

Nuveen Floating Rate Income Opportunity Fund  
Form N-Q  
December 30, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**FORM N-Q**  
**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT**  
**INVESTMENT COMPANY**

Investment Company Act file number 811-21579

**Nuveen Floating Rate Income Opportunity Fund**

(Exact name of registrant as specified in charter)

**333 West Wacker Drive, Chicago, Illinois 60606**

(Address of principal executive offices) (Zip code)

**Kevin J. McCarthy Vice President and Secretary**

**333 West Wacker Drive, Chicago, Illinois 60606**

(Name and address of agent for service)

Registrant's telephone number, including area code: 312-917-7700

Date of fiscal year end: 7/31

Date of reporting period: 10/31/2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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<b>Principal Amount (000)</b>	<b>Description (1)</b>	<b>Weighted Average Coupon</b>	<b>Maturity (2)</b>	<b>Ratings (3)</b>	<b>Value</b>
<b>Variable Rate Senior Loan Interests 155.2% (93.7% of Total Investments) (4)</b>					
<b>Aerospace &amp; Defense 0.8% (0.5% of Total Investments)</b>					
\$ 574	DAE Aviation Holdings, Inc., Term Loan B-1	7.366%	7/31/14	BB-	\$ 427,979
568	DAE Aviation Holdings, Inc., Term Loan B-2	7.170%	7/31/14	BB-	422,968
1,150	Transdigm, Inc., Term Loan B	5.210%	6/23/13	BB-	881,188
2,292	Total Aerospace & Defense				1,732,135
<b>Airlines 3.1% (1.9% of Total Investments)</b>					
1,975	Delta Air Lines, Inc., Term Loan	6.250%	4/30/14	B	1,135,625
3,679	Northwest Airlines, Inc., DIP Term Loan	5.000%	8/21/13	BB-	2,993,843
4,597	United Air Lines Inc., Term Loan B	5.653%	2/01/14	B+	2,643,243
10,251	Total Airlines				6,772,711
<b>Auto Components 2.8% (1.7% of Total Investments)</b>					
1,452	Accuride Corporation, Term Loan	7.313%	1/31/12	Ba3	1,099,705
3,963	Federal-Mogul Corporation, Tranche B, Term Loan	5.274%	12/29/14	Ba2	2,412,471
2,022	Federal-Mogul Corporation, Tranche C, Term Loan	6.060%	12/28/15	Ba2	1,230,852
1,976	Lear Corporation, Term Loan	4.890%	4/25/12	BB-	1,284,400

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9,413 Total Auto Components 6,027,428

**Building Products 6.1% (3.7% of Total Investments)**

1,574	Atrium Companies, Inc., Term Loan	8.724%	5/31/12	B	944,397
4,913	Building Materials Corporation of America, Term Loan	6.625%	2/22/14	B+	3,429,381
3,000	Building Materials Corporation of America, Term Loan, Second Lien	9.000%	9/15/14	Caa2	1,566,000
3,361	Stile Acquisition Corporation, Canadian Term Loan	5.500%	4/05/13	Caa2	2,322,477
3,394	Stile Acquisition Corporation, Term Loan B	5.000%	4/05/13	Caa2	2,345,063
2,940	TFS Acquisition, Term Loan	7.262%	8/11/13	B+	2,734,200
19,182	Total Building Products				13,341,518

**Capital Markets 1.0% (0.6% of Total Investments)**

480	BNY Convergenx Group LLC, Delayed Draw Term Loan, (5) (6)	1.500%	10/02/13	B2	(134,493)
343	BNY Convergenx Group LLC, Incremental Term Loan	6.770%	10/02/13	B2	261,162
2,786	BNY Convergenx Group LLC, Term Loan	6.770%	10/02/13	B2	2,124,107
3,609	Total Capital Markets				2,250,776

**Chemicals 5.4% (3.2% of Total Investments)**

193	Celanese US Holdings LLC, Credit Linked Deposit	3.926%	4/02/14	BB+	156,648
759	Celanese US Holdings LLC, Term Loan	5.553%	4/02/14	BB+	617,192
1,536	Foamex LP, Term Loan B	8.041%	2/12/13	CCC+	710,618
963	Hercules Offshore, Inc., Term Loan	5.640%	7/11/13	BB	656,906
2,409	Hexion Specialty Chemicals, Inc., Term Loan C-1	6.188%	5/05/13	Ba3	1,676,375
523	Hexion Specialty Chemicals, Inc., Term Loan C-2	6.063%	5/05/13	Ba3	364,156
3,023	Huntsman International LLC, Term Loan	4.969%	4/19/14	BB+	2,628,564
1,441	Ineos US Finance LLC, Tranche B2	5.950%	12/16/13	BB-	802,303
1,441	Ineos US Finance LLC, Tranche C2	6.450%	12/16/14	BB-	789,091
1,253	JohnsonDiversey, Inc., Delayed Term Loan	4.791%	12/16/10	Ba2	995,810
1,448	Lucite International, Term Loan B-1	5.370%	7/07/13	BB-	1,313,693
513	Lucite International, Term Loan B-2	5.370%	7/07/13	BB-	408,368
720	Rockwood Specialties Group, Inc., Term Loan E	4.618%	7/30/12	BB+	603,000
16,222	Total Chemicals				11,722,724

**Commercial Services & Supplies 1.5% (0.9% of Total Investments)**

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27	Cenveo Corporation, Delayed Term Loan	4.954%	6/21/13	BB	20,515
952	Cenveo Corporation, Term Loan	4.954%	6/21/13	BB+	718,552
975	NCO Financial Systems, Inc., Term Loan	7.415%	5/15/13	BB-	840,723
1,938	Rental Services Corporation, Term Loan	7.699%	11/27/13	B-	1,196,445
888	Workflow Holdings Corporation, Term Loan	8.420%	11/30/11	B+	610,429
4,780	Total Commercial Services & Supplies				3,386,664

**Communications Equipment 0.9% (0.5% of Total Investments)**

2,340	Aspect Software, Inc., Term Loan B	6.250%	7/11/11	BB-	1,895,400
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**Consumer Finance 0.6% (0.4% of Total Investments)**

1,900	Peach Holdings, Inc., Term Loan	7.712%	11/30/13	B	1,337,125
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**Containers & Packaging 4.5% (2.7% of Total Investments)**

493	Amscan Holdings, Inc., Term Loan	5.407%	5/25/13	B1	369,375
8,533	Graham Packaging Company, L.P., Term Loan	5.744%	10/07/11	B+	6,988,208
611	Smurfit-Stone Container Corporation, Deposit-Funded Commitment	5.926%	11/01/10	BB	485,991
685	Smurfit-Stone Container Corporation, Term Loan B	4.897%	11/01/11	BB	544,856
1,295	Smurfit-Stone Container Corporation, Term Loan C	4.883%	11/01/11	BB	1,029,640
406	Smurfit-Stone Container Corporation, Tranche C-1	5.125%	11/01/11	BB	323,163
12,023	Total Containers & Packaging				9,741,233

**Diversified Consumer Services 4.0% (2.4% of Total Investments)**

6,930	Cengage Learning Acquisitions, Inc., Term Loan	5.620%	7/05/14	B+	5,201,353
258	Laureate Education, Inc., Delayed Term Loan	7.001%	8/17/14	B1	184,516
1,725	Laureate Education, Inc., Term Loan B	7.001%	8/17/14	B1	1,233,029
3,392	West Corporation, Term Loan	5.512%	10/24/13	BB-	2,196,229
12,305	Total Diversified Consumer Services				8,815,127

**Diversified Financial Services 0.7% (0.4% of Total Investments)**

2,000	Fox Acquisition Sub LLC, Term Loan B	7.250%	7/14/15	BB-	1,580,000
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**Diversified Telecommunication Services 10.6% (6.4% of Total Investments)**

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898	Choice One Communications, Term Loan B	6.886%	6/30/12	B2	538,929
2,955	Crown Castle Operating Company, Term Loan	5.376%	1/26/14	BB+	2,263,530
2,000	Intelsat, Term Loan	6.834%	2/01/14	BB-	1,675,000
1,936	Intelsat, Tranche B, Term Loan	6.650%	7/01/13	BB-	1,604,046
4,252	Intelsat, Tranche B, Term Loan A	6.650%	1/03/14	BB-	3,529,542
4,251	Intelsat, Tranche B, Term Loan B	6.650%	1/03/14	BB-	3,528,475
4,251	Intelsat, Tranche B, Term Loan C	6.650%	1/03/14	BB-	3,528,475
4,533	Level 3 Financing, Inc., Term Loan	7.000%	3/13/14	B+	3,388,667
3,920	MetroPCS Wireless, Inc., Term Loan	5.176%	11/03/13	BB-	3,254,580
28,996	Total Diversified Telecommunication Services				23,311,244

**Electric Utilities 6.0% (3.6% of Total Investments)**

806	Calpine Corporation, DIP Revolver, (5)	4.397%	3/31/14	B+	550,000
8,422	Calpine Corporation, DIP Term Loan	6.645%	3/31/14	B+	6,777,047
2,126	Murray Energy Corporation, Term Loan	11.310%	1/28/11	N/R	1,870,440
2,955	TXU Corporation, Term Loan B-2	6.659%	10/10/14	Ba3	2,318,004
1,980	TXU Corporation, Term Loan B-3	6.437%	10/10/14	Ba3	1,545,885
16,289	Total Electric Utilities				13,061,376

**Electrical Equipment 0.9% (0.6% of Total Investments)**

2,929	Allison Transmission Holdings, Inc., Term Loan	5.669%	8/07/14	BB-	2,011,552
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**Electronic Equipment & Instruments 0.6% (0.4% of Total Investments)**

1,955	Sensata Technologies B.V., Term Loan	5.257%	4/27/13	BB	1,262,930
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**Energy Equipment & Services 0.3% (0.2% of Total Investments)**

953	PGS Finance, Inc., Term Loan	5.510%	6/29/15	Ba2	717,383
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**Food Products 1.2% (0.8% of Total Investments)**

366	Dole Food Company, Inc., Deposit-Funded Commitment	6.689%	4/12/13	Ba3	268,000
648	Dole Food Company, Inc., Term Loan B	5.277%	4/12/13	Ba3	475,007
2,674	Dole Food Company, Inc., Term Loan C	5.926%	4/12/13	Ba3	1,959,749
3,688	Total Food Products				2,702,756

**Health Care Equipment & Supplies 0.9% (0.5% of Total Investments)**

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1,419	Symbion, Inc., Term Loan A	6.559%	8/01/13	Ba3	979,110
1,419	Symbion, Inc., Term Loan B	6.559%	8/01/14	Ba3	979,110
2,838	Total Health Care Equipment & Supplies				1,958,220

**Health Care Providers & Services 6.4% (3.8% of Total Investments)**

984	HCA, Inc., Term Loan A	5.762%	11/18/12	BB	833,771
4,703	Health Management Associates, Inc., Term Loan	5.512%	2/28/14	BB-	3,315,743
1,533	HealthSouth Corporation, Term Loan	5.500%	3/10/13	BB-	1,273,864
1,272	IASIS Healthcare LLC, Delayed Term Loan	5.118%	3/14/14	Ba2	1,030,602
340	IASIS Healthcare LLC, Letter of Credit	2.481%	3/14/14	Ba2	275,516
3,677	IASIS Healthcare LLC, Term Loan	5.118%	3/14/14	Ba2	2,978,430
519	LifePoint Hospitals, Inc., Term Loan B	4.435%	4/18/12	Ba1	437,539
4,454	Vanguard Health Holding Company II LLC, Replacement Term Loan	5.743%	9/23/11	Ba3	3,802,810
17,482	Total Health Care Providers & Services				13,948,275

**Health Care Technology 0.6% (0.4% of Total Investments)**

1,886	Emdeon Business Services LLC, Term Loan	5.762%	11/18/13	BB-	1,423,575
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**Hotels, Restaurants & Leisure 11.2% (6.8% of Total Investments)**

3,902	24 Hour Fitness Worldwide, Inc., Term Loan B	6.179%	6/08/12	Ba3	2,907,320
368	CBRL Group, Inc., Term Loan B-2	4.300%	4/28/13	BB-	282,719
2,933	Cedar Fair LP, Term Loan	5.118%	8/30/12	BB	2,155,388
333	Fontainebleau Las Vegas LLC, Delayed Term Loan, (5) (6)	2.000%	6/06/14	B1	(175,000)
667	Fontainebleau Las Vegas LLC, Term Loan	6.065%	6/06/14	B1	316,667
1,897	Green Valley Ranch Gaming LLC, Term Loan B	5.000%	2/16/14	BB-	948,636
2,970	Orbitz Worldwide, Inc., Term Loan	6.391%	7/25/14	BB-	1,908,225
3,595	Shingle Springs Tribal Gaming Authority, Delayed Term Loan, (5)	9.375%	6/15/15	B3	3,541,276
1,975	Travelport LLC, Delayed Term Loan	5.368%	8/23/13	BB-	1,204,750
714	Travelport LLC, Letter of Credit	6.012%	8/23/13	BB-	443,561
3,557	Travelport LLC, Term Loan	6.012%	8/23/13	BB-	2,210,612
1,995	Venetian Casino Resort LLC, Delayed Term Loan	5.520%	5/23/14	BB-	1,147,624
7,900	Venetian Casino Resort LLC, Term Loan	5.520%	5/23/14	BB-	4,544,475
3,258	Wintergames Holdings, Term Loan	6.250%	10/23/08	N/R	3,095,175
36,064	Total Hotels, Restaurants & Leisure				24,531,428

**Household Durables 2.3% (1.4% of Total Investments)**

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6,105	Jarden Corporation, Term Loan	5.512%	1/24/12	BB-	4,998,528
<b>Household Products 2.7% (1.6% of Total Investments)</b>					
7,320	Prestige Brands, Inc., Term Loan B	5.822%	4/06/11	BB-	5,892,933
<b>Insurance 1.8% (1.1% of Total Investments)</b>					
685	Affirmative Insurance Holdings, Inc., Term Loan	6.537%	1/31/14	B1	496,717
5,339	Conseco, Inc., Term Loan	5.000%	10/10/13	B+	3,537,250
6,024	Total Insurance				4,033,967
<b>Internet Software &amp; Services 1.0% (0.6% of Total Investments)</b>					
3,887	Sabre, Inc., Term Loan	5.251%	9/30/14	B+	2,252,434
<b>IT Services 4.7% (2.8% of Total Investments)</b>					
958	Attachmate Corporation, Term Loan	6.368%	4/13/13	BB-	766,093
445	First Data Corporation, Term Loan B-2	6.019%	9/24/14	BB-	329,431
336	Infor Global Solutions Intermediate Holdings, Ltd., Delayed Term Loan	7.520%	7/28/12	B+	212,520
644	Infor Global Solutions Intermediate Holdings, Ltd., Term Loan	7.520%	7/28/12	B+	407,330
2,000	Infor Global Solutions Intermediate Holdings, Ltd., Term Loan B-1, WI/DD	TBD	TBD	Caa2	725,000
10,108	SunGard Data Systems, Inc., Term Loan B	4.553%	2/28/14	BB	7,790,760
14,491	Total IT Services				10,231,134
<b>Leisure Equipment &amp; Products 2.4% (1.4% of Total Investments)</b>					
5,468	Bombardier Recreational Products, Inc., Term Loan	6.347%	6/28/13	B+	3,786,835
3,000	Wimar OpCo LLC, Term Loan, (7)	7.250%	1/03/12	N/R	1,392,500
8,468	Total Leisure Equipment & Products				5,179,335
<b>Machinery 1.4% (0.9% of Total Investments)</b>					
3,000	Manitowoc Company Term Loan, (5) (6)	0.750%	8/30/14	BB+	(628,500)
578	Navistar International Corporation, Synthetic Letter of Credit	6.242%	1/19/12	BB-	404,445
1,589	Navistar International Corporation, Term Loan	6.421%	1/19/12	BB-	1,112,222

