.*
- (16) *Mr. Macnow and his wife jointly own 96,015 of these Shares.*
- (17) *Dr. West and his wife own 3,000 of these Shares jointly. Also included are 1,385 Shares into which 1,000 Series A preferred shares of beneficial interest owned by Dr. West are convertible.*
- (18) *According to an amendment to Schedule 13G jointly filed on February 14, 2005, Cohen & Steers, Inc. and Cohen & Steers Capital Management, Inc. beneficially own and have sole dispositive power with respect to 7,873,092 Shares. Cohen & Steers, Inc. holds a 100% interest in Cohen & Steers Capital Management, Inc. and a 50% interest in Houlihan Rovers SA, an investment adviser that owns 37,218 Shares not reported in the above number.*
- (19) *According to a Schedule 13G filed on March 1, 2006, The Vanguard Group, Inc. beneficially owns and has the sole dispositive power with respect to 7,283,458 Shares. Vanguard Fiduciary Trust Company (VFTC), a wholly-owned subsidiary of the Vanguard Group, Inc., is the beneficial owner of 125,864 Shares as a result of its serving as investment advisor of collective trust accounts. VFTC directs the voting of 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 the only filing deficiencies under Section 16(a) by our trustees, executive officers and 10% shareholders in the year ended December 31, 2005 are as follows:

- (a) two late filings for Robert P. Kogod, a trustee, with respect to five transactions;
- (b) one late filing by Sandeep Mathrani, an executive officer, with respect to two transactions;
- (c) four late filings by Robert H. Smith, a trustee and executive officer, with respect to 14 transactions;
- (d) one late filing by Russell B. Wight, Jr., a trustee, with respect to two transactions; and
- (e) one late filing by Melvyn H. Blum, an executive officer during 2005, with respect to two transactions.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Trustees, composed of the undersigned trustees who are independent for the purposes of the rules of the NYSE, operates pursuant to a written charter and is responsible for establishing the terms of the compensation of the Company's executive officers and the granting of awards under the Company's 2002 Omnibus Share Plan, as amended.

The Compensation Committee's philosophy is to attract, motivate and retain the Company's executive officers, including the Chief Executive Officer, through competitive compensation arrangements that provide strong financial incentives for the executive officers to maximize shareholder value and reinforce the alignment of management and shareholder interests. The Compensation Committee reviews and approves at least annually executive compensation in order to implement its philosophy and to ensure that the arrangements remain competitive and reflect the Company's performance.

Certain of the Company's executive officers have employment agreements that provide for a minimum base salary and other compensation arrangements. See *Executive Compensation Employment Contracts* below for a summary of the terms of certain of these agreements. Employment agreements are reviewed and approved by the Compensation Committee prior to their execution. The Chief Executive Officer does not have an employment agreement with the Company.

Management presents recommendations for compensation for all executive officers to the Compensation Committee.

The Compensation Committee exercises its independent discretion in reviewing and approving executive officer compensation both individually and in the aggregate. Final compensation determinations for the past year are generally made based upon final financial results and performance for such year. From time to time, the Compensation Committee or management may seek the advice of compensation consultants.

Compensation generally has three primary components: base salary, incentive bonus and long-term equity compensation.

Base Salaries

Base salaries for executive officers, including the Chief Executive Officer, are based on (i) the responsibilities of the position, (ii) the individual's performance and perceived ability to influence the Company's financial performance in the short- and long-term and (iii) an evaluation of salaries for similar positions in companies of similar size, complexity and businesses as the Company.

Incentive Bonuses

Incentive bonuses are structured to further motivate executive officers, including the Chief Executive Officer, by establishing a relationship between the bonuses and the performance of the Company and the executive officer.

Bonuses are typically determined based on (i) specific objective measures of the Company's performance such as funds from operations and total shareholder return, (ii) specific objective measures of the individual's performance such as the ability to meet established financial budgets and (iii) subjective measures of performance such as positioning the Company for short- and long-term growth through acquisitions, development and leasing activities. In determining the incentive bonuses for 2005, the

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Compensation Committee considered, in particular, the following factors: total return to shareholders during 2005 of 14.8%, strong operating results, and other factors the Committee deemed appropriate. The cash bonus awarded to Mr. Roth is discussed below.

Long-term Equity Compensation

The Compensation Committee believes that the interests of the Company's shareholders and executive officers, including the Chief Executive Officer, will be aligned if executive officers are given the opportunity to own the Company's Shares through substantial option and restricted share awards that are granted on a fixed share basis. In 2006, the Board authorized the Company to issue limited partnership units of Vornado Realty L.P. under its Omnibus Share Plan. We refer to limited partnership units that have similar terms to our restricted shares as restricted units. This class of units is separate from those issued under our outperformance plan referred to below. The Compensation Committee bases these awards on the same criteria used to determine base salary but may allocate any increases disproportionately to cash or equity compensation. These awards are a significant part of executive officer compensation packages and are generally granted annually. In making the restricted unit grants for 2005, including those to the Chief Executive Officer, the Compensation Committee considered, in particular, the following factors: the total return to shareholders during 2005 of 14.8%, strong operating results, and other factors the Committee deemed appropriate.

