

Paramount Group, Inc.  
Form DEF 14A  
April 07, 2017  
Table of Contents

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

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**PARAMOUNT GROUP, INC.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**Table of Contents**

**PARAMOUNT GROUP, INC.**

1633 Broadway,

Suite 1801

New York, New York 10019

**Notice of 2017 Annual Meeting of Stockholders**

**Date:** Thursday, May 18, 2017

**Time:** 12:00 p.m., Eastern Time

**Place:** 745 Fifth Avenue, 9<sup>th</sup> Floor, New York, New York

**Record Date:** You may vote if you were a stockholder of record as of the close of business on March 20, 2017.

**Items of Business:**

1. To elect the nine director nominees named in the proxy statement, each to serve on our Board for a one-year term and until their respective successors are duly elected and qualified.
2. To hold an advisory vote on named executive officer compensation.
3. To ratify the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.
4. To consider and act upon any other matters that are properly brought before the annual meeting and at any adjournments or postponements thereof.

**Proxy Voting:** If you do not plan to attend the meeting and vote your shares of common stock in person, we urge you to vote your shares as instructed in the proxy statement. If you received a copy of the proxy card by mail, you may sign, date and mail the proxy card in the postage-paid envelope provided. If your shares of common stock are held by a broker, bank or other nominee, please follow the instructions you receive from your broker, bank or other nominee to have your shares of common stock voted.

Any proxy may be revoked at any time prior to its exercise at the annual meeting.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on May 18, 2017.** The proxy statement and our 2016 Annual Report to stockholders are available at <http://www.proxyvote.com>.

**By Order of our Board of Directors,**

Gage Johnson

*Senior Vice President, General Counsel and Secretary*

*April 7, 2017*

**Table of Contents**

## TABLE OF CONTENTS

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b><u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING</u></b>   | 2           |
| <u>Who is entitled to vote at the annual meeting?</u>  | 2           |
| <u>What is the purpose of the annual meeting?</u>  | 2           |
| <u>What constitutes a quorum?</u>  | 2           |
| <u>What vote is required to approve each proposal?</u>   | 2           |
| <u>Can I change my vote after I submit my proxy card?</u>  | 3           |
| <u>How do I vote?</u>  | 3           |
| <u>How is my vote counted?</u>   | 4           |
| <u>How does the Board recommend that I vote on each of the proposals?</u>                                    | 4           |
| <u>What other information should I review before voting?</u>   | 4           |
| <u>Who is soliciting my proxy?</u>   | 4           |
| <u>Why didn't I automatically receive a paper copy of the proxy statement, proxy card and annual report?</u> | 4           |
| <u>How can I change how I receive proxy materials in the future?</u>   | 5           |
| <b><u>PROPOSAL 1: ELECTION OF DIRECTORS</u></b>  | 6           |
| <u>Information Regarding the Director Nominees</u>   | 7           |
| <u>Biographical Information Regarding Executive Officers Who Are Not Directors</u>                           | 11          |
| <u>Director Independence</u>   | 13          |
| <u>Lead Independent Director</u>   | 13          |
| <u>The Board and its Committees</u>  | 13          |
| <u>Director Compensation</u>   | 15          |
| <b><u>PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u></b>                  | 16          |
| <b><u>PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>       | 17          |
| <u>Fee Disclosure</u>  | 17          |
| <u>Pre-Approval Policies and Procedures of our Audit Committee</u>   | 18          |
| <b><u>AUDIT COMMITTEE REPORT</u></b>   | 19          |
| <b><u>CORPORATE GOVERNANCE MATTERS</u></b>   | 20          |
| <u>Corporate Governance Highlights</u>   | 20          |
| <u>Corporate Governance Guidelines</u>   | 20          |
| <u>Director Independence</u>   | 20          |
| <u>Code of Business Conduct and Ethics</u>   | 21          |
| <u>Audit Committee Financial Expert</u>  | 21          |
| <u>Communications with the Board</u>   | 21          |
| <u>Audit Committee Complaint Procedures</u>  | 21          |
| <u>Director Attendance at Annual Meetings</u>  | 22          |
| <u>Identification of Director Candidates</u>   | 22          |
| <u>Executive Sessions of Non-Management Directors</u>  | 23          |
| <u>Annual Elections: Majority Voting</u>   | 23          |
| <u>Board Leadership Structure</u>  | 23          |
| <u>Anti-Hedging and Anti-Pledging Policy</u>   | 24          |
| <u>Minimum Share Ownership Guidelines for Executive Officers and Directors</u>                               | 24          |
| <u>Risk Oversight</u>  | 25          |