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1,780	Oshkosh Truck Corporation, Term Loan	4.503%	12/06/13	BB+	1,241,550
277	Rexnord Corporation, Incremental Term Loan	5.762%	7/19/13	Ba2	220,306
934	Rexnord Corporation, Term Loan	6.370%	7/19/13	Ba2	747,541
8,158	Total Machinery				3,097,564

**Media 32.7% (19.7% of Total Investments)**

1,945	AMC Entertainment, Inc., Term Loan	5.009%	1/28/13	Ba1	1,491,572
988	CanWest Mediaworks LP, Term Loan	4.810%	7/10/15	Ba2	706,063
5,915	Cequel Communications LLC, Term Loan B, 144A	6.207%	11/05/13	BB-	4,386,089
3,000	Charter Communications Operating Holdings LLC, Holdco Term Loan	6.262%	3/06/14	B+	1,960,001
9,736	Charter Communications Operating Holdings LLC, Term Loan	5.313%	3/06/14	B+	7,331,264
966	Cumulus Media, Inc., Term Loan	4.757%	6/11/14	B1	562,819
2,000	HIT Entertainment Inc., Term Loan	8.300%	2/26/13	B-	1,090,000
2,928	HIT Entertainment Inc., Term Loan B	4.800%	3/20/12	Ba3	1,830,085
4,913	Idearc, Inc., Term Loan	5.742%	11/17/14	BB	2,120,564
5,932	Metro-Goldwyn-Mayer Studios, Inc., Term Loan	7.012%	4/08/12	N/R	2,999,535
5,880	Metro-Goldwyn-Mayer Studios, Inc., Term Loan B	7.012%	4/08/12	N/R	2,972,991
11,782	Neilsen Finance LLC, Term Loan	4.803%	8/09/13	Ba3	8,589,300
3,008	NextMedia Operating, Inc., Term Loan, Second Lien	0.000%	11/15/13	CCC	1,909,815
3,049	Philadelphia Newspapers, Term Loan A, (8)	0.000%	6/29/12	N/R	228,671
1,907	ProQuest Company, Term Loan B	5.716%	2/09/14	BB-	1,658,800
3,832	Regal Cinemas Corporation, Term Loan	5.262%	10/27/13	Ba2	2,897,553
3,816	SFX Entertainment, Inc., Term Loan	7.020%	6/20/13	Ba3	3,072,277
16,807	Tribune Company, Term Loan B, DD1	6.000%	6/04/14	B	7,546,545
1,365	Tribune Company, Term Loan X	7.084%	6/04/09	B	1,074,517
15,000	Univision Communications, Inc., Term Loan	5.250%	9/29/14	B1	

- (a) one late filing by Russell B. Wight, Jr, a trustee, with respect to a transaction reported on a Form 5;
- (b) two late filings by Robert P. Kogod, a trustee, with respect to distribution and unit redemption transactions reported on Form 4;
- (c) one late filing by Joseph Macnow, an executive officer, with respect to the purchase of preferred shares reported on a Form 4;
- (d) one late filing by Wendy Silverstein, an executive officer, with respect to a transaction reported on Form 4;
- (e) two late filings by Dr. Richard R. West, a trustee, with respect to the purchase of preferred shares reported on Form 4; and
- (f) one late filing by Mitchell N. Schear, an executive officer, with respect to a transaction reported on a Form 5.



## COMPENSATION DISCUSSION AND ANALYSIS

### Overview of Compensation Philosophy and Program

We believe that the quality, skills and dedication of our senior executive officers are critical factors affecting the long-term value of our company. Our key compensation goals are to attract world-class executive talent; retain our key leaders; reward past performance; provide an incentive for future performance; and align our executives' long-term interests with those of our investors. We use a variety of compensation elements to achieve these goals, including base salary, annual bonuses, options, Restricted Shares, Restricted Units and out-performance units, all of which we discuss in detail below.

### Compensation Reductions in Response to Current Economic Conditions

In light of the current uncertain economic conditions, we determined to decrease the compensation levels of our executive officers and other officers throughout the Company. This process was undertaken in connection with our annual compensation review completed in the first quarter of 2009. This decision was made despite our reporting strong results in our core operations for 2008 (as reported in our Annual Report on Form 10-K for the year ended December 31, 2008, our same-store EBITDA for our New York Office, Washington, DC Office and Retail divisions increased by 6.2%, 4.5% and 4.8%, respectively, over the prior year). In the aggregate, we reduced by 29% the salary, bonuses and annual equity compensation of our executive officers, with total compensation being reduced in a range of 16% to 52% for the individual executives. For other employees of the Company, the aggregate salaries and bonuses did not increase and the value of annual equity grants decreased by 19%. Additionally, OPP Units were granted to members of management in 2008 and not in 2009.

The compensation reductions discussed above are not reflected in the Summary Compensation Table below for three reasons: (1) the reductions pertain to awards granted in 2009 (for 2008 performance) and were not recorded in the periods presented; (2) the Summary Compensation Table reflects the accounting costs associated with amortizing equity grants made in multiple years (from 2003 to 2008) over the applicable vesting period while our discussion of compensation reductions pertains to a single year's compensation decisions; and (3) the Summary Compensation Table reflects the accounting cost (which we refer to as Fair Value) of Restricted Units is based on a valuation formula determined by a third-party valuation firm that changes from year to year while our Compensation Committee grants Restricted Units based on the market price of our Shares on the date of grant (which we refer to as Market Value) which was the method used in the discussion above.

Additionally, we have excluded the impact of OPP Unit awards from this Compensation Discussion and Analysis in comparing aggregate 2008 salary, bonus and annual equity compensation to the comparable amount for 2007 because, while OPP Units were awarded in 2008 (for 2007 performance), there were no comparable awards made in 2009 (for 2008 performance).

### *Surrender of Equity Awards*

In the first quarter of 2009 each of our nine most senior executive officers voluntarily surrendered all grants to them during 2007 and 2008 of options and of 2008 OPP Units, as defined below (without any consideration or agreement for consideration in the future). The voluntary surrender of these awards resulted in an approximate \$32.6 million expense to the Company in the first quarter of 2009 due to the acceleration of the unamortized expense associated with the granting of these awards.

### **Implementing Our Objectives**

Our decisions on senior executive officer compensation are based primarily upon our assessment of each executive's leadership, operational performance and potential to enhance long-term shareholder value. We rely upon our judgment about each individual and not on rigid formulas or short-term changes in business performance in determining the amount and mix of compensation elements. Key factors affecting our judgment include: actual performance compared to the financial, operational and strategic goals established for 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

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#### 14 VORNADO REALTY TRUST 2009 PROXY STATEMENT

interest, taxes, depreciation and amortization ( EBITDA ), funds from operations ( FFO ) and total return to shareholders during 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. We also consider each executive's current salary and prior-year bonus, 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, while we encourage alignment with shareholders interests through long-term, equity-based compensation, we have no pre-established target for the allocation of compensation between cash and non-cash or short-term and long-term incentive elements. We apportion cash payments and equity incentive awards as another tool 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. In addition, typically, our Chief Executive Officer and President receive a higher proportion of their compensation in the form of equity than our other senior executives. This allocation is based on (1) the relative seniority of these executives; and (2) a determination that these 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 motivated our named executives to deliver superior performance and retained them to continue their careers with us on a cost-effective basis.

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

The Corporate Governance and Nominating Committee of our Board is responsible for evaluating potential candidates for executive positions, including the Chief Executive Officer, 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) administers our incentive compensation and other equity-based plans, 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 Chief Executive Officer, our President and our other named executives. The Compensation Committee evaluates the performance of our Chief Executive Officer and our President and sets their compensation. Our Chief Executive Officer, our President and the Compensation Committee together assess the performance of our named executives and determine their compensation, based on the initial recommendations of our Chief Executive Officer and our President. The other named executives do not play a role in determining their own compensation, other than discussing individual performance objectives with our Chief Executive Officer and our President.

In support of these responsibilities, members of our senior management 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 them.

This process involves multiple meetings among our Chief Executive Officer, our President and our Compensation Committee. Typically, in the third and fourth quarter 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 2008, as has been our normal practice, our President 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 the division heads prior to a recommendation being presented to the Compensation Committee. For our senior executives other than the Chief Executive Officer and President, recommendations are prepared based upon discussions among the Compensation Committee, our Chief Executive Officer and our President. These recommendations are based upon our objectives described above and may include factors such as information obtained from compensation consultants. Our Chief Executive Officer and President discuss these

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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 Chief Executive Officer and President is determined in accordance with a similar process involving direct discussions among the Compensation Committee and our Chief Executive Officer and President. Historically, except for OPP awards, specific performance targets are not used in determining compensation.

#### *Role of Compensation Consultants*

We and the Compensation Committee also consult with one or more executive compensation experts, from time to time, and consider the compensation levels of companies within our industry and other industries that compete for the same talent. Periodically, we have retained compensation consultants to assist in the design of programs that affect senior executive compensation, most recently in the development of our out-performance plan (described below). Currently, the Compensation Committee has retained Watson Wyatt & Company to provide assistance in reviewing our overall compensation plan, its objectives and implementation. In 2008, Watson Wyatt was directed to review our overall compensation process and comparative compensation levels for senior executive officers. Watson Wyatt prepared an analysis of compensation levels at the following companies that it determined to be comparable: 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. The consensus of the Compensation Committee was that the analyses were useful in indicating that our compensation levels were not out-of-line with these other companies.

#### **Compensation Elements for Senior Executive Officers**

The elements of our executive compensation program are set forth below. The factors we consider in making compensation awards for our senior executive officers are set forth above and are based upon a subjective, non-formulaic evaluation of senior executive and Company performance conducted by the Compensation Committee together with our Chief Executive Officer and President, which we discuss below. These factors are considered as a whole and no one factor is determinative of an executive's compensation. Among the factors considered were the changes in the Company's and the applicable division's operating and performing metrics during the year (EBITDA and FFO), our total return to shareholders during the year, asset and personnel development and the other factors previously mentioned. Decreases and allocations for 2008 and increases and allocations for 2007 and 2006 of various compensation elements to our named executive officers were based upon the results of these reviews. In several cases, as described below, some aspects of the compensation paid to our executives are affected by the terms of applicable employment agreements. In such cases, for instance, base salaries cannot be decreased during the employment term.

#### *Base Salary*

Base salaries for our executives are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions as well as salaries paid to the executives' peers within the Company. We set base salaries at a level designed to attract and retain superior leaders. Base salaries are typically reviewed every 12 months in the first quarter of each year in connection with annual performance reviews, and adjusted to take into account outstanding individual performance, promotions and competitive compensation levels. There were no increases in senior executive base salaries for 2009 over that of 2008.

#### *Annual Bonus*

We pay annual bonuses as a component of overall compensation as well as to provide an incentive and a reward for superior performance. From time to time, we may pay additional special bonuses for superior performance. None of our current bonuses are (and only in rare cases are any) bonuses based on specific performance targets. Bonuses are paid in cash and/or in equity interests, generally in the first quarter of each year for the prior year's performance. These bonuses are based upon our evaluation of each executive's individual performance

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during the prior year in the context of our assessment of the overall performance of the Company and the executive's business unit or function in meeting the budgeted financial and other goals established for the Company and the executive's business unit or function. For our senior executives, the annual bonuses paid to them in 2009 (for 2008 performance) were, in the case of our Chief Executive Officer and President, all in the form of Restricted Units and for the remainder of our senior executive officers 50% in Restricted Units and 50% in cash. As described below, we believe Restricted Units to be a tax-efficient form of compensation that continues to align the executive's interests with those of our shareholders, and enhances retention through vesting conditions. Special bonuses are generally awarded in recognition of outstanding achievement with regard to specific events based upon an after-the-fact subjective evaluation of factors then deemed important by our Chief Executive Officer, President and Compensation Committee.

### *Options, Restricted Shares and Restricted Units*

Also, generally in the first quarter of each year in connection with annual performance reviews, we make grants to the Company's officers, including our senior executive officers of: options to purchase our common shares, Restricted Shares, and/or Restricted Units. The portion of overall compensation, if any, allocated each year among these types of grants is determined by the Compensation Committee, in conjunction with our Chief Executive Officer and our President, taking into account our overall compensation objectives. These grants are intended to serve as incentives for our superior performers to remain with us and continue that performance. Generally, unvested equity grants are forfeited if the executive leaves the Company, however, options fully vest if an executive departs the Company after the age of 65 or his or her employment is terminated due to a disability prior to retirement and all equity awards automatically vest on death or upon a change of control. All equity grants are accounted for in accordance with Statement of Financial Accounting Standards 123R-*Share Based Payment* ( SFAS 123R ).

Upon vesting, each option permits the executive, for a period of ten years from the original grant date, to purchase the stated number of common shares from the Company at an exercise price per share determined on the date of grant. Options have value only to the extent the price of our shares on the date of exercise exceeds the applicable exercise price. Options generally become exercisable in five equal annual installments beginning approximately one year after the grant date.

Restricted Shares are grants of our common shares that generally vest in 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 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, and then for our common shares, in certain circumstances. 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.

### *Out-Performance Units*

A principal component of our long-term equity incentives has been our out-performance plans. In 2006 and again in 2008, our Compensation Committee approved the adoption of an out-performance plan. These plans are designed to provide compensation in a pay for performance structure. Awards under our out-performance plans are a class of units (collectively referred to as OPP Units) of the Company's operating partnership, Vornado Realty L.P., issued under our 2002 Omnibus Share Plan, as amended. If the specific performance objectives of these out-performance plans are achieved as determined by our Compensation Committee, the OPP Units become convertible into Class A common units of Vornado Realty L.P. (and ultimately into our Shares) following vesting, and their value fluctuates with

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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 or upon a change of control. OPP Units are intended to also provide recipients with better income tax attributes than grants of options. All grants under our OPP Plans are accounted for in accordance with SFAS 123R.

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The out-performance plan approved in 2006 (the 2006 OPP Plan ) was adopted as part of our regular annual evaluation of executive performance and compensation for 2005 performance. Under the 2006 OPP Plan, the Company's senior management and approximately 45 of our other officers received the opportunity to share in a performance pool if our total return to shareholders for the three-year period from March 15, 2006 to March 14, 2009 were to exceed a cumulative 30%, including both share appreciation and dividends paid. These performance targets were fully achieved as of January 12, 2007 in accordance with the 2008 OPP Plan provisions. The size of the pool was 10% of the out-performance return amount in excess of the 30% benchmark, subject to a maximum aggregate award equal to \$100 million. Once the performance targets were met, the receipt of the applicable awards became subject only to time-based vesting. However, the value of these awards fluctuates with changes in the value of our Shares. Compensation earned under the program vests 33 1/3% on each of March 14, 2009, 2010 and 2011. The grants under the 2006 OPP Plan were not a factor in determining compensation earned for 2008. We refer to grants under the 2006 OPP Plan as 2006 OPP Units.

The Compensation Committee approved a new \$75 million out-performance plan in March of 2008 (the 2008 OPP Plan ) that requires achievement against both absolute and relative thresholds. The 2008 OPP Plan established a potential performance pool in which our senior management (and approximately 70 of our other officers) has the opportunity to share in that performance pool's value if the total return to our shareholders ( TRS ), resulting from both share appreciation and dividends, for the four-year period from March 31, 2008 to March 31, 2012 exceeds the absolute and/or relative hurdles described below. We established \$86.20 per Share as the initial value from which to determine TRS. In the first quarter of 2009, each of our executive officers (the nine most senior executives) surrendered all grants to them of 2008 OPP Units (without any consideration or agreement for consideration in the future).

- n Absolute Component: 40% cumulative TRS over the four-year period, or 10% simple return per annum over that period (the Absolute Threshold ).
- n Relative Component: In addition to the Absolute Threshold, the value of grants under the 2008 OPP Plan (the 2008 OPP Units ) increases to the extent the TRS exceeds the total return for the four-year measurement period achieved by the SNL Equity REIT Index and decreases (to potentially no value) if the TRS is less than the total return for the SNL Equity REIT Index for that measurement period (the Relative Threshold ). Furthermore, if the TRS for the measurement period does not exceed the Absolute Threshold but does exceed the Relative Threshold, any value of the 2008 OPP Plan is reduced proportionately so that at a 10% annual TRS to the Company shareholders (the full Absolute Threshold) the participants would be entitled to 100% of the value earned under the 2008 OPP Plan and at a 7% annual TRS to the Company shareholders, the 2008 OPP Plan would have no value.