The Compensation Committee recently approved a new long-term incentive compensation program designed to create shareholder value in a pay for performance structure. We refer to this program as an outperformance plan. Under this program, the Company's senior management team has the opportunity to share in a performance pool if the Company's total return to shareholders for the three-year period from March 15, 2006 to March 14, 2009 exceeds a cumulative 30%, including both share appreciation and dividends paid. The size of the pool will be 10% of the outperformance return amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to \$100 million. A portion of the performance pool can be earned after the first and second years, up to a cumulative maximum of \$20 million and \$40 million, respectively, based on a minimum total return to shareholders benchmark of 10% and 20%, respectively. Compensation earned under the program will vest 33-1/3% on each of March 15, 2009, 2010 and 2011 based on continued employment. Individual awards will be made in the form of equity-based securities under the Company's 2002 Omnibus Share Plan, as amended. These awards are a new class of units of the Company's operating partnership, Vornado Realty L.P. and we refer to these awards as Operating Partnership performance units or OPP Units. The number of OPP Units awarded under this new program awarded to Mr. Roth and the four other most highly compensated executive officers of the Company are as follows: Steven Roth, 281,250; Michael D. Fascitelli, 281,250; David R. Greenbaum, 50,000; Joseph Macnow, 56,250; and Sandeep Mathrani, 75,000. These awards represent the maximum number of OPP Units that may be earned pursuant to our outperformance plan. The number of OPP Units issued is subject to the determination of the performance pool referred to above and is not a projection of the number of OPP Units each participant may earn. Recipients will not receive distributions or be entitled to these OPP Units unless and until the minimum total return to shareholders benchmarks are achieved. The number of OPP Units granted are based on each executive's percentage interest in the outperformance plan and an estimate of the maximum number of OPP Units that could be earned, based on the dilution cap and potential unpaid distributions payable in the form of OPP Units.

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Chief Executive Officer's Compensation

Mr. Roth's base salary of \$1,000,000 was established in March 2001. The Compensation Committee believes that Mr. Roth's base salary is consistent with the base salaries of other chief executive officers of companies of similar size and complexity.

Mr. Roth's incentive bonus for 2005 was \$1,000,000. On April 25, 2006, he also received a grant with respect to 2005 of 281,250 OPP Units and 15,578 restricted units. The incentive bonus, OPP Units award and restricted units award were based on an evaluation of those factors previously described and were approved by the Compensation Committee.

Mr. Roth's total cash compensation for 2005 was \$2,000,000. This compares to total cash compensation for 2004 of \$3,000,000. Mr. Roth's total equity compensation for 2005 was \$1,500,000 of limited partnership units and 312,500 OPP Units. This compares to equity compensation for 2004 of \$823,222 of shares of restricted stock and 115,500 options. His cash compensation and restricted unit grant for 2005 appropriately reflects his and the Company's performance in 2005, measured both objectively and subjectively, and the Company's strategic growth position at December 31, 2005.

Policy Regarding Section 162(m)

Section 162(m) of the Internal Revenue Code (Section 162(m)) provides that, in general, publicly traded companies may not deduct, in any taxable year, compensation in excess of \$1,000,000 paid to such companies' chief executive officer and four other most highly compensated executive officers as of the end of any fiscal year which is not performance based, as defined in Section 162(m). The Compensation Committee believes that it is in the best interests of the Company and its shareholders to comply with the limitations of Section 162(m) to the extent practicable and consistent with retaining, attracting and motivating the Company's executive officers. Accordingly, to maintain flexibility in compensating executive officers in a manner designed to promote the goals of the Company and its shareholders, the Compensation Committee has not adopted a policy that all executive compensation must be deductible. The deferred payments made to Mr. Fascitelli pursuant to his employment agreements and certain other compensation to the Company's Chief Executive Officer and the four other most highly compensated executive officers do not meet the requirements of Section 162(m) and will thus be subject to the \$1,000,000 limitation when paid.

The Compensation Committee of the Board of Trustees:

DR. RICHARD R. WEST

MICHAEL LYNNE

RONALD G. TARGAN

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PERFORMANCE GRAPH

The following graph compares the performance of the Company's Shares with the performance of the Standard & Poor's 500 Index (the S&P 500 Index) and the National Association of Real Estate Investment Trust (NAREIT) All Equity Index, a peer group index. The graph assumes that \$100 was invested on December 31, 2000 in each of the Shares, the S&P 500 Index and the NAREIT All Equity Index and that all dividends were reinvested without the payment of any commissions. THERE CAN BE NO ASSURANCE THAT THE PERFORMANCE OF THE COMPANY'S SHARES WILL CONTINUE IN LINE WITH THE SAME OR SIMILAR TRENDS DEPICTED IN THE GRAPH BELOW.

	2000	2001	2002	2003	2004	2005
Vornado Realty Trust	100	115	111	175	256	291
S&P500 Index	100	88	69	88	98	103
The NAREIT All Equity Index	100	114	118	162	213	239

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EXECUTIVE COMPENSATION

The following table sets forth the compensation for the Company's Chief Executive Officer and the four other most highly compensated executive officers for 2005 and for each of the two preceding fiscal years (the "Covered Executives").

Summary Compensation Table

	Annual Compensation	Other	Long Term Compensation Awards
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