**Table of Contents**

TABLE OF CONTENTS

|  | <b>Page</b> |
|--|-------------|
| <b><u>EXECUTIVE COMPENSATION</u></b>   | 26          |
| <u>Compensation Discussion and Analysis</u>                                  | 26          |
| <u>Compensation Committee Report</u>   | 41          |
| <u>Summary Compensation Table</u>  | 42          |
| <u>2016 Grants of Plan-Based Awards</u>                                      | 44          |
| <u>Outstanding Equity Awards at Fiscal Year-End 2016</u>                     | 45          |
| <u>2016 Option Exercises and Stock Vested</u>                                | 47          |
| <u>Nonqualified Deferred Compensation</u>                                    | 47          |
| <u>Potential Payments Upon Termination or Change in Control</u>              | 48          |
| <u>Compensation Committee Interlocks and Insider Participation</u>           | 52          |
| <b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b> | 53          |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>               | 56          |
| <b><u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u></b>           | 57          |
| <u>Management Agreements</u>   | 57          |
| <u>Note Payable</u>  | 57          |
| <u>1633 Broadway Lease</u>   | 57          |
| <u>Mannheim Trust</u>  | 57          |
| <u>Hamburg Trust HTC Consulting GmbH</u>                                     | 57          |
| <u>Review and Approval of Future Transactions with Related Persons</u>       | 58          |
| <b><u>OTHER MATTERS</u></b>  | 59          |
| <u>Solicitation of Proxies</u>   | 59          |
| <u>Stockholder Proposals</u>   | 59          |
| <u>Attendance at the Meeting</u>   | 59          |
| <u>Householding of Proxy Materials</u>                                       | 60          |
| <u>Other Matters</u>   | 60          |

**Table of Contents**

PROXY STATEMENT

**PARAMOUNT GROUP, INC.**

1633 Broadway, Suite 1801, New York, New York 10019

**PROXY STATEMENT**

These proxy materials are being made available in connection with the solicitation of proxies by the Board of Directors (the Board) of Paramount Group, Inc., a Maryland corporation, for use at our 2017 annual meeting of stockholders to be held on Thursday, May 18, 2017, at 12:00 p.m., local time, at 745 Fifth Avenue, 9<sup>th</sup> Floor, New York, New York or at any postponement or adjournment of the annual meeting. References in this proxy statement to we, us, our, ours and the Company refer to Paramount Group, Inc., unless the context otherwise requires. This proxy statement and a form of proxy have been made available to our stockholders on the internet and the Notice of Internet Availability of Proxy Materials has been mailed to stockholders on or about April 7, 2017.

PARAMOUNT GROUP, INC. | 2017 Proxy Statement 1



## **Table of Contents**

### QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

## **QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

### **Who is entitled to vote at the annual meeting?**

Holders of record of our common stock, \$0.01 par value per share, at the close of business on March 20, 2017, the record date for the annual meeting, are entitled to receive notice of the annual meeting and to vote at the annual meeting. If you are a holder of record of our common stock as of the record date, you may vote the shares that you held on the record date even if you sell such shares after the record date. Each outstanding share as of the record date entitles its holder to cast one vote for each matter to be voted upon and, with respect to the election of directors, one vote for each director to be elected. Stockholders do not have the right to cumulate voting for the election of directors.

### **What is the purpose of the annual meeting?**

At the annual meeting, you will be asked to vote on the following proposals:

*Proposal 1:* the election of the nine director nominees named in this proxy statement to serve on our Board until our next annual meeting of stockholders and until their successors are duly elected and qualified;

*Proposal 2:* the approval, on a non-binding advisory basis, of the compensation paid to our named executive officers, as described in this proxy statement;

*Proposal 3:* the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

You also may be asked to consider and act upon any other matters that may properly be brought before the annual meeting and at any adjournments or postponements thereof.

### **What constitutes a quorum?**

The presence, in person or by proxy, of holders of a majority of the total number of outstanding shares entitled to vote at the annual meeting is necessary to constitute a quorum for the transaction of any business at the annual meeting. As of March 20, 2017, there were 231,379,915 shares outstanding and entitled to vote at the annual meeting.