If achieved, the size of the outperformance pool for the 2008 OPP Plan will be 6% of the aggregate out-performance return subject to a maximum total award of approximately \$75 million (the Maximum Award ). The out-performance return is comprised of (i) 3% of the total dollar value of the Company's TRS in excess of that calculated using the Absolute Threshold plus (ii) 3% of the total dollar value of the Company's TRS in excess of that calculated using the Relative Threshold over the four-year performance period. In the event that the Relative Component creates a negative award because the Company underperformed the SNL Equity REIT Index, the value of any out-performance award potentially earned under the Absolute Component will be reduced dollar for dollar. The size of this out-performance pool, if any, will be determined based on the highest 30-day trailing average price of our Shares during the final 150 days of the four-year period.

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The 2008 OPP Plan also provides for two interim measurement periods (the Interim Periods ) in addition to the four-year aggregate period: (a) one for a period consisting of the first two years of the plan and (b) one for a period consisting of the second two years of the plan. For each Interim Period, participants may be entitled to share in up to 40% (\$30,000,000) of the total possible performance pool if the performance thresholds have been met on a prorated basis based on performance over the applicable two-year period. If the performance hurdles are not met for the first Interim Period, participants will still be able to earn awards for (a) the second Interim Period based upon a TRS achieved based on the market price of our Shares at the beginning of the second Interim Period (but which comparison price will not be less than the price used at the start of the 2008 OPP Plan less aggregate dividends paid to that date from the start of the plan) or (b) for the cumulative four-year period if the four-year TRS performance hurdles are met. In no event will the aggregate awards exceed the Maximum

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Award. The size of any out-performance pool for an Interim Period will be determined based on the highest 30-day trailing average price of our Shares during the final 120 days of the applicable Interim Period.

Compensation earned under the 2008 OPP Plan (including any awards earned for the Interim Periods), will vest 50% on March 31, 2012 and 50% on March 31, 2013. Individual awards were made in the form of OPP Units. During the course of the performance period, participants are entitled to 10% of any regular quarterly dividends paid on a Share for every 2008 OPP Unit granted, regardless of whether such unit is ultimately earned. The actual number of 2008 OPP Units issued is subject to the determination of the performance pool referred to above and Compensation Committee approval.

### *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 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 in 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*

Our defined benefit retirement plan was frozen for new participants and benefits in 1997 and was terminated in 2008. Of the named executives, only Messrs. Roth, Fascitelli and Macnow were participants. The amounts payable to these persons is set forth below under Employee Retirement Plan. We offer a 401(k) Retirement Plan to all of our employees for whom 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. These plans are not a factor in our current compensation determinations.

### *Perquisites and Other Compensation*

We provide our senior executive officers with perquisites that we believe are reasonable, competitive and consistent with our overall executive compensation program. These perquisites may include: use of a Company car and a driver;

financial counseling and tax preparation services; and supplemental life insurance. The costs of these benefits constitute a small percentage of any applicable executive's overall compensation.

**Basis for Chief Executive Officer Compensation**

*Cash compensation*

Mr. Roth's base salary of \$1,000,000 was established in March 2001 and has remained unchanged since then. Mr. Roth's bonuses for 2008, 2007 and 2006 (granted in 2009, 2008 and 2007, respectively) were principally in

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the form of equity. His total cash compensation for 2008, 2007 and 2006 was \$1,003,800, \$1,009,500 and \$1,000,000, respectively.

#### *Equity compensation*

Mr. Roth's bonus (granted in 2009) for 2008 performance was \$1,000,000 (at Market Value) in Restricted Units as opposed to \$1,500,000 (at Market Value) in Restricted Units in 2007, a 33% reduction. Using Fair Value, Mr. Roth's bonus (granted in 2009) for 2008 performance was \$928,000 in Restricted Units as opposed to a \$1,078,300 grant of Restricted Units in 2008, a 14% reduction from that granted in 2008 for 2007 performance. In 2007, Mr. Roth was granted a bonus (for 2006 performance) of \$1,078,300 (at Fair Value) in Restricted Units.

For 2008, Mr. Roth was also granted (in 2009) long-term equity incentive compensation of 45,000 Restricted Units (having a Market Value of \$1,521,500 and a Fair Value of \$1,412,000) and an option to acquire 300,000 Shares with an exercise price of \$33.815 per share. The aggregate value at the date of grant of these awards of Restricted Units and options is \$3,114,000 (at Market Value) and \$3,004,500 (at Fair Value) and represents a 31% and 33% reduction for the aggregate value of non-bonus grants of Restricted Units and options made in 2008. In 2008, Mr. Roth was also granted an award of OPP Units which were not granted in 2009. For 2007 performance, Mr. Roth was granted (in 2008): (a) 143,294 OPP Units; and (b) a 10-year option to acquire 700,000 Shares at an exercise price of \$103.00 per share. For 2006 performance, Mr. Roth was granted (in 2007) (1) an award of \$1,925,500 in the form of Restricted Units (at Fair Value) and (2) a 10-year option to acquire 89,732 Shares at an exercise price of \$121.58 per share.

Mr. Roth's salary, bonus and equity awards were based on an evaluation of those factors previously described and were approved by the Compensation Committee. Among the factors considered were the strategic position of the Company, the changes in the Company's operating and performing metrics during the year (EBITDA and FFO), our total return to shareholders during the year and the other factors previously mentioned. These factors were considered as a whole and no numerical weight was attributed to any particular factor. The majority of Mr. Roth's compensation is in the form of equity to further align his interests with those of our shareholders.

We believe that Mr. Roth's cash and equity compensation in and for 2008 appropriately reflect his and the Company's performance, measured both objectively and subjectively, the Company's strategic growth position at the time such compensation was determined and the current economic environment.

#### **Basis for Compensation of Other Named Executives**

For our other named executive officers (Messrs. Fascitelli, Greenbaum, Macnow and Mathrani), such executive's salary, bonus and other equity awards were based on an evaluation of those factors previously described and were approved by the Compensation Committee. Among the factors considered were the strategic position of the Company, the changes in the Company's operating and performing metrics during the year (EBITDA and FFO), our total return to shareholders during the year and the other factors previously mentioned. With regard to Messrs. Fascitelli and Macnow (our President and Chief Financial Officer, respectively), we considered these factors as they apply to our Company as a whole as their responsibilities are company-wide. For Mr. Fascitelli as our President, we determined that the majority of his compensation should be in the form of equity to further align his interests with those of our shareholders. For Messrs. Greenbaum and Mathrani, we also considered these factors as they pertain to the applicable operating division of which such executive is the head. Mr. Greenbaum is the President of our New York Office Division, and Mr. Mathrani is our Executive Vice President Retail. In all cases, these factors were considered as a whole and no numerical weight was attributed to any particular factor. In the aggregate, salary and bonuses awarded to these named executive officers in 2009 (for 2008 performance) decreased from that granted in 2008 by 17% (valuing

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Restricted Units at Market Value) and 10% (valuing Restricted Units at Fair Value). In addition, the value of other recurring equity awards granted in 2009 as compared to that granted in 2008 decreased by 48% (valuing Restricted Units at Market Value) and 49% (valuing Restricted Units at Fair Value).

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**Other Compensation Policies and Practices**

*Equity Grant Practices*

All equity-based compensation awards are made under our 2002 Omnibus Share Plan, as amended, which our shareholders approved in 2002 and as amended in 2006. This plan limits total shares that may be issued pursuant to awards to 10,000,000 of our common shares. The exercise price of each stock option awarded to our senior executives must be no less than the average of the high and low price of our Shares on the New York Stock Exchange on the date granted by the Compensation Committee. The vast majority of our equity awards are determined and granted in the first quarter of each year, at the same time as management and the Compensation Committee conclude their evaluation of the performance of our senior executives as a group and each executive individually. In addition and from time to time, additional equity awards may be granted in connection with new hires or promotions. We have never repriced options.

*Share Ownership Guidelines*

As our senior executives generally have significant personal investments in our equity securities, we have not established any policy regarding security ownership by management.

In accordance with Federal securities laws, we prohibit short sales by our executive officers of our equity securities.

*Employment, Severance and Change of Control Agreements*

We do, from time to time, enter into employment agreements with some of our senior executive officers, which we negotiate on a case-by-case basis in connection with a new employment arrangement or a new agreement governing an existing employment arrangement. Otherwise, our senior executives and other employees serve at will. Except as may be provided in these employment agreements or pursuant to our compensation plans generally, we have not entered into any separate severance or change of control agreements. For those of our senior executives who have employment agreements, these agreements generally provide for a severance payment (for termination by us without cause or by the executive with good reason (each as defined in the applicable employment agreement and further described below under *Employment Contracts* )) and change of control payment (if employment is terminated following a change of control) in the range of one to three times the applicable executive's annual salary and bonus. In addition, the agreements evidencing awards under the Company's 2002 Omnibus Share Plan, as amended, generally provide that equity grants will vest automatically on a change of control. These change of control arrangements are designed to compensate management in the event of a fundamental change in the Company, their employer, and to provide an incentive to these executives to continue with the Company at least through such time. Severance and change of control arrangements do not generally affect other compensation arrangements for a particular period. A more complete description of employment agreements, severance and change of control arrangements pertaining to named executives and officers is set forth under *Employment Contracts* and *Severance and Change of Control Arrangements*.

*Tax Deductibility of Compensation*

The tax efficiency of compensation is one of many factors that enter into the design of our compensation programs. We look at a combination of the rates at which our executives will be taxed and the value of any deduction that we may be entitled to when developing our approach to compensation. We believe that the limitation of Section 162(m)

of the Internal Revenue Code (which limits the corporate tax deduction for certain executive officer compensation that exceeds \$1 million a year) does not apply to most of the compensation we paid to our Covered Executives for 2008 and only a small portion of their compensation may not be deductible due to that limitation.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the Compensation Committee Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The Compensation Committee of the  
Board of Trustees:

MICHAEL LYNNE  
RONALD G. TARGAN  
DR. RICHARD R. WEST

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**EXECUTIVE COMPENSATION**

The following table sets forth the compensation earned by each of the Company's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers for 2008, 2007 and 2006 (the "Covered Executives"). The information below does not reflect the recent reductions in compensation described in Compensation Discussion and Analysis Compensation Reductions in Response to Current Economic Conditions because the reductions pertain to grants in 2009 (for 2008 performance) and were not recorded for the periods presented below.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Cash Bonus (\$) <sup>(1)</sup>	Restricted Share/Unit Awards (\$) <sup>(2)</sup>	Non-qualified Deferred Compensation Earnings (\$) <sup>(3)</sup>		All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
					Equity Incentive Plan Awards (\$) <sup>(2)</sup>	Non-qualified Deferred Compensation Earnings (\$) <sup>(3)</sup>		
Steven Roth Chairman and Chief Executive Officer Principal Executive Officer)	2008	1,000,000	3,800	5,802,699	1,204,439	134,015	274,484	8,419,437
	2007	1,000,000	9,500	5,330,804	321,033	40,749	263,984	6,966,070
	2006	1,000,000		3,111,767	125,202	38,653	240,032	4,515,654
Michael D. Cascitelli President	2008	1,000,000	3,800	5,702,324	1,000,660	2,694	262,575	7,972,053
	2007	1,000,000	9,500	5,179,786	287,769	454	258,186	6,735,695
	2006	1,000,000		2,974,507	100,270	357	219,007	4,294,141
David R. Greenbaum President New York Office Division	2008	1,000,000	503,800	1,276,411	463,038		245,854	3,489,103
	2007	1,000,000	759,500	909,728	68,766		225,375	2,963,369
	2006	1,000,000	500,000	516,700	27,100		229,904	2,273,704
Joseph Macnow Executive Vice President Finance and	2008	1,000,000	403,800	1,524,670	166,484	61,817	311,203	3,467,974
	2007	1,000,000	309,500	1,276,491	61,666	20,739	241,723	2,910,119
	2006	1,000,000	250,000	699,529	20,000	17,355	284,065	2,270,949

Administration  
 and Chief  
 Financial Officer  
 (Principal  
 Financial Officer)

andeep Mathrani	2008	1,000,000	503,800	1,561,319	1,934,036	55,961	5,055,116
Executive Vice							
President	2007	1,000,000	1,009,500	1,330,833	1,284,538	105,362	4,730,233
Retail Division	2006	1,000,000	1,000,000	913,759	727,130	102,222	3,743,111

- (1) *The information provided includes bonuses for services that are rendered in the year indicated and are awarded in the first quarter of the next succeeding year.*
- (2) *Information presented in this column reflects the dollar amount recognized for financial statement reporting purposes for the applicable fiscal year. Such amounts were recognized in accordance with SFAS 123R and includes amounts for awards made pursuant to our 2002 Omnibus Share Plan and thus includes amounts from awards granted in and prior to such fiscal year. Pursuant to the rules and regulations of the SEC, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in footnote 11 to our consolidated financial statements included in our Annual Report on Form 10-K (the "Form 10-K") for the applicable fiscal year as filed with the SEC. Dividends are paid on both the vested and unvested portion of restricted share and restricted unit awards.*
- (3) *Included in this column is the actuarial increase (or decrease) in the present value of the applicable executive's benefits under the Vornado Realty Trust Retirement Plan, a defined benefit pension plan (which was frozen in 1997 and terminated in 2008). The change in value was determined using interest and mortality rate assumptions consistent with those used in our financial statements. There were no earnings on amounts*
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## 2009 PROXY STATEMENT VORNADO REALTY TRUST 23

*in the Vornado Realty Trust Nonqualified Deferred Compensation Plans which were determined to be above-market or preferential, as defined in the rules and regulations of the SEC.*

(4) See the All Other Compensation table for additional information.

**All Other Compensation Table**

The following table describes each component of the All Other Compensation column in the Summary Compensation Table.

Name	Year	Use of Car and Driver (\$) <sup>(1)</sup>	Supplemental			Tax and Financial	Total (\$)
			Life Insurance Premiums (\$)	Reimbursement For Medical / Dental Not Covered (\$)	Assistance Per Employment Contract (\$)	Planning	
Steven Roth	2008	227,148	47,336				274,484
	2007	215,779	48,205				263,984
	2006	191,536	48,496				240,032
Michael D. Fascitelli	2008	230,420	17,155		15,000		262,575
	2007	227,881	15,305		15,000		258,186
	2006	190,380	13,627		15,000		219,007
David R. Greenbaum	2008	202,787	18,067	10,000	15,000		245,854
	2007	182,557	17,818	10,000	15,000		225,375
	2006	187,240	17,664	10,000	15,000		229,904
Joseph Macnow	2008	147,616	148,587		15,000		311,203
	2007	141,447	85,276		15,000		241,723
	2006	184,127	84,938		15,000		284,065
Sandeep Mathrani	2008	50,926	5,035				55,961
	2007	100,327	5,035				105,362
	2006	97,187	5,035				102,222

(1) For each applicable fiscal year, each of the Covered Executives was provided with a car and driver. Each Covered Executive has used the car and driver for both business and personal purposes and the amounts shown

*for such executive reflect the aggregate incremental cost to the Company for the car, driver and related expenses without allocating costs between business and personal uses.*

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**Grants of Plan-Based Awards in 2008**

The following table lists all grants of plan-based awards to the Covered Executives made in 2008 and their grant date fair value. All of these awards were voluntarily surrendered (without any consideration or agreement for consideration in the future) in the first quarter of 2009.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(1)</sup>	All Other Share/Unit Awards: Number of Shares of Stock or Units (#) <sup>(2)</sup>	All Other Option Awards:	Exercise or Base Price of Option Awards	Grant Date Fair Value of Awards (\$) <sup>(4)</sup>
				Number of Securities Underlying Options (#) <sup>(3)</sup>	(\$/Sh) <sup>(3)</sup>	
Steven Roth	3/31/08	143,294	17,117	700,000	103.00	9,970,694
Michael D. Fascitelli	3/31/08	143,294	17,117	700,000	103.00	9,970,694
David R. Greenbaum	3/31/08	52,541	8,559	400,000	103.00	4,721,787
Joseph Macnow	3/31/08	38,212	9,129	100,000	103.00	2,389,143
Sandeep Mathrani	3/31/08	42,988	3,423	100,000	103.00	2,176,011

(1) The amounts shown in this column represent the maximum earnable number of 2008 OPP Units that, upon vesting, will be distributed to each Covered Executive pursuant to our 2008 Out-performance Plan. The 2008 Out-performance Plan gave participants the opportunity to share in a performance pool if certain total return objectives (described under Compensation Discussion and Analysis Compensation Elements of our Senior Executive Officers Out-Performance Units ) are, in the future, achieved.