Each share of common stock outstanding on the record date is entitled to one vote on each matter properly submitted at the annual meeting and, with respect to the election of directors, one vote for each director to be elected. Abstentions and broker non-votes (*i.e.*, shares represented at the meeting held by brokers, as to which instructions have not been received from the beneficial owners or persons entitled to vote such shares and with respect to which, on a particular matter, the broker does not have discretionary voting power to vote such shares) will be counted for purposes of determining whether a quorum is present for the transaction of business at the annual meeting.

### **What vote is required to approve each proposal?**

In respect of Proposal 1, a director is elected if he or she receives more votes for his or her election than votes against his or her election. Under our Corporate Governance Guidelines, any director who fails to be elected by a majority vote in an uncontested election is required to tender his or her resignation to the Board, subject to acceptance. Our Nominating and Corporate Governance Committee is required to make a recommendation to the Board with respect to the resignation. The Board is required to take action with respect to this recommendation and to disclose its decision and, if applicable, the Board's reasons for rejecting the tendered resignation. The policy is described more fully below under the caption Corporate Governance Matters Annual Elections; Majority Voting. Abstentions and broker non-votes with respect to Proposal 1 will have no effect on the election of directors.



## **Table of Contents**

### QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

A majority of all of the votes cast with respect to the proposal is required for approval of each of Proposals 2 and 3. In respect of Proposals 2 and 3, abstentions and broker non-votes will have no effect on the votes for these proposals. The vote for Proposal 2 is advisory and not binding on the Board or the Company in any way.

#### **Can I change my vote after I submit my proxy card?**

If you cast a vote by proxy, you may revoke it at any time before it is voted by:

filing a written notice revoking the proxy with our Secretary at our address;

properly submitting to us a proxy with a later date; or

appearing in person and voting by ballot at the annual meeting.

If you attend the annual meeting, you may vote in person whether or not you previously have given a proxy, but your presence (without further action) at the annual meeting will not constitute revocation of a previously given proxy. Unless you have received a legal proxy to vote the shares, if you hold your shares through a bank, broker or other nominee, that is, in street name, only that bank, broker or other nominee can revoke your proxy on your behalf.

You may revoke a proxy for shares held by a bank, broker or other nominee by submitting new voting instructions to the bank, broker or other nominee or, if you have obtained a legal proxy from the bank, broker or other nominee giving you the right to vote the shares at the annual meeting, by attending the annual meeting and voting in person.

#### **How do I vote?**

***Voting in Person at the Annual Meeting.*** If you hold your shares in your own name as a holder of record with our transfer agent, Computershare Trust Company, N.A., and attend the annual meeting, you may vote in person at the annual meeting. If your shares are held by a bank, broker or other nominee, that is, in street name, and you wish to vote in person at the annual meeting, you will need to obtain a legal proxy from the bank, broker or other nominee that holds your shares of record.

***Voting by Proxy.*** If your shares are registered directly in your name with our transfer agent, the Notice of Internet Availability of Proxy Materials was sent directly to you by us. In that case, you may instruct the proxy holders named in the proxy card how to vote your shares of common stock in one of the following ways:

***Vote online.*** You can access proxy materials and vote at [www.proxyvote.com](http://www.proxyvote.com). To vote online, you must have a stockholder identification number provided in the Notice of Internet Availability of Proxy Materials.

***Vote by telephone.*** If you received printed materials, you also have the option to vote by telephone by following the Vote by Phone instructions on the proxy card.

***Vote by regular mail.*** If you received printed materials and would like to vote by mail, then please mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided.

If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice of Internet Availability of Proxy Materials was forwarded to you by that organization. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. You should instruct your broker or nominee how to vote your shares by following the voting instructions provided by your broker or nominee. If you request printed copies of the

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proxy materials by mail, you will receive a vote instruction form for this purpose.

*Even if you plan to attend the annual meeting, we recommend that you submit a proxy to vote your shares in advance so that your vote will be counted if you later are unable to attend the annual meeting.*

PARAMOUNT GROUP, INC. | 2017 Proxy Statement 3

## **Table of Contents**

### QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

#### **How is my vote counted?**

If you authorize your proxy to vote your shares electronically via the internet or by telephone, or, if you received a proxy card by mail and you properly marked, signed, dated and returned it, the shares that the proxy represents will be voted in the manner specified on the proxy. If no specification is made, your shares will be voted for the election of the nominees for the directors named in this proxy statement, for advisory approval of the compensation of our named executive officers, and for ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017. It is not anticipated that any matters other than those set forth in this proxy statement will be presented at the annual meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders.

#### **How does the Board recommend that I vote on each of the proposals?**

The Board recommends that you vote:

***FOR Proposal 1:*** the election of Albert Behler, Thomas Armbrust, Martin Bussmann, Dan Emmett, Lizanne Galbreath, Karin Klein, Peter Linneman, David O Connor and Katharina Otto-Bernstein as directors to serve on our Board until our next annual meeting of stockholders and until their successors are duly elected and qualified;

***FOR Proposal 2:*** the approval, on a non-binding advisory basis, of the compensation paid to our named executive officers, as described in this proxy statement;

***FOR Proposal 3:*** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

#### **What other information should I review before voting?**

Our 2016 annual report, including our consolidated financial statements for the fiscal year ended December 31, 2016, is being made available to you along with this proxy statement. **You may obtain, free of charge, copies of our 2016 annual report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which contains additional information about the Company, on our website at [www.paramount-group.com](http://www.paramount-group.com) or by directing your request in writing to Paramount Group, Inc., 1633 Broadway, Suite 1801, New York, New York 10019, Attention: Investor Relations.** The 2016 annual report and the Annual Report on Form 10-K, however, are not part of the proxy solicitation materials, and the information found on, or accessible through, our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document we file with or furnish to the Securities and Exchange Commission (the SEC).

#### **Who is soliciting my proxy?**

**This solicitation of proxies is made by and on behalf of the Board.** We will pay the cost of the solicitation of proxies. In addition to the solicitation of proxies by mail, our directors, officers and employees may solicit proxies personally or by telephone. No arrangements or contracts have been made with any solicitors as of the date of this proxy statement, although we reserve the right to engage solicitors if we deem them necessary. Such solicitations may be made by mail, telephone, facsimile, e-mail or personal interviews.

#### **Why didn't I automatically receive a paper copy of the proxy statement, proxy card and annual report?**

Pursuant to rules adopted by the SEC, we have elected to provide access to our proxy materials via the internet. Accordingly, rather than paper copies of our proxy materials, we are sending a Notice of Internet Availability of Proxy Materials to our stockholders.



**Table of Contents**

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

**How can I change how I receive proxy materials in the future?**

The Notice of Internet Availability of Proxy Materials includes instructions on how to access our proxy materials over the internet at [www.proxyvote.com](http://www.proxyvote.com) and how to request a printed set of the proxy materials by mail or an electronic set of materials by e-mail.

Instead of receiving a Notice of Internet Availability of Proxy Materials in the mail, stockholders may elect to receive future proxy materials in printed form by mail or electronically by e-mail on an ongoing basis. Choosing to receive future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will reduce the environmental impact of the annual meeting. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. You can change your election by sending a blank e-mail with the 16-digit control number on your proxy card to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com), via the internet at [www.proxyvote.com](http://www.proxyvote.com) or by telephone at (800) 579-1639. Your election to receive future proxy materials by e-mail will remain in effect until you terminate it.

**Table of Contents**

PROPOSAL 1: ELECTION OF DIRECTORS

**PROPOSAL 1: ELECTION OF DIRECTORS**

The Board currently consists of nine members. Each member of the Board is serving for a term of one year and until their successors are duly elected and qualified. Their term expires at each annual meeting of stockholders. Our charter and bylaws provide that a majority of the entire Board may at any time increase or decrease the number of directors. However, the number of directors may never be less than the minimum number required by the Maryland General Corporation Law which is one and, unless our bylaws are amended, more than nine.

At the 2017 annual meeting, all of the directors will be elected to serve until the 2018 annual meeting and until their successors are duly elected and qualified. The Board, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Albert Behler, Thomas Armbrust, Martin Bussmann, Dan Emmett, Lizanne Galbreath, Karin Klein, Peter Linneman, David O Connor and Katharina Otto-Bernstein to serve as directors. Each of these nominees is a current director of the Company. The Board anticipates that each nominee will serve, if elected, as a director. However, if any nominee is unable to accept election, proxies voted in favor of such nominee will be voted for the election of such other person or persons as the Board may select.

Our bylaws provide for majority voting in uncontested director elections. Pursuant to our bylaws, in an uncontested election a director is elected if he or she receives more votes for his or her election than votes against his or her election. Under our Corporate Governance Guidelines, any director who fails to be elected by a majority vote in an uncontested election is required to tender his or her resignation to our Board, subject to acceptance. Our Nominating and Corporate Governance Committee will make a recommendation to our Board on whether to accept or reject the resignation, or whether other action should be taken. Our Board will then act on our Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of election results. If the resignation is not accepted, the director will continue to serve until the next annual meeting and until the director's successor is duly elected and qualified. The director who tenders his or her resignation will not participate in our Board's decision.