(2) The information presented in this column represents the number of Restricted Units that were granted to the Covered Executives. These Restricted Units vest ratably over five years beginning in 2009. Restricted Units are a separate class of units in Vornado Realty L.P. which will be convertible into Class A common units of Vornado Realty L.P. and will be ultimately redeemable for our Shares on a one-for-one basis. On February 27, 2009, the Covered Executives were granted the following numbers of Restricted Units that vest ratably over five years beginning in 2010: Steven Roth, 74,573; Michael D. Fascitelli, 74,573; David R. Greenbaum, 21,036; Joseph Macnow, 18,079; and Sandeep Mathrani, 21,036. A portion of these grants represents the grant of Restricted Units in lieu of cash bonus.

(3)

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*The options granted on March 31, 2008 vest ratably over five years beginning in 2009 and were granted with an exercise price of 17.5% over the market price of our Shares on the date of grant. On February 27, 2009, the Covered Executives were granted options to acquire the following number of Shares, respectively, at an exercise price of \$33.82 (the average of the high and low price of our Shares on the New York Stock Exchange on the date of grant): Steven Roth, 300,000; Michael D. Fascitelli, 300,000; David R. Greenbaum, 40,000; Joseph Macnow, 40,000; and Sandeep Mathrani, 40,000.*

- (4) The amounts presented reflect the full grant date fair value of equity awards (calculated pursuant to SFAS 123R) granted to the Covered Executives in 2008. The full grant date fair value is the amount we would expense in our consolidated financial statements over the award's vesting schedule. For additional information on the value assumptions, refer to footnote 11 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC.*
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**Outstanding Equity Awards at Year-End**

The following tables summarize the number and value of equity awards held at December 31, 2008 and the aggregate option exercises in 2008 by, and shares that vested in 2008 for, the Covered Executives. Pursuant to the terms of our 1993 and 2002 Omnibus Share Plans (each, as amended), the exercise price and number of shares underlying options originally made at any date of grant may be adjusted to compensate the holder for special or extraordinary dividends that may be subsequently declared. The following table reflects such adjustments.

Name and Applicable Grant Date	Option Awards				Share and Unit Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares,
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares,
								Units or Other Rights That Have Not Vested (\$)
<b>Steven Roth</b>								
3/31/08 <sup>(1)</sup>		700,000	103.00	3/31/18	17,117	1,033,011		
3/31/08 <sup>(2)</sup>							143,294	8,647,784
3/7/07 <sup>(1)</sup>	17,946	71,786	121.58	3/7/17				
3/7/07 <sup>(1)</sup>					27,472	1,657,935		
4/25/06 <sup>(1)</sup>					9,347	564,091		
4/25/06 <sup>(2)</sup>					192,980	11,646,343		
2/8/05 <sup>(1)</sup>					4,620	278,817		
2/8/05 <sup>(1)</sup>	70,260	46,842	70.30	2/8/15				
2/6/04 <sup>(1)</sup>					4,620	278,817		
1/28/02 <sup>(3)</sup>	265,061		41.29	1/28/12				
1/28/02 <sup>(3)</sup>	249,419		41.40	1/28/12				
1/28/02 <sup>(3)</sup>	248,704		41.52	1/28/12				
3/2/00 <sup>(3)</sup>	1,530,704		30.16	3/2/10				

**Michael D. Fascitelli**



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3/31/08 <sup>(1)</sup>		700,000	103.00	3/31/18	17,117	1,033,011		
3/31/08 <sup>(2)</sup>							143,294	8,647,784
3/7/07 <sup>(1)</sup>	17,182	68,732	121.58	3/7/17				
3/7/07 <sup>(1)</sup>					27,143	1,638,080		
4/25/06 <sup>(1)</sup>					9,347	564,091		
4/25/06 <sup>(2)</sup>					192,980	11,646,343		
2/8/05 <sup>(1)</sup>					3,700	223,295		
2/8/05 <sup>(1)</sup>	56,269	37,514	70.30	2/8/15				
2/6/04 <sup>(1)</sup>					3,700	223,295		
1/28/02 <sup>(3)</sup>	265,061		41.29	1/28/12				
1/28/02 <sup>(3)</sup>	249,419		41.40	1/28/12				
1/28/02 <sup>(3)</sup>	248,704		41.52	1/28/12				
3/2/00 <sup>(3)</sup>	1,428,658		30.16	3/2/10				

(table continued on following page)

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Name and Applicable Grant Date	Option Awards				Share and Unit Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
<b>David R. Greenbaum</b>								
3/31/08 <sup>(1)</sup>		400,000	103.00	3/31/18	8,559	516,536		
3/31/08 <sup>(2)</sup>							52,541	3,170,849
3/7/07 <sup>(1)</sup>	3,818	15,274	121.58	3/7/17				
3/7/07 <sup>(1)</sup>					4,936	297,888		
4/25/06 <sup>(2)</sup>					34,308	2,070,488		
2/8/05 <sup>(1)</sup>					1,000	60,350		
2/8/05 <sup>(1)</sup>	15,206	10,139	70.30	2/8/15				
2/6/04 <sup>(1)</sup>					1,000	60,350		
1/28/02 <sup>(3)</sup>	48,211		41.29	1/28/12				
1/28/02 <sup>(3)</sup>	39,557		41.40	1/28/12				
1/28/02 <sup>(3)</sup>	39,444		41.52	1/28/12				
3/2/00 <sup>(3)</sup>	589		30.16	3/2/10				
<b>Joseph Macnow</b>								
3/31/08 <sup>(1)</sup>		100,000	103.00	3/31/18	9,129	550,935		
3/31/08 <sup>(2)</sup>							38,212	2,306,094
3/7/07 <sup>(1)</sup>	3,818	15,274	121.58	3/7/17				
3/7/07 <sup>(1)</sup>					6,580	397,103		
7/27/06 <sup>(2)</sup>					4,288	258,781		
4/25/06 <sup>(2)</sup>					38,595	2,329,208		
4/25/06 <sup>(1)</sup>					3,116	188,051		
2/8/05 <sup>(1)</sup>					738	44,538		
2/8/05 <sup>(1)</sup>	11,221	7,483	70.30	2/8/15				

2/6/04<sup>(1)</sup>

738

44,538

*(table continued on following page)*

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## 2009 PROXY STATEMENT VORNADO REALTY TRUST 27

Name and Applicable Grant Date	Option Awards				Share and Unit Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
<b>Sandeep Mathrani</b>								
3/31/08 <sup>(1)</sup>		100,000	103.00	3/31/18	3,423	206,578		
3/31/08 <sup>(2)</sup>							42,988	2,594,326
8/13/07 <sup>(4)</sup>		400,000	104.49	8/13/17				
3/7/07 <sup>(1)</sup>	3,818	15,274	121.58	3/7/17				
3/7/07 <sup>(1)</sup>					3,291	198,612		
4/25/06 <sup>(2)</sup>					51,461	3,105,671		
3/13/06 <sup>(5)</sup>	66,304	134,619	93.73	3/13/16				
3/5/05 <sup>(1)</sup>	3		41.42	3/5/15				
2/8/05 <sup>(5)</sup>					11,281	680,808		
2/8/05 <sup>(1)</sup>					800	48,280		
2/8/05 <sup>(1)</sup>		8,111	70.30	2/8/15				
2/8/05 <sup>(5)</sup>	40,000	203,793	70.30	2/8/15				
2/6/04 <sup>(1)</sup>					800	48,280		

(1) These awards vest ratably over five years from the date of grant.

(2) Awards of OPP Units granted in 2008 vest ratably over two years (if performance criteria are met) beginning in March of 2012. Awards of OPP Units granted in 2006 are earned and vest ratably over three years beginning in March of 2009. 2008 OPP Units values are based on the December 31, 2008 market value of the total possible

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*2008 OPP Units that can be earned by the reporting person if performance criteria are achieved, however at such market value, no 2008 OPP Units would be earned. Approximately 2.37% of the total 2006 OPP Unit award to each executive represents OPP Units earned as a result of dividends paid with respect to units that vested in January 2007.*

- (3) These awards vested ratably over three years from the date of grant.*
  - (4) These awards vest ratably over three years beginning in August 2010.*
  - (5) These awards were made pursuant to Mr. Mathrani's employment agreement entered into in 2005 and vest ratably over three years beginning in January of 2008.*
-

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*Aggregated Option Exercises in 2008 and Shares Vested*

Name	Option Awards		Stock Awards	
	Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(5)</sup>	Number of Shares Acquired on Vesting (#) <sup>(6)</sup>	Value Realized on Vesting (\$) <sup>(5)(6)</sup>
Steven Roth <sup>(1)</sup>	1,020,468	26,772,692	24,414	1,997,701
Michael D. Fascitelli <sup>(2)</sup>	765,351	23,492,985	21,451	1,757,997
David R. Greenbaum <sup>(3)</sup>	306,135	16,069,318	4,234	341,988
Joseph Macnow			4,991	411,534
Sandeep Mathrani <sup>(4)</sup>	67,265	1,839,452	3,223	260,369

(1) Mr. Roth exercised options with respect to 1,020,468 Shares on December 8, 2008 with an exercise price of \$32.89 per share and an average market price of \$59.13 per share. The expiration date for these options was February 16, 2009.

(2) Mr. Fascitelli exercised options with respect to 765,351 Shares on December 17, 2008 with an exercise price of \$32.89 per Share and an average market price of \$63.59 per Share. The expiration date for these options was February 16, 2009.

(3) Mr. Greenbaum exercised options with respect to (a) 153,068 Shares on January 8, 2008 with an exercise price of \$44.40 per Share and an average market price of \$82.54 per Share, and (b) 153,067 Shares on August 8, 2008 with an exercise price of \$32.89 per Share and an average market price of \$99.74 per Share. The expiration date for the options exercised on January 8, 2008 was January 12, 2008. The expiration date for the options exercised on August 8, 2008 was February 16, 2009.

(4) Mr. Mathrani exercised options with respect to (a) 6,712 Shares on September 17, 2008 with an exercise price of \$70.30 per Share and an average market price of \$91.17 per Share; (b) 179 Shares on September 17, 2008 with an exercise price of \$41.44 per Share and an average market price of \$91.17 per Share (the expiration date for these options was March 5, 2012); (c) 20,374 Shares on September 18, 2008 with an exercise price of \$70.30 per Share and an average market price of \$92.84 per Share; (d) 30,000 Shares on September 19, 2008 with an exercise price of \$70.30 per Share and an average market price of \$101.88 per Share; and (e) 10,000 Shares on September 22, 2008 with an exercise price of \$70.30 per Share and an average market price of \$98.70. Except as indicated above, the expiration date for these options was February 8, 2015.

- (5) *Values realized on exercise/vesting are based on: (1) for options, the difference between the exercise price and the average of the high and low price of our common shares on the applicable date if the resulting shares were held or, if the resulting shares were sold, the actual sale price for such shares; and (2) for Stock Awards, the average of the high and low price of our common shares on the date of vesting*
- (6) *Stock Awards includes awards of Restricted Stock, Restricted Units and OPP Units.*

### **Employee Retirement Plan**

Effective December 31, 1997, the Company froze its employee retirement plan, which provided retirement benefits to full-time employees of the Company. Benefits under the plan vested upon the completion of five years of service for all eligible employees. However, employees do not earn any additional benefits after December 31, 1997. In addition, no new participants are eligible to enter the frozen plan. Accordingly, the only Covered Executives who participate in the Plan are Messrs. Roth, Fascitelli and Macnow. Annual retirement benefits are equal to 1% of the participant's base salary for each year of service. However, the portion of retirement benefits payable for service prior to plan participation is equal to 1% of the participant's base salary as of December 31 of the year before the participant began to participate in the plan for each year of the participant's past service. The retirement plan was terminated in 2008. Upon termination of the plan, Messrs. Roth, Fascitelli and Macnow were paid \$645,343, \$10,730 and \$325,634, respectively, in satisfaction of amounts payable to them under the plan.

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**Deferred Compensation**

The following table summarizes the contributions, earnings, withdrawals and balance for the Covered Executives for and at year-end 2008.

*Non-Qualified Deferred Compensation (amounts in dollars)*

Name	Type of Deferred Compensation Plan	Executive Company Contributions		Aggregate Earnings (Loss) in Last Fiscal Year	Aggregate Withdrawals / Distributions	Aggregate Balance at 12/31/08 <sup>(3)</sup>
		Last Fiscal Year <sup>(1)</sup>	Fiscal Year			
Steven Roth	Deferred Compensation Plan	2,164,901		(4,139,665)		18,125,421
Michael D. Fascitelli	Deferred Compensation Plan	1,930,620		(4,245,510)		24,709,712
David R. Greenbaum	Deferred Compensation Plan	1,949,221		(4,471,339)		12,466,738
Joseph Macnow	Deferred Compensation Plan	192,892		(444,235)		2,584,173
Sandeep Mathrani	Deferred Compensation Plan			66,436		899,618

(1) Reflects the following amounts for each of the Covered Executives which are reported as compensation to such Covered Executive in the Summary Compensation Table for 2008: Mr. Roth, \$1,015,711; Mr. Fascitelli, \$1,010,784; Mr. Greenbaum, \$1,710,156; Mr. Macnow, \$9,166; and Mr. Mathrani, \$9,647. These amounts represent the deferred portion for each of such Covered Executive's 2008 annual salary, restricted shares that vested in 2008, dividend equivalents and/or bonuses in 2008 for the prior year's performance.

(2)



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*Contributions to the Vornado Realty Trust Non-Qualified Deferred Compensation Plans are credited with earnings based on the rate of return of various benchmark funds selected by the individual, some of which are based on the performance of the Company's securities.*

- (3) *All amounts contributed by a Covered Executive in prior years have been reported in the Summary Compensation Tables in our previously filed proxy statements in the year earned to the extent he was a Covered Executive in such year for the purposes of the SEC's executive compensation disclosure rules.*
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**EMPLOYMENT CONTRACTS**

Each of the employment agreements, for our named Covered Executives who have an employment agreement, was amended on December 29, 2008 to comply with Internal Revenue Service regulations that became effective as of December 31, 2008.

*Michael D. Fascitelli*

Mr. Fascitelli had an employment agreement that commenced on December 2, 1996, pursuant to which he joined the Company as President. The employment agreement had an initial term of five years and expired on December 31, 2001. Effective January 1, 2002, the Company entered into a new employment agreement with Mr. Fascitelli for a five-year period through December 31, 2006. Pursuant to the 2002 employment agreement, on January 1, 2006, and on each January 1 thereafter, the employment term was and will be, automatically extended for one additional year unless either the Company or Mr. Fascitelli gives written notice not to extend the agreement, not less than 90 days before such date. The 2002 employment agreement provides that Mr. Fascitelli's annual base salary will not be decreased during the term and is currently \$1,000,000. In accordance with the terms of his employment agreement, Mr. Fascitelli has also been given the use of a Company automobile.

The 2002 employment agreement also provides that, if his employment is terminated by the Company without cause or by him for good reason (as defined in the agreement to include, among other things, a change in his responsibilities, change in control of the Company, relocation of the Company's principal executive offices or the failure of the Company to comply with the terms of the agreement), (i) payment of his base salary shall continue for three years, offset in the second and third years for compensation received or deferred for services to any other employer, and (ii) benefits to him and his family shall continue for three years. The agreement further provides that, if his employment is terminated by him without good reason or by the Company for cause (as defined in the agreement to include conviction of, or plea of guilty or nolo contendere to, a felony, failure to perform his duties or willful misconduct), payment of his salary will cease.

*David R. Greenbaum*

Mr. Greenbaum has an employment agreement that commenced on April 15, 1997, pursuant to which he serves as President New York Office Division. The employment agreement provides that, commencing on April 30, 2000, and on each April 30 thereafter, the employment term shall automatically be extended for one additional year unless either the Company or Mr. Greenbaum gives written notice not to extend the agreement, at least 90 days before such date. The employment agreement provides that Mr. Greenbaum's base salary shall not be reduced during the term of the agreement. Mr. Greenbaum's current annual base salary is \$1,000,000. Mr. Greenbaum's employment agreement provides that he will be entitled to participate at a level commensurate with his position in any equity and/or incentive compensation with respect to senior executives of the Company. In accordance with the terms of his employment agreement, he has also been given the use of a Company automobile.

The agreement also provides that, if Mr. Greenbaum's employment is terminated by the Company without cause or by him for good reason (as defined in the agreement to include, among other things, a change in his responsibilities, change in control of the Company, relocation of the New York Office Division's principal executive offices, the failure of the Company to comply with the terms of the agreement or the failure of the Company to renew the agreement upon expiration), Mr. Greenbaum will receive (a) a lump-sum payment of three times the sum of (i) his annual base compensation and (ii) the average of the annual bonuses earned by him in the two fiscal years ending immediately

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prior to his termination and (b) continued provision of benefits to him and his family for three years. The agreement further provides that, if his employment is terminated by him without good reason or by the Company for cause (as defined in the agreement to include conviction of, or plea of guilty or nolo contendere to, a felony, failure to perform his duties or willful misconduct), payment of his salary will cease.

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*Joseph Macnow*

Mr. Macnow has had an employment agreement with the Company since November 21, 1980, pursuant to which he serves as Executive Vice President Finance and Administration and Chief Financial Officer. His Amended and Restated Employment Agreement, dated as of July 27, 2006, provides that on each December 31 the employment term shall automatically be extended for one additional year unless either the Company or Mr. Macnow gives written notice not to extend the agreement 90 days before such date. Mr. Macnow's employment agreement provides that his base salary will not be reduced during the term of the agreement and is currently at \$1,000,000. Mr. Macnow's agreement also provides for his use of a Company automobile.

The agreement also provides that, if Mr. Macnow's employment is terminated by the Company without cause or by him for good reason (as defined in the agreement to include, among other things, a change in his responsibilities, change in control of the Company, relocation of the Company's principal executive offices, the failure of the Company to comply with the terms of the agreement or the failure of the Company to renew the agreement upon expiration), he will receive: (a) a lump-sum payment of three times the sum (not to exceed \$3.3 million, in the aggregate) of (i) his annual base compensation plus (ii) the average of the annual bonuses earned by him in the two fiscal years ending immediately prior to his termination; (b) immediate vesting in any equity awards granted to him by the Board; and (c) continued provision of benefits to him and his family for three years. The agreement further provides that, if Mr. Macnow's employment is terminated by him without good reason or by the Company for cause (as defined in the agreement to include conviction of, or plea of guilty or nolo contendere to, a felony, failure to perform his duties or willful misconduct), payment of salary will cease.

*Sandeep Mathrani*

Mr. Mathrani serves as Executive Vice President Retail Division of the Company. His employment agreement entered into in 2002 expired in March 2005. As of January 1, 2005, the Company and Mr. Mathrani entered into a new employment agreement through January 1, 2010, with a term that automatically extends for additional one-year periods unless terminated on at least six months' prior notice by either the Company or Mr. Mathrani. The employment agreement provides that Mr. Mathrani's annual base salary will not be decreased during the term and is currently \$1,000,000.

In connection with his employment agreement, the Company granted Mr. Mathrani 16,836 restricted Shares and options to acquire 300,000 of the Company's Shares at \$71.275 per share. In addition, pursuant to his employment agreement, 200,000 options were granted to him on March 13, 2006 at an exercise price of \$94.16 per share. One-third of these restricted Share and option grants vested or will vest on each of January 20, 2008, 2009 and 2010. The vesting of these restricted Shares and options granted pursuant to his employment agreement will accelerate upon certain events including a change of control of the Company or a sale of its retail division.

Mr. Mathrani's employment agreement also provides that, if his employment is terminated by the Company without cause or by him due to a material breach of the agreement by the Company (a material breach is any failure by the Company to comply with any material provision of the agreement that is not cured within 30 days of written notice by Mr. Mathrani of non-compliance), Mr. Mathrani will immediately vest in any stock options and restricted Shares granted to him by the Company. In addition, in such event, Mr. Mathrani will receive a lump-sum payment equal to (i) his annual base compensation plus (ii) the average of the annual bonuses earned by him in the two fiscal years ending immediately prior to his termination. The agreement further provides that, if his employment is terminated by him without good reason or by the Company for cause (as defined in the agreement to include conviction of, or plea of

guilty or nolo contendere to, a felony, failure to perform his duties or willful misconduct), payment of his salary and all other obligations of the Company under the agreement will cease. Under his employment agreement, Mr. Mathrani also receives the use of a Company automobile.

**SEVERANCE AND CHANGE OF CONTROL ARRANGEMENTS**

Of our Covered Executives, Messrs. Fascitelli, Greenbaum, Macnow and Mathrani have employment agreements that provide for certain payments in the event of a termination of employment, including one following a change of control. None of Mr. Roth or any of our other trustees (other than Mr. Fascitelli) has an employment agreement or

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other severance arrangement. Our Omnibus Share Plans, which govern all of our equity-based awards, provide in certain circumstances that equity awards that have been granted but are still subject to vesting will vest automatically or at the discretion of our Board in certain circumstances. In particular, on a change of control, all equity awards either vest automatically or at the discretion of our Board. In addition, our deferred compensation plans provide that all applicable deferred compensation is paid out to an executive or trustee upon his or her departure from the Company. Of our Covered Executives, only Messrs. Roth, Fascitelli and Macnow were participants in our now-terminated retirement plan. Benefits under the retirement plan for these persons were fully vested at the time of the plan's termination. In addition, upon the death or disability of an executive, that executive, or his or her estate, may be entitled to insurance benefits under policies with third parties maintained by us.

With regard to our employment agreements, these agreements are negotiated on a case-by-case basis. As discussed under Compensation Discussion and Analysis, we believe that in certain circumstances such agreements are in the best interests of the Company and our shareholders to ensure the continued dedication of such employees, notwithstanding the possibility, threat or occurrence of a change of control. Generally, our agreements govern severance payments under the following circumstances: (1) termination of the employee for cause; (2) termination by the employee for good reason (such as breach of the employment agreement by the Company or, in certain cases, if a change of control occurs and the employee then decides to terminate his employment) or by the Company without cause; (3) termination following a disability; (4) termination due to death; and (5) in certain cases, termination upon retirement after the employee reaches the age of 65. For those of our Covered Executives who have employment agreements, the definitions of good reason and cause are more fully described above, under Employment Contracts. Reference should be made to the actual employment agreements for the specific terms. Generally, however, on any termination, the applicable executive officer will receive his accrued and unpaid salary and other benefits until the date of termination. For cause terminations by the Company, the employee will not receive any additional payment. If the employee terminates his employment for good reason or the Company terminates the employment without cause, the employee typically receives an additional payment (or payments over a specified period) that may vary from one year of salary and bonus to up to three years of salary and bonus. For terminations due to disability or death, executives who have this provision in their applicable agreement typically receive between one year of salary or bonus and three years of salary. In certain cases, the employment agreements also provide for continued benefits for specified periods. None of our Covered Executives, who is a party to an employment agreement, is currently eligible for retirement under his employment agreements. Severance payments following a change of control under employment agreements are generally dual trigger, meaning that the change of control must occur and be followed by a termination of employment. We believe that this provision appropriately achieves the benefits of ensuring the dedication of employees in connection with a change of control without providing for an automatic payment under the employment agreement for a change of control.

Our equity-based compensation awards are governed by the individual award agreements issued under our Omnibus Share Plans. Generally, for cause terminations, no unvested awards are accelerated but employees are entitled to keep awards that have already vested if they exercise options or similar awards within specified periods after termination. For terminations by the employee for good reason or by the Company without cause, unvested OPP awards then vest, but other then-unvested equity awards terminate in a manner similar to that of cause terminations. In the agreements governing our OPP Awards, good reason includes: (1) if the party is subject to an employment agreement, the definition used in the employment agreement and (2) if there is no employment agreement or definition, (a) the assignment of duties or the imposition of a reporting obligation materially and adversely inconsistent to those existing prior to such change, (b) a material reduction in base salary or failure of the Company to pay such salary, (c) the relocation of such party, without consent, (d) a purported termination for cause not in accordance with the definition thereof, and (e) a reduction in benefits not applied to all officers of a similar level. In Mr. Macnow's case, however, his employment agreement provides that on any departure from the Company except as a result of a cause termination, his

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unvested equity awards then vest. Upon a change of control, all unvested equity awards then vest. We believe that a single trigger for vesting of equity awards following a change of control is appropriate due to the change in the nature of the form of award caused by a change of control. In the case of retirement after the age of 65, options (but no other equity-based award), automatically vest, except that the options granted to Mr. Roth on March 31, 2008 will continue to vest over five years subject to Mr. Roth's continued service. In the case of a disability, option and OPP awards vest and in the case of death, all equity awards vest.

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## 2009 PROXY STATEMENT VORNADO REALTY TRUST 33

The information presented below reflects the estimated payments that each of our Covered Executives would have received under the employment termination scenarios (including, following a change of control) if employment termination were to have occurred on December 31, 2008. In calculating the value of equity-based awards, the presentation uses a price per share of \$60.35, the closing price of our common shares on the New York Stock Exchange on the last trading day in 2008. In addition, in estimating bonuses payable for the calculation of severance payments, we have used the actual bonuses paid in 2009 for 2008 performance (including, for these presentation purposes only, the value of all Restricted Unit granted as a bonus in the first quarter of 2009). The actual amounts that would be paid on any termination of employment can only be determined at the time of any actual separation from the Company.

*Steven Roth*

Payments on Termination	<i>(amounts in dollars)</i>				Death Disability
	Voluntary Termination on Retirement <sup>(1)</sup>	Involuntary Termination For Cause	Involuntary Not For Cause Termination / Good Reason Termination	Voluntary Termination Following a Change of Control <sup>(2)</sup>	
Bonus					
Severance					
Unvested Options					
Unvested Restricted Stock & LTIP Units				3,812,672	3,812,672
Unvested OPP Units			11,646,343	11,646,343	11,646,343
Benefits Continuation					
Total			11,646,343	15,459,015	15,459,015

*Michael D. Fascitelli*

Voluntary Termination	<i>(amounts in dollars)</i>	
	Involuntary Termination / Good Reason Termination	Voluntary Termination Following a Change of Control <sup>(2)</sup>



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<b>Payments on Termination</b>	<b>Termination on Retirement</b>	<b>For Cause Termination</b>	<b>Reason Termination</b>	<b>Change of Control<sup>(2)</sup></b>	<b>Death</b>	<b>Disability</b>
Bonus					1,000,000	
Severance <sup>(3)</sup>			3,000,000	3,000,000	1,000,000	3,000,000
Unvested Options						
Unvested Restricted Stock & LTIP Units				3,681,772	3,681,772	
Unvested OPP Units			11,646,343	11,646,343	11,646,343	
Benefits Continuation			54,633	54,633	18,211	
<b>Total</b>			<b>14,700,976</b>	<b>18,382,748</b>	<b>17,346,326</b>	<b>3,000,000</b>

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*David R. Greenbaum*

*(amounts in dollars)*

Payments on Termination	Voluntary Termination on Retirement	Involuntary Termination For Cause	Involuntary Not For Cause Termination / Good Reason Termination	Voluntary Termination Following a Change of Control <sup>(2)</sup>	Death	Disability
			Reason Termination	Change of Control <sup>(2)</sup>		
Bonus			1,000,000	1,000,000	1,000,000	1,000,000
Severance			6,750,000	6,750,000	1,000,000	
Unvested Options						
Unvested Restricted Stock & LTIP Units				935,123	935,123	
Unvested OPP Units			2,070,488	2,070,488	2,070,488	
Benefits Continuation <sup>(4)</sup>					44,322	132,966
Total			9,820,488	10,755,611	5,049,933	1,132,966

*Joseph Macnow*

*(amounts in dollars)*

Payments on Termination	Voluntary Termination on Retirement	Involuntary Termination For Cause	Involuntary Not For Cause Termination / Good Reason Termination	Voluntary Termination Following a Change of Control <sup>(2)</sup>	Death	Disability
			Reason Termination	Change of Control <sup>(2)</sup>		
Bonus			800,000	800,000	800,000	800,000
Severance			3,300,000	3,300,000	1,000,000	
Unvested Options						
Unvested Restricted Stock & LTIP Units			1,225,165	1,225,165	1,225,165	

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Unvested OPP Units	2,587,989	2,587,989	2,587,989	
Benefits Continuation <sup>(4)</sup>	411,675	411,675	137,225	411,675
Total	8,324,829	8,324,829	5,750,379	1,211,675

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*Sandeep Mathrani*

Payments on Termination	<i>(amounts in dollars)</i>				
	Voluntary Termination on Retirement <sup>(1)</sup>	Involuntary Cause For Termination	Involuntary Not For Cause Termination / Good Reason Termination <sup>(5)</sup>	Voluntary Termination Following a Change of Control <sup>(2)</sup>	Death Disability
Bonus					
Severance			2,150,000		
Unvested Options					
Unvested Restricted Stock & LTIP Units				1,182,558	1,182,558
Unvested OPP Units			3,105,671	3,105,671	3,105,671
Benefits Continuation					
<b>Total</b>			<b>5,255,671</b>	<b>4,288,229</b>	<b>4,288,229</b>

- (1) *Payments upon retirement from the Company are available to those named executive officers who retire after reaching the age of 65. At December 31, 2008, the only named executive officer who, if he had retired at that date would have so qualified, is Mr. Roth. Except as otherwise provided in these tables, no payments are due upon any other voluntary termination prior to retirement.*
- (2) *Unvested grants of options, restricted shares, LTIPs and OPP Units will vest automatically upon a change of control without the need for termination of employment.*
- (3) *The severance payment shown for disability is the maximum possible payout. The total amount payable to Mr. Fascitelli upon disability is limited to the greater of (a) six months of benefits, and (b) benefits until such point as Mr. Fascitelli is eligible for long-term disability with the total payment not to exceed an amount equal to three years of salary.*
- (4) *Information presented as to the costs of benefits is based on an estimated total annual cost of benefits for such named executive officer. In certain cases, continued benefits made available following a termination will be less than the total benefits currently payable.*
- (5) *Upon any termination without cause (as defined), Mr. Mathrani is entitled to the use of an office and secretarial support for 90 days.*



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**COMPENSATION OF TRUSTEES**

Trustees who are not officers of the Company receive an annual retainer and additional meeting fees for each Board or committee meeting attended. Messrs. Roth and Fascitelli received no compensation for their service as trustees. The non-management members of the Board of Trustees are compensated as follows: (1) each such member receives an annual retainer equal to \$60,000; (2) each such member receives an annual grant of Restricted Shares or Restricted Units with a value equal to \$30,000 at the date of grant (not to be sold while such member is a trustee, except in certain circumstances); (3) the Audit Committee Chairman receives an annual retainer of \$50,000 and other Audit Committee members receive an annual retainer of \$25,000; (4) the Chairman and members of all other committees (other than the Executive Committee) receive an annual retainer of \$10,000 and \$5,000, respectively; and (5) each such member receives a meeting fee of \$1,000 for each Board and committee meeting attended.

The following table sets forth the compensation that was earned or paid in 2008 for the non-management members of our Board.

<b>Name</b>	<b>Fees Earned or Paid in Cash \$</b>	<b>Share Awards \$(<sup>1</sup>)</b>	<b>Total \$</b>
Candace K. Beinecke	68,500	7,697	76,197
Anthony W. Deering	103,000	20,498	123,498
Robert P. Kogod	65,000	21,046	86,046
Michael Lynne	77,125	20,498	97,623
David Mandelbaum	73,000	21,046	94,046
Robert H. Smith	41,500	207,223	248,723
Ronald G. Targan	105,000	20,498	125,498
Richard R. West	131,875	21,046	152,921
Russell B. Wight, Jr.	78,000	20,114	98,114

(1) Information presented in this column reflects the dollar amount recognized for financial statement purposes for the year ended December 31, 2008 in accordance with SFAS 123R of awards made pursuant to our 2002 Omnibus Share Plan. Pursuant to the rules and regulations of the SEC, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in note 11 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the SEC. Dividends are paid on both the vested and unvested portion of Restricted Share and Restricted Unit awards. For information concerning the aggregate equity awarded to Trustees under our Omnibus Share Plans, see Note 8 to the Principal Security Holders table. Amounts for Robert H. Smith include values attributable to grants to Mr. Smith prior to May 2008 while he served as an employee of the Company.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee, consisting of Dr. West and Messrs. Lynne and Targan, grants awards under the Company's 2002 Omnibus Share Plan, as amended, and makes all other executive compensation determinations. Messrs. Roth and Fascitelli are the only officers or employees of the Company who are also members of the Board. There are no interlocking relationships involving the Company's Board which require disclosure under the executive compensation rules of the SEC.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### *Review and Approval of Related Person Transactions*

We review all relationships and transactions in which we and our significant shareholders, trustees and our executive officers or their respective immediate family members are participants (including transactions required to be disclosed under Item 404 of Regulation S-K) to determine whether such persons have a direct or indirect material interest in the transaction. Our policy (as set forth in our Code of Business Conduct and Ethics) is to determine whether such an interest exists, applying the standards set forth in Item 404 of Regulation S-K and our Corporate Governance Guidelines. Our legal and financial staff is primarily responsible for the development and implementation of processes and controls to obtain information from our significant shareholders, trustees and our executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether we or a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to the Company or a related person are disclosed in our proxy statement. We also disclose transactions or categories of transactions we consider in determining that a trustee is independent. In addition, our Audit Committee and/or our Corporate Governance and Nominating Committee reviews and, if appropriate, approves or ratifies any related person transaction that is required to be disclosed. These committees, in the course of their reviews of a disclosable related-party transaction consider: (1) the nature of the related person's interest in the transaction; (2) the material terms of the transaction; (3) the importance of the transaction to the related person; (4) the importance of the transaction to the Company; (5) whether the transaction would impair the judgment of a trustee or executive officer to act in the best interest of the Company; and (6) any other matters the Committee deems appropriate.

### *Transactions Involving Interstate Properties*

As of March 13, 2009, Interstate and its partners beneficially owned approximately 10% of our outstanding Shares and approximately 27% of Alexander's outstanding common stock. Interstate is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the partners. Mr. Roth is our Chairman of the Board and Chief Executive Officer, the Managing General Partner of Interstate, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Mandelbaum and Wight are trustees of the Company and also directors of Alexander's.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of base rent and percentage rent and certain other commissions. The management agreement has a term of one year and automatically renews unless terminated by either of the parties on 60 days' notice at the end of the term. We believe, based upon comparable fees charged by other real estate companies, that the terms are fair to us. We earned \$803,000 in management fees under the management agreement for the year ended December 31, 2008.

*Transactions Involving Alexander's*

As of March 13, 2009, Interstate and its three general partners—Steven Roth (Chairman of the Board and Chief Executive Officer of the Company and Alexander's), David Mandelbaum (a trustee of the Company and director of Alexander's) and Russell B. Wight, Jr. (a trustee of the Company and director of Alexander's)—owned approximately 10% of our outstanding Shares and approximately 27% of Alexander's common stock. The Company owns approximately 32% of the outstanding common stock of Alexander's.

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We manage, lease and develop Alexander's properties pursuant to the agreements described below, which expire in March of each year and renew automatically.

*Management and Development Agreements.* We receive an annual fee for managing Alexander's and all of its properties equal to the sum of (i) \$3,000,000, (ii) 3% of gross income from the Kings Plaza Regional Shopping Center, (iii) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (iv) \$234,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, we are entitled to a development fee of 6% of development costs, as defined, with minimum guaranteed fees of \$750,000 per annum. During the year ended December 31, 2008, we recognized \$4,101,000 of development fee income.

*Leasing Agreements.* We provide Alexander's with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through the twentieth year of a lease term, and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. In the event that third-party real estate brokers are used, our leasing fee increases by 1% and we are responsible for the fees to the third party. We are also entitled to a commission upon the sale of any of Alexander's assets of 3% of gross proceeds, as defined, for asset sales of less than \$50,000,000, or 1% of gross proceeds, as defined, for asset sales of \$50,000,000 or more. The total of these amounts is payable to us annually in an amount not to exceed \$4,000,000, with interest on the unpaid balance at one-year LIBOR plus 1.0% per annum (5.19% at December 31, 2008).

*Other Agreements.* Building Maintenance Services, our wholly-owned subsidiary, supervises the cleaning, engineering and security services at Alexander's Lexington Avenue and Kings Plaza properties for an annual fee of the cost for such services plus 6%. During the year ended December 31, 2008, we recognized \$2,083,000 of income under these agreements.

During the year ended December 31, 2008, Alexander's incurred \$2,946,000 of leasing fees, \$6,520,000 of development fees, \$3,000,000 for management fees and \$4,146,000 for property management and other fees under its agreements with the Company or BMS.

At December 31, 2008, Alexander's owed the Company (i) \$31,079,000 in leasing fees, (ii) \$11,496,000 in development fees; and (iii) \$1,511,000 in management, property management and cleaning fees.

*Certain Other Transactions or Relationships*

In the year ended December 31, 2008, we paid Mr. Kogod fees of \$146,858 for consulting services rendered to us. This consulting arrangement expired in May 2008.

With respect to our building at 888 Seventh Avenue, we are the lessee under a ground lease that expires in 2067. The lessor under the ground lease is a limited liability company that is owned by several members, some of which include David Mandelbaum (one of our trustees), his children, his brother, his sister and his sister's family. The underlying fee property was purchased by the parents of Mr. Mandelbaum in 1961 and placed into trusts at that time for the benefit of their children and grandchildren. Since 1961, this property has been owned 20% by these trusts and, when the trusts expired, descendants of Mr. Mandelbaum's parents. The remaining 80% of the limited liability company is owned by two unrelated families. One family owns 55% of the limited liability company and is its managing member. Mr. Mandelbaum's personal interest in the property is an indirect 2.66% interest. We acquired the building at 888

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Seventh Avenue (and the tenant's interest under the ground lease) from an unrelated party in 1998. The limited liability company owning the ground receives under the ground lease an aggregate payment of \$3,350,000 a year in rent.

On December 23, 2005, pursuant to a credit agreement (the Roth Credit Agreement) entered into with us on November 16, 1999, Mr. Roth borrowed \$13,122,500 from us as evidenced by a promissory note in favor of the Company (the Note). The Roth Credit Agreement provides that the Company will provide loans to Mr. Roth of up to \$15 million in the aggregate at any time outstanding for so long as he remains employed by the Company. Pursuant to this Roth Credit Agreement, the Note is secured, bears annual interest of 4.45% (the applicable

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Federal rate on December 23, 2005) and matures December 23, 2011. On December 31, 2008, the balance of this loan was \$13,122,500 (the largest outstanding balance during 2008).

*Other Transactions Considered in Determining Trustee Independence*

Michael Lynne, a trustee of the Company, served as the Co-Chairman and Co-Chief Executive Officer of New Line Cinema Corporation until early 2008. New Line Cinema Corporation is a tenant at our building at 888 Seventh Avenue in New York City. During 2008, we recorded rent from New Line Cinema Corporation in the amount of \$3,775,254 under its lease. The lease was negotiated prior to our purchasing the building and was renewed prior to Mr. Lynne joining our Board. Unique Features, of which Mr. Lynne is a principal, shares space with New Line Cinema Corporation at no direct cost to Unique Features.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee's purposes are to (i) assist the Board in its oversight of (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the qualifications and independence of the Company's independent registered public accounting firm, and (d) the performance of the Company's 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 the Company's annual proxy statement. The function of the Audit Committee is oversight. The Board of Trustees, in its business judgment and upon the recommendation of the Corporate Governance and Nominating Committee, has determined that all members of the Audit Committee are independent, as required by applicable listing standards of the NYSE, as currently in effect, and in accordance with the rules and regulations promulgated by the SEC. The Board of Trustees has also determined that each member of the Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined under the rules of the NYSE, and that each of Dr. West and Mr. Deering is an audit committee financial expert within the meaning of the rules of the SEC. The Audit Committee operates pursuant to an Audit Committee Charter.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the establishment and effectiveness of internal control over financial reporting, and 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, Deloitte & Touche LLP, is responsible for planning and carrying out a proper audit of the Company's annual financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles and auditing the effectiveness of internal control over financial reporting.

In performing its oversight role, the Audit Committee has considered and discussed the audited consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended by Statement on Auditing Standards No. 90, Audit Committee Communications. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect. The Audit Committee has also discussed with the independent registered public accounting firm its independence. The independent registered public accounting firm has free access to the Audit Committee to discuss any matters the firm deems appropriate.

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Based on the reports and discussions described in the preceding paragraph and, subject to the limitations on the role and responsibilities of the Audit Committee referred to below and in the Audit Committee Charter in effect during 2008, the Audit Committee recommended to the Board of Trustees that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly,

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the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's consolidated financial statements has been carried out in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), that the consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, that Deloitte & Touche LLP is in fact independent of the effectiveness of the Company's internal controls.

DR. RICHARD R. WEST  
ANTHONY W. DEERING  
RONALD G. TARGAN

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**PROPOSAL 2: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the Deloitte Entities ) have been the Company's independent registered public accounting firm since 1976. The Audit Committee selected the Deloitte Entities as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009 as a result of a process most recently undertaken in 2008 and by which the Audit Committee and management solicited and received proposals from and met with an interviewed several other independent registered public accounting firms. The Audit Committee initiated this process after consultation with management because it determined that there were possible benefits to be considered with regard to cost, audit firm independence and obtaining a fresh look at the Company's financial accounting and internal controls processes. This process was not related to the quality of services provided by the Deloitte Entities. After consideration of each of the proposals, the Audit Committee retained the Deloitte Entities as the Company's independent registered public accounting firm and has determined to continue that retention for 2009. Among other matters, the Audit Committee concluded that current requirements for audit partner rotation, limitation of services and other regulations affecting the audit engagement process will substantially assist in supporting auditor independence. As a matter of good corporate governance, the Audit Committee has determined to submit its selection to shareholders for ratification. In the event that this selection of an independent registered public accounting firm is not ratified by the affirmative vote of a majority of the votes cast on the proposal, the Audit Committee will review its future selection of an independent registered public accounting firm but will retain all rights of selection.

Even if the selection of the Deloitte Entities is ratified at the Annual Meeting, the Audit Committee, in its discretion, may change the appointment at any time during the year.

We expect that representatives of the Deloitte Entities will be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

**Audit Fees**

The aggregate fees billed by the Deloitte Entities for the years ended December 31, 2008 and 2007, for professional services rendered for the audits of the Company's annual consolidated financial statements included in the Company's Annual Reports on Form 10-K, for the reviews of the consolidated interim financial statements included in the Company's Quarterly Reports on Form 10-Q and reviews of other filings or registration statements under the Securities Act of 1933 and Securities Exchange Act of 1934 during those fiscal years were \$4,409,000 and \$5,067,000, respectively. Audit fees for the years ended December 31, 2008 and 2007 include \$52,000 and \$1,075,000 for the audit of Americold Realty Trust of which the other shareholders of Americold Realty Trust paid 52%. The Company sold its interest in Americold on March 31, 2008. During 2008 and 2007, audit fees include the attestation report on the effectiveness of internal control over financial reporting, as required by the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ), Section 404.

**Audit-Related Fees**

The aggregate fees billed by the Deloitte Entities for the years ended December 31, 2008 and 2007 for professional services rendered that are related to the performance of the audits or reviews of the Company's consolidated financial statements which are not reported above under Audit Fees were \$3,704,000 and \$3,004,000, respectively.

Audit-Related Fees generally include fees for stand-alone audits of subsidiaries, due diligence associated with

mergers/acquisitions and Sarbanes-Oxley, Section 404 pre-implementation assistance.

**Tax Fees**

The aggregate fees billed by the Deloitte Entities for the years ended December 31, 2008 and 2007 for professional services rendered for tax compliance, tax advice and tax planning were \$1,252,000 and \$912,000, respectively. Tax Fees generally include fees for tax consultations regarding return preparation and REIT tax law compliance.

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**All Other Fees**

The aggregate fees billed by the Deloitte Entities for the years ended December 31, 2008 and 2007 for professional services rendered other than those described above under Audit Fees, Audit-Related Fees and Tax Fees were \$0 and \$0, respectively. All Other Fees generally includes fees for consultations relating to systems review.

**Pre-approval Policies and Procedures**

In May 2003, the Audit Committee established a policy of reviewing and approving engagement letters with the Deloitte Entities for the services described above under Audit Fees before the provision of those services commences. For all other services, the Audit Committee has detailed policies and procedures pursuant to which it has pre-approved the use of the Deloitte Entities for specific services for which the Audit Committee has set an aggregate quarterly limit of \$250,000 on the amount of services that the Deloitte Entities can provide the Company. Any services not specified that exceed the quarterly limit, or which would cause the amount of total services provided by the Deloitte Entities to exceed the quarterly limit, must be approved by the Audit Committee Chairman before the provision of such services commences. The Audit Committee also requires management to provide it with regular quarterly reports of the amount of services provided by the Deloitte Entities. Since the adoption of such policies and procedures, all of such fees were approved by the Audit Committee in accordance therewith.

**The Board of Trustees recommends that you vote FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2009.**

Unless you direct otherwise in your proxy, proxies will be voted for the proposal. The affirmative vote of holders of a majority of the votes cast on the proposal is required for its approval. Abstentions and broker non-votes will have no effect on the result of this vote.

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**PROPOSAL 3: SHAREHOLDER PROPOSAL RELATING TO A CHANGE IN THE VOTING STANDARD FOR TRUSTEE ELECTIONS**

In accordance with the rules of the SEC, we have set forth below a shareholder proposal submitted on behalf of the United Brotherhood of Carpenters Pension Fund (for the purposes of this proposal, the shareholder proponent), along with the supporting statement of the shareholder proponent, for which the Company and the Board accept no responsibility. The shareholder proposal is required to be voted upon at the annual meeting only if properly presented at the Annual Meeting by or on behalf of the shareholder proponent. As explained below, the Board of Trustees recommends that you vote **AGAINST** the shareholder proposal.

**Director Election Majority Vote Standard Proposal**

**Resolved:** That the shareholders of Vornado Realty Trust ( Company ) hereby request that the Board of Trustees initiate the appropriate process to amend the Company's governance documents (charter or bylaws) to provide that trustee nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested trustee elections, that is, when the number of trustee nominees exceeds the number of board seats.

**Supporting Statement:** In order to provide shareholders a meaningful role in trustee elections, the Company's trustee election vote standard should be changed to a majority vote standard. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be elected. The standard is particularly well-suited for the vast majority of trustee elections in which only board nominated candidates are on the ballot. We believe that a majority vote standard in board elections would establish a challenging vote standard for board nominees and improve the performance of individual trustees and entire boards. The Company presently uses a plurality vote standard in all trustee elections. Under the plurality vote standard, a nominee for the board can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are withheld from the nominee.

In response to strong shareholder support for a majority vote standard in director elections, a strong majority of the nation's leading companies, including Intel, General Electric, Motorola, Hewlett-Packard, Morgan Stanley, Home Depot, Gannett, Marathon Oil, and Pfizer, have adopted a majority vote standard in company Bylaws or articles of incorporation. Additionally, these companies have adopted director resignation policies in their bylaws or corporate governance policies to address post-election issues related to the status of director nominees that fail to win election. Other companies have responded only partially to the call for change by simply adopting post-election director resignation policies that set procedures for addressing the status of director nominees that received more withhold votes than for votes. At the time of the submission of this proposal, our Company and its board had not taken either action.

We believe that a post-election trustee resignation policy without a majority vote standard in company bylaws or articles is an inadequate reform. The critical first step in establishing a meaningful majority vote policy is the adoption of a majority vote standard. With a majority vote standard in place, the board can then take action to develop a post-election procedure to address the status of trustees that fail to win election. A majority vote standard combined with a post-election trustee resignation policy would establish a meaningful right for shareholders to elect trustees, and reserve for the board an important post-election role in determining the continued status of an unelected trustee. We urge the Board to take this important step in establishing a majority vote standard in the Company's governance documents.

**Board of Trustees Statement Opposing Shareholder Proposal**

The Board of Trustees has carefully considered the proposal and, for the reasons described below, does not believe that it is in the best interests of the Company and its shareholders to provide for the election of trustees by a majority of the votes cast.

The Company currently elects its trustees each year by a plurality-voting standard. Under plurality voting, nominees who receive the most affirmative votes are elected to the Board. Although the proponent states that under the plurality standard, a nominee can be elected with as little as a single affirmative vote, as a practical

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matter, all of the trustees have always been elected by a vast majority of the shares cast. In other words, this proposal, if implemented, would not have had any impact on the outcome of any of the elections of our trustees to date.

Although a number of corporations have moved to a majority-vote standard in recent years, our Board is not following this path for several reasons.

First, moving to majority election of trustees would have no impact on the ability of shareholders to propose an alternate slate of trustees in a proxy contest under the current form of majority election of directors being adopted by corporations and approved by proponents and proxy advisory firms, contested elections remain under the plurality-voting standard. Thus, failing to take this action will have no effect should our shareholders wish to replace any of the existing trustees with new candidates.

Second, failure to adopt majority election of trustees also has no effect on the ability of shareholders to express disapproval of Board actions. The withhold vote is now a well-established means of registering dissatisfaction, and there is no question that a substantial withhold vote would send a message and cause our Board to examine the reasons for the dissatisfaction. However, use of the withhold vote, rather than causing one or more trustees not to be elected, provides the Board with the flexibility to determine whether such a vote was intended only to send a message to which the Board should react, or was an effort to remove a particular trustee from the Board.

Finally, the Board is concerned that the majority-vote requirement contemplated by the proposal would significantly increase the influence of stockholder advisory firms and certain activist shareholders, whose interests and agenda may differ from those of our shareholders generally. Under majority election, because of the increased threat of one or more trustees not being reelected in a noncontested election, the Board may be forced either to follow the dictates of special interest groups, or to engage in expensive and distracting solicitation campaigns at each annual meeting for matters that generally are only peripherally related to the best interests of our Company and its shareholders. Furthermore, in a depressed market environment, a majority-vote requirement could create the potential for hostile parties, who may not have the best interests of the Company and all its shareholders in mind, to dictate inexpensively the future of the Board and the Company. Our Board fully appreciates the importance of the Annual Meeting in allowing shareholders the opportunity to put forward specific concerns they may have. At the same time, the Board does not believe that the only means of expressing that concern is the potential expulsion of one or more trustees from the Board should a hostile party solicit votes or should such Board members determine not to implement a shareholder proposal which is what the use of the majority-election standard, as opposed to the withhold vote, could result in. This situation is exacerbated by the failure of many retail holders to return voting instructions, and the Company's inability to contact such holders directly, the potential elimination of broker voting for trustees, the practices of empty voting and stock borrowing and the fact that many institutional holders routinely delegate their voting decisions to proxy advisory firms, without considering the merits of the matter at issue or the impact of following the recommendation. Our Board members believe it is their duty to retain as much flexibility to consider and negotiate these matters for the best interests of the Company and all its shareholders rather than effectively abdicate these duties to influential special interests.

**The Board of Trustees unanimously recommends a vote AGAINST the proposal relating to the change in the voting standard.**

The affirmative vote of a majority of all the votes cast at the Annual Meeting, assuming a quorum is present, is necessary for approval of this proposal. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Shareholder approval of this proposal would not result in a change to our Bylaws because this is only a recommendation to the

Board of Trustees.

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#### **PROPOSAL 4: SHAREHOLDER PROPOSAL REGARDING THE APPOINTMENT OF AN INDEPENDENT CHAIRMAN**

In accordance with the rules of the SEC, we have set forth below a shareholder proposal submitted on behalf of the Central Laborers Pension Fund (for the purposes of this proposal, the shareholder proponent), along with the supporting statement of the shareholder proponent, for which the Company and the Board accept no responsibility. The shareholder proposal is required to be voted upon at the annual meeting only if properly presented at the Annual Meeting by or on behalf of the shareholder proponent. As explained below, the Board of Trustees recommends that you vote **AGAINST** the shareholder proposal.

##### **Proposal Regarding the Appointment of an Independent Chairman**

**Resolved:** That the shareholders of Vornado Realty Trust (Vornado or the Company) ask the Board of Trustees to adopt a policy that the board's chairman be an independent director who has not previously served as an executive officer of Vornado. The policy should be implemented so as not to violate any contractual obligation. The policy should specify (a) how to select a new independent chairman if a current chairman ceases to be independent during the time between annual meetings of shareholders; and, (b) that compliance with the policy is excused if no independent trustee is available and willing to serve as chairman.

**Supporting Statement:** It is the responsibility of the Board of Trustees to protect shareholders' long-term interests by providing independent oversight of management, including the Chief Executive Officer (CEO), in directing the corporation's business and affairs. Currently at our Company, Mr. Steven Roth is both Chairman of the Board and the CEO. We believe that this current scheme may not adequately protect shareholders.

Shareholders of our Company require an independent leader to ensure that management acts strictly in the best interests of the Company. By setting agendas, priorities and procedures, the position of Chairman is critical in shaping the work of the Board of Trustees. Accordingly, we believe that having an independent trustee serve as chairman can help ensure the objective functioning of an effective Board.

As a long-term shareholder of our Company, we believe that ensuring that the Chairman of the Board of our Company is independent, will enhance Board leadership at Vornado, and protect shareholders from future management actions that can harm shareholders. Other corporate governance experts agree. As a Commission of The Conference Board stated in a 2003 report, "The ultimate responsibility for good corporate governance rests with the board of trustees. Only a strong, diligent and independent board of trustees that understand the key issues, provides wise counsel and asks management the tough questions, is capable of ensuring that the interests of shareowners as well as other constituencies are being properly served."

We believe that the recent wave of corporate scandals demonstrates that no matter how many independent trustees there are on the Board, that Board is less able to provide independent oversight of the officers if the Chairman of that Board is also CEO of the Company.

We, therefore, urge shareholders to vote **FOR** this proposal.

##### **Board of Trustees Statement Opposing Shareholder Proposal**

Our Corporate Governance Guidelines, which are regularly reviewed by our Corporate Governance and Nominating Committee and our Board of Trustees, provide that the Board is free to select its Chairman and the Company's Chief Executive Officer in the manner it considers in the best interests of the Company at any given point in time, and that these positions can be filled by the same person or by two individuals. This policy was adopted after careful consideration by our Nominating and Corporate Governance Committee and our full Board to reflect the Board's belief that it is important to retain the flexibility to allocate the responsibilities of the offices of the Chairman and the Chief Executive Officer in any way that it deems appropriate in light of the then-current circumstances. Adopting a policy that would arbitrarily limit the Board's selection of a Chairman to only an independent trustee who is not a current or former executive officer of the Company could disable the Board from selecting as Chairman the person whom they believe to be best qualified to serve in that position. The members of the Board possess considerable experience and unique knowledge of the challenges and opportunities that the

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Company faces. They are, therefore, in the best position to evaluate the current and future needs of the Company and to judge how to make use of the capabilities of the Company's senior managers and trustees and how to allocate responsibilities among them. All of our trustees are bound by the obligations imposed by Maryland Law. Establishing arbitrary criteria for the selection of a Chairman does not better enable the Board's ability to fulfill those obligations.

The Board believes the most effective leadership structure for the Company at the present time is to make use of Mr. Roth's unique and deep experience and insight with the Company and industry as both Chairman and Chief Executive Officer. The Board, as always, retains the flexibility to modify this structure as it deems fit at any time.

The Board of Trustees believes that having a strong, independent group of trustees is critically important to good corporate governance. The functions of the Board are carried out by the full Board and by Board committees. The Board has been, and continues to be, a strong proponent of Board independence and has already ensured that a majority of the Board, as well as all members of the Audit, Compensation and Corporate Governance and Nominating Committees are independent under New York Stock Exchange standards. As only two of our trustees are executive officers, there are ample independent trustees to offer critical review of management plans. In furtherance of this, our Corporate Governance Guidelines provide that any Board member may (and in fact, they do) suggest the inclusion of matters on the agenda for any Board meeting. In addition, non-employee trustees meet privately in executive session at every regularly scheduled Board meeting. Furthermore, the Board has established robust procedures for contacting the independent Chair of our Audit Committee regarding matters requiring attention of independent Board members.

Further, upon recommendation of the Corporate Governance and Nominating Committee, the Board determined to appoint a lead trustee. As is set forth in the Company's Corporate Governance Guidelines, the independent trustees will annually elect an independent trustee to serve as lead trustee. The lead trustee will serve as a resource to the Chairman and the Board, will coordinate the activities of the independent trustees, and will perform such other duties and responsibilities as the Board may determine. The lead trustee's specific duties include presiding at all meetings of the Board in the absence of the Chairman and at all executive sessions of the independent trustees, serving as liaison between the Chairman and the independent trustees, consulting with the Chairman on meeting schedules, agenda items and materials for meetings and calling meetings of the independent trustees when necessary and appropriate.

The Board of Trustees believes the Company's current policy, Bylaws and governance guidelines establish appropriate oversight procedures and the flexibility necessary for trustees to select the best-qualified person as Chairman in accordance with the exercise of their duties as trustees. The proposal presented imposes an arbitrary and unnecessary restriction on the performance of those duties that the Board believes is not in the best interests of the Company and its shareholders.

**The Board of Trustees unanimously recommends a vote AGAINST the proposal relating to the separation of the offices of Chairman and chief executive officer.**

The affirmative vote of a majority of all the votes cast at the Annual Meeting, assuming a quorum is present, is necessary for approval of this proposal. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count towards the presence of a quorum. Shareholder approval of this proposal would not result in a change to our Bylaws because this is only a recommendation to the Board of Trustees.

**INCORPORATION BY REFERENCE**

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To the extent this Proxy Statement is incorporated by reference into any other filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, the sections entitled Compensation Committee Report on Executive Compensation and Report of the Audit Committee (to the extent permitted by the rules of the SEC) will not be deemed incorporated unless provided otherwise in such filing.

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### **ADDITIONAL MATTERS TO COME BEFORE THE MEETING**

The Board does not intend to present any other matter, nor does it have any information that any other matter will be brought before the Annual Meeting. However, if any other matter properly comes before the Annual Meeting, it is the intention of each of the individuals named in the accompanying proxy to vote said proxy in accordance with their discretion on such matters.

### **PROXY AUTHORIZATION VIA THE INTERNET OR BY TELEPHONE**

We have established procedures by which shareholders may authorize their proxies via the Internet or by telephone. You may also authorize your proxy by mail. Please see the proxy card accompanying this Proxy Statement for specific instructions on how to authorize your proxy by any of these methods.

Proxies authorized via the Internet or by telephone must be received by 11:59 P.M., New York City time, on Wednesday, May 13, 2009. Authorizing your proxy via the Internet or by telephone will not affect the right to revoke your proxy should you decide to do so.

The Internet and telephone proxy authorization procedures are designed to authenticate shareholders' identities and to allow shareholders to give their voting instructions and confirm that shareholders' instructions have been recorded properly. The Company has been advised that the Internet and telephone proxy authorization procedures that have been made available are consistent with the requirements of applicable law. Shareholders authorizing their proxies via the Internet or by telephone should understand that there may be costs associated with voting in these manners, such as charges for Internet access providers and telephone companies which must be borne by the shareholder.

### **ADVANCE NOTICE FOR SHAREHOLDER NOMINATIONS AND SHAREHOLDER PROPOSALS**

The Bylaws of the Company currently provide that in order for a shareholder to nominate a candidate for election as a trustee at an Annual Meeting of Shareholders or propose business for consideration at such meeting, notice must be given to the Secretary of the Company no more than 120 days nor less than 90 days prior to the first anniversary of the preceding year's Annual Meeting and must indicate certain information specified in the Bylaws. As a result, under the current Bylaws, any notice given by or on behalf of a shareholder pursuant to the provisions of our Bylaws must comply with the requirements of the Bylaws and be delivered to the Secretary of the Company at the principal executive office of the Company, 888 Seventh Avenue, New York, New York 10019 between and including January 14, 2010 and February 13, 2010. The Board of Trustees may amend the Bylaws from time-to-time.

Shareholders interested in presenting a proposal for inclusion in the Proxy Statement for the Company's Annual Meeting of Shareholders in 2010 may do so by following the procedures in Rule 14a-8 under the Securities Exchange Act of 1934. To be eligible for inclusion, shareholder proposals must be received at the principal executive office of the Company, 888 Seventh Avenue, New York, New York 10019, Attention: Secretary, not later than December 4, 2009.

By Order of the Board of Trustees,

Alan J. Rice  
Secretary

New York, New York  
April 3, 2009

**It is important that proxies be returned promptly. Please authorize your proxy over the Internet, by telephone or by requesting, executing and returning a proxy card.**

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## CORPORATE GOVERNANCE GUIDELINES

### I. Introduction

The Board of Trustees of Vornado Realty Trust (the Trust), acting on the recommendation of its Corporate Governance and Nominating Committee, has developed and adopted a set of corporate governance principles (the Guidelines) to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. These Guidelines are in addition to the Trust's Amended and Restated Declaration of Trust and Amended and Restated Bylaws, in each case as amended.

### II. Board Composition

The composition of the Board should balance the following goals:

- n The size of the Board should facilitate substantive discussions of the whole Board in which each Trustee can participate meaningfully;
- n The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Trust's business; and
- n A majority of the Board shall consist of Trustees who the Board has determined are independent under the Corporate Governance Rules (the NYSE Rules) of The New York Stock Exchange, Inc. (the NYSE).

### III. Selection of Chairman of the Board and Chief Executive Officer

The Board is free to select its Chairman and the Trust's Chief Executive Officer in the manner it considers in the best interests of the Trust at any given point in time. These positions may be filled by one individual or by two different individuals.

### IV. Selection of Trustees

*Nominations.* The Board is responsible for selecting the nominees for election to the Trust's Board of Trustees. The Trust's Corporate Governance and Nominating Committee is responsible for recommending to the Board a slate of Trustees or one or more nominees to fill vacancies occurring between annual meetings of shareholders. The members of the Corporate Governance and Nominating Committee may, in their discretion, work or otherwise consult with members of management of the Trust in preparing the Committee's recommendations.

*Criteria.* The Board should, based on the recommendation of the Corporate Governance and Nominating Committee, select new nominees for the position of independent Trustee considering the following criteria:

- n Personal qualities and characteristics, accomplishments and reputation in the business community;
- n Current knowledge and contacts in the communities in which the Trust does business and in the Trust's industry or other industries relevant to the Trust's business;

- n Ability and willingness to commit adequate time to Board and committee matters;
- n The fit of the individual s skills and personality with those of other Trustees and potential Trustees in building a Board that is effective, collegial and responsive to the needs of the Trust; and
- n Diversity of viewpoints, experience and other demographics.

*Independence Standards.* To qualify as independent under the NYSE Rules, the Board must affirmatively determine that a Trustee has no material relationship with the Trust and/or its consolidated subsidiaries. The

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Board has adopted the following categorical standards to assist it in making determinations of independence. For purposes of these standards, references to the Trust will mean Vornado Realty Trust and its consolidated subsidiaries.

The following relationships have been determined not to be material relationships that would categorically impair a Trustee's ability to qualify as independent:

1. Payments to and from other organizations. A Trustee's or his immediate family member's status as executive officer or employee of an organization that has made payments to the Trust, or that has received payments from the Trust, not in excess of the greater of:
  - (i) \$1 million; or
  - (ii) 2% of the other organization's consolidated gross revenues for the fiscal year in which the payments were made.

In the case where an organization has received payments that ultimately represent amounts due to the Trust and such amounts are not due in respect of property or services from the Trust, these payments will not be considered amounts paid to the Trust for purposes of determining (i) and (ii) above so long as the organization does not retain any remuneration based upon such payments.

2. Beneficial ownership of the Trust's equity securities. Beneficial ownership by a Trustee or his immediate family member of not more than 10% of the Trust's equity securities. A Trustee or his immediate family member's position as an equity owner, director, executive officer or similar position with an organization that beneficially owns not more than 10% of the Trust's equity securities.
3. Common ownership with the Trust. Beneficial ownership by, directly or indirectly, a Trustee, either individually or with other Trustees, of equity interests in an organization in which the Trust also has an equity interest.
4. Directorships with, or beneficial ownership of, other organizations. A Trustee's or his immediate family member's interest in a relationship or transaction where the interest arises from either or both of:
  - (i) his or his family member's position as a director with an organization doing business with the Trust; or
  - (ii) his or his family member's beneficial ownership in an organization doing business with the Trust so long as the level of beneficial ownership in the organization is 25% or less, or less than the Trust's beneficial ownership in such organization, whichever is greater.
5. Affiliations with charitable organizations. The affiliation of a Trustee or his immediate family member with a charitable organization that receives contributions from the Trust, or an affiliate of the Trust, so long as such contributions do not exceed for a particular fiscal year the greater of:
  - (i) \$1 million; or
  - (ii) 2% of the organization's consolidated gross revenues for that fiscal year.

6.

Relationships with organizations to which the Trust owes money. A Trustee's or his immediate family member's status as an executive officer or employee of an organization to which the Trust was indebted at the end of the Trust's most recent fiscal year so long as that total amount of indebtedness is not in excess of 5% of the Trust's total consolidated assets.

7. Relationships with organizations that owe money to the Trust. A Trustee's or his immediate family member's status as an executive officer or employee of an organization which is indebted to the Trust at
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the end of the Trust's most recent fiscal year so long as that total amount of indebtedness is not in excess of 15% of the organization's total consolidated assets.

8. Personal indebtedness to the Trust. A Trustee's or his immediate family member's being indebted to the Trust at any time since the beginning of the Trust's most recently completed fiscal year so long as such amount does not exceed the greater of:
  - (i) \$1 million; or
  - (ii) 2% of the individual's net worth.
  
9. Leasing or retaining space from the Trust. The leasing or retaining of space from the Trust by:
  - (i) a Trustee;
  - (ii) a Trustee's immediate family member; or
  - (iii) an affiliate of a Trustee or an affiliate of a Trustee's immediate family member;

so long as in each case the rental rate and other lease terms are at market rates and terms in the aggregate at the time the lease is entered into or, in the case of a non-contractual renewal, at the time of the renewal.
  
10. Other relationships that do not involve more than \$100,000. Any other relationship or transaction that is not covered by any of the categorical standards listed above and that do not involve payments of more than \$100,000 in the most recently completed fiscal year of the Trust.
  
11. Personal relationships with management. A personal relationship between a Trustee or a Trustee's immediate family member with a member of the Trust's management.
  
12. Partnership and co-investment relationships between or among Trustees. A partnership or co-investment relationship between or among a Trustee or a Trustee's immediate family member and other members of the Trust's Board of Trustees, including management Trustees, so long as the existence of the relationship has been previously disclosed in the Trust's reports and/or proxy statements filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

The fact that a particular transaction or relationship falls within one or more of the above categorical standards does not eliminate a Trustee's obligation to disclose the transaction or relationship to the Trust, the Board of Trustees or management as and when requested for public disclosure and other relevant purposes. For relationships that are either not covered by or do not satisfy the categorical standards above, the determination of whether the relationship is material and therefore whether the Trustee qualified as independent or not, may be made by the Corporate Governance and Nominating Committee or the Board. The Trust shall explain in the annual meeting proxy statement immediately following any such determination the basis for any determination that a relationship was immaterial despite the fact that it did not meet the foregoing categorical standards.

*Invitation.* The invitation to join the Board should be extended by the Board itself via the Chairman of the Board and CEO of the Trust, together with an independent Trustee, when deemed appropriate.



*Orientation and Continuing Education.* Management, working with the Board, will provide an orientation process for new Trustees, including background material on the Trust, its business plan and its risk profile, and meetings with senior management. Members of the Board are required to undergo continuing education as recommended by the NYSE. In connection therewith, the Trust will reimburse Trustees for all reasonable costs associated with the attendance at or the completion of any continuing education program supported, offered or approved by the NYSE or approved by the Trust.

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**V. Election Term**

The Board does not believe it should establish term limits.

**VI. Retirement of Trustees**

The Board believes it should not establish a mandatory retirement age.

**VII. Board Meetings**

The Board currently plans at least four meetings each year, with further meetings to occur (or action to be taken by unanimous written consent) at the discretion of the Board. The meetings will usually consist of committee meetings and the Board meeting.

The agenda for each Board meeting will be established by the Chairman and CEO, with assistance of the Trust's Secretary and internal Corporation Counsel. Any Board member may suggest the inclusion of additional subjects on the agenda. Management will seek to provide to all Trustees an agenda and appropriate materials in advance of meetings, although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the business and that in certain cases it may not be possible.

Materials presented to the Board or its committees should be as concise as possible, while still providing the desired information needed for the Trustees to make an informed judgment.

**VIII. Executive Sessions**

To ensure free and open discussion and communication among the non-management Trustees, the non-management Trustees will meet in executive sessions periodically, with no members of management present. Non-management Trustees who are not independent under the NYSE Rules may participate in these executive sessions, but independent Trustees should meet separately in executive session at least once per year.

At any time that the independent Trustees have not appointed a Lead Trustee or the Lead Trustee is not present, the participants in any executive sessions will select by majority vote of those attending a presiding Trustee for such sessions or any such session.

In order that interested parties may be able to make their concerns known to the non-management Trustees, the Trust shall disclose a method for such parties to communicate directly with the presiding trustee or the non-management trustees as a group. For the purposes hereof, communication through a third-party such as an external lawyer or a third-party vendor who relays information to non-management members of the Board will be considered direct.

**IX. The Committees of the Board**

The Trust shall have at least the committees required by the NYSE Rules. Currently, these are the Audit Committee, the Compensation Committee and a nominating/corporate governance committee, which in our Trust is called the Corporate Governance and Nominating Committee. Each of these three committees must have a written charter satisfying the rules of the NYSE.

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All trustees, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

Each of the Corporate Governance and Nominating Committee, the Audit Committee and the Compensation Committee shall be composed of at least such number of trustees as may be required by the NYSE Rules who the Board has determined are independent under the NYSE Rules. Any additional qualifications for the

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members of each committee shall be set out in the respective committees' charters. A trustee may serve on more than one committee for which he or she qualifies.

Each committee may take any action in a meeting of the full Board, and actions of the Board, including the approval of such actions by a majority of the members of the Committee, will be deemed to be actions of that committee. In such circumstance only the votes cast by members of the committee shall be counted in determining the outcome of the vote on matters upon which the committee acts.

## **X. Management Succession**

At least annually, the Board shall review and concur in a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

## **XI. Lead Trustee**

The independent Trustees will annually elect an independent Trustee to serve as Lead Trustee. The Lead Trustee will serve as a resource to the Chairman and to the other independent Trustees, coordinating the activities of the independent Trustees. The Lead Trustee will perform such other duties and responsibilities as the Board may determine.

The Board has determined that the Lead Trustee should have the following specific duties and responsibilities:

- (i) Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent Trustees;
- (ii) Serve as liaison between the Chairman and the independent Trustees;
- (iii) Consult with the Chairman as to an appropriate schedule of board meetings;
- (iv) Consult with the Chairman as to agenda items and materials sent in advance of board meetings, provided that all Trustees may suggest items for inclusion on the agenda; and
- (v) Call meetings of the independent Trustees when necessary and appropriate.

## **XII. Executive Compensation**

*Evaluating and Approving Salary for the CEO.* The Board, acting through the Compensation Committee, evaluates the performance of the CEO and the Trust against the Trust's goals and objectives and approves the compensation level of the CEO.

*Evaluating and Approving the Compensation of Management.* The Board, acting through the Compensation Committee, evaluates and approves the proposals for overall compensation policies applicable to executive officers.

## **XIII. Board Compensation**

The Board should conduct a review at least once every three years of the components and amount of Board compensation in relation to other similarly situated companies. Board compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

**XIV. Prohibition on Short Sales**

In accordance with Federal securities laws, the Company should prohibit short sales by our executive officers of our equity securities.

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**XV. Expectations of Trustees**

The business and affairs of the Trust shall be managed under the direction of the Board in accordance with Maryland law. In performing his or her duties, the primary responsibility of the trustees is to exercise his or her business judgment in the best interests of the Trust. The Board has developed a number of specific expectations of trustees to promote the discharge of this responsibility and the efficient conduct of the Board's business.

*Commitment and Attendance.* All independent and management trustees should make every effort to attend meetings of the Board and meetings of committees of which they are members. Members may attend by telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. The Board may act by unanimous written consent in lieu of a meeting.

*Participation in Meetings.* Each trustee should be sufficiently familiar with the business of the Trust, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, management will make appropriate personnel available to answer any questions a trustee may have about any aspect of the Trust's business. Trustees should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

*Loyalty and Ethics.* In their roles as Trustees, all Trustees owe a duty of loyalty to the Trust. This duty of loyalty mandates that the best interests of the Trust take precedence over any interests possessed by a Trustee.

The Trust has adopted a Code of Business Conduct and Ethics, including a compliance program to enforce the Code. Certain portions of the Code deal with activities of Trustees, particularly with respect to transactions in the securities of the Trust, potential conflicts of interest, the taking of corporate opportunities for personal use, and competing with the Trust. Trustees should be familiar with the Code's provisions in these areas and should consult with any member of the Trust's Corporate Governance and Nominating Committee or the Trust's internal Corporation Counsel in the event of any concerns. The Corporate Governance and Nominating Committee is ultimately responsible for applying the Code to specific situations and has the authority to interpret the Code in any particular situation.

*Other Directorships.* The Trust values the experience Trustees bring from other boards on which they serve, but recognizes that those boards may also present demands on a Trustee's time and availability and may present conflicts or legal issues. Trustees should advise the Chairman of the Corporate Governance and Nominating Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units.

*Contact with Management.* All Trustees are invited to contact the CEO at any time to discuss any aspect of the Trust's business. Trustees will also have complete access to other members of management. The Board expects that there will be frequent opportunities for Trustees to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

Further, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement and substantial knowledge in those areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

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*Contact with Other Constituencies.* It is important that the Trust speaks to employees and outside constituencies with a single voice, and that management serve as the primary spokesperson.

*Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each Trustee shall maintain the confidentiality of information received in connection with his or her service as a Trustee.

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### **XVI. Evaluating Board Performance**

The Board, acting through the Corporate Governance and Nominating Committee, should conduct a self-evaluation at least annually to determine whether it is functioning effectively. The Corporate Governance and Nominating Committee should periodically consider the mix of skills and experience that Trustees bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

Each committee of the Board should conduct a self-evaluation at least annually and report the results to the Board, acting through the Corporate Governance and Nominating Committee. Each committee's evaluation must compare the performance of the committee with the requirements of its written charter, if any.

### **XVII. Reliance on Management and Outside Advice**

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board shall have the authority to retain and approve the fees and retention terms of its outside advisors.

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

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VORNADO REALTY TRUST 888 SEVENTH AVENUE NEW YORK, NY 10019 VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com) Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. **ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS** If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. **VOTE BY PHONE** 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. **VOTE BY MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. **TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: VORNA1 KEEP THIS PORTION FOR YOUR RECORDS DETACH AND RETURN THIS PORTION ONLY THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. VORNADO REALTY TRUST For All Withhold All For All Except To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below. THE BOARD OF TRUSTEES RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH NOMINEE FOR TRUSTEE, "FOR" PROPOSAL 2 AND "AGAINST" PROPOSALS 3 AND 4. o o o 1. ELECTION OF TRUSTEES each for a term ending at the Annual Meeting of Shareholders in 2012 and until his successor is duly elected and qualified: Nominees: 01) Steven Roth 02) Michael D. Fascitelli 03) Russell B. Wight, Jr. Vote On Proposal For Against Abstain 2. RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. o o o 3. SHAREHOLDER PROPOSAL REGARDING MAJORITY VOTING FOR TRUSTEES. o o o 4. SHAREHOLDER PROPOSAL REGARDING THE APPOINTMENT OF AN INDEPENDENT CHAIRMAN. o o o 5. TO VOTE AND OTHERWISE REPRESENT THE UNDERSIGNED ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF IN THE DISCRETION OF THE PROXY HOLDER. For address changes and/or comments, please check this box and write them on the back where indicated. Note: Please sign exactly as your name or names appear(s) on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee, guardian or other fiduciary, please give full title as such. If a corporation, limited liability company, partnership or other entity, please sign in full name of the corporation, limited liability company, partnership or other entity, by an authorized person. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED "FOR" THE PRECEDING NOMINEES IN PROPOSAL 1, "FOR" PROPOSAL 2 AND "AGAINST" PROPOSALS 3 AND 4. IF ANY NOMINEE DECLINES OR IS UNABLE TO SERVE AS A TRUSTEE, THEN THE PERSONS NAMED AS PROXIES SHALL HAVE FULL DISCRETION TO VOTE FOR ANY OTHER PERSON DESIGNATED BY THE BOARD OF TRUSTEES. Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date**

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The 2008 Annual Report to Shareholders, including the 2008 Annual Report on Form 10-K and Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com). VORNA2 VORNADO REALTY TRUST This proxy is solicited on behalf of the Board of Trustees for the Annual Meeting of Shareholders May 14, 2009 11:30 A.M. The undersigned shareholder, revoking all prior proxies, hereby appoints Steven Roth and Michael D. Fascitelli, or either of them, as proxies for the undersigned, each with full power of substitution, to attend the Annual Meeting of Shareholders of Vornado Realty Trust, a Maryland real estate investment trust (the Company), to be held at the Saddle Brook Marriott, Interstate 80 and the Garden State Parkway, Saddle Brook, New Jersey 07663 on Thursday, May 14, 2009 at 11:30 A.M., local time, and any postponements or adjournments thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such meeting and otherwise represent the undersigned at the meeting with all powers possessed by the undersigned if personally present at the meeting. Each proxy is authorized to vote as directed on the reverse side hereof upon the proposals which are more fully set forth in the Proxy Statement and otherwise in his discretion upon such other business as may properly come before the meeting and all postponements or adjournments thereof, all as more fully set forth in the Notice of Annual Meeting of Shareholders and Proxy Statement, receipt of which is hereby acknowledged. THIS PROXY IS SOLICITED BY THE BOARD OF TRUSTEES OF THE COMPANY. WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDER. IF THIS PROXY IS EXECUTED BUT NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED (1) FOR THE ELECTION OF EACH NOMINEE FOR TRUSTEE, (2) FOR THE RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, (3) AGAINST THE SHAREHOLDER PROPOSAL REGARDING MAJORITY VOTING FOR TRUSTEES, AND (4) AGAINST THE SHAREHOLDER PROPOSAL REGARDING THE APPOINTMENT OF AN INDEPENDENT CHAIRMAN. THE VOTES ENTITLED TO BE CAST BY THE UNDERSIGNED WILL BE CAST IN THE DISCRETION OF THE PROXY HOLDER ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF. Address Changes/Comments: (If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.) (Continued and to be executed on reverse side.)