We will treat broker non-votes as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum. Abstentions and broker non-votes, if any, will have no effect on this proposal.

**The Board unanimously recommends that you vote FOR each of its director nominees.**



**Table of Contents**

## PROPOSAL 1: ELECTION OF DIRECTORS

**Information Regarding the Director Nominees**

The following table and biographical descriptions set forth certain information with respect to each nominee for election as a director at the 2017 annual meeting, based upon information furnished by each director. The biographical information includes the specific experience, qualifications, attributes and skills that led to the conclusion by our Board that such person should serve as a director.

| Name                     | Age | Position  |
|--------------------------|-----|---|
| Albert Behler            | 65  | Chairman, Chief Executive Officer and President |
| Thomas Armbrust          | 64  | Director  |
| Martin Bussmann          | 65  | Director  |
| Dan Emmett               | 77  | Director  |
| Lizanne Galbreath        | 59  | Director  |
| Karin Klein              | 44  | Director  |
| Peter Linneman           | 66  | Director  |
| David O Connor           | 53  | Director  |
| Katharina Otto-Bernstein | 52  | Director  |

**Board Diversity****Summary of Select Director Core Competencies**

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## **Table of Contents**

### PROPOSAL 1: ELECTION OF DIRECTORS

#### **Albert Behler**

Mr. Behler has been our Chairman, Chief Executive Officer and President since 2014. Mr. Behler joined our company in October 1991 as President and Chief Executive Officer, where he oversaw all of the acquisitions and dispositions that produced our current portfolio of assets. Prior to joining our company, Mr. Behler held various leadership positions at Thyssen, a German multinational conglomerate that he joined in 1973. He ran Thyssen Saudia Company, Ltd as Managing Director and was President of Thyssen Rheinstahl in Atlanta, Georgia from 1985 to 1991. In his positions with Thyssen, Mr. Behler was responsible for, among other duties, the acquisition, financing, development and disposition of more than ten million square feet of commercial real estate in various countries. Mr. Behler's board and association memberships presently include serving as a member of The Real Estate Roundtable, Washington, D.C.; a member of the Board of Governors of the Real Estate Board of New York; a member of the Urban Land Institute, where he is also a member of the Board of Directors of the ULI Greenprint Center for Building Performance; a member of the American Council on Germany's Business Advisory Committee; and a member of the Board of Trustees of Citymeals-on-Wheels. Mr. Behler is also a former member of the Executive Committee of Greenprint Foundation and a former Chairman of the Association of Foreign Investors in Real Estate (AFIRE). Mr. Behler studied law at the University of Cologne and graduated from Georgia State University with a Master's degree in Business Administration.

#### **Thomas Armbrust**

Mr. Armbrust has been a member of our Board since 2014. Mr. Armbrust has been the Managing Director of CURA Vermögensverwaltung, a real estate management firm, since 1992. From 1985 to 1992, Mr. Armbrust was Vice President Tax, Accounting, Reporting and M&A of Gruner & Jahr Publishing Group, Hamburg. Prior to that, Mr. Armbrust held various other finance positions since 1977. Mr. Armbrust serves as a member of the supervisory board of Deutsche EuroShop AG, a public German real estate stock company, as a member of the supervisory board of Otto Versand, an international retailer, and as chairman of the supervisory board of ECE Projektmanagement, an international shopping center manager and developer. Mr. Armbrust also serves as a director of certain of the entities comprising our predecessor entities and their affiliates. Mr. Armbrust studied national economics and received his Masters of Economics from the University of Mainz. Mr. Armbrust was selected to serve on our Board based on his extensive experience in the real estate industry, his background in finance and his extensive knowledge of the Company.

#### **Martin Bussmann**

Dr. Bussmann has been a member of our Board since March 2016. Dr. Bussmann has been a Trustee of the Mannheim Trust in New York since 1998, responsible for the investment and management of its assets in real estate, private equity and financial investments in public equity and fixed income. He also serves as director or manager of a number of the Mannheim Trust portfolio companies, including Mannheim Holdings LLC and Mannheim Real Estate LLC and their subsidiaries. He was a board member of the private Cellwar Holding AG in Switzerland and since its reorganization is President of Rhodanie Investment AG. From 1998 to 2005, he was Co-Trustee of the Marico Trust in New York, and from 1995 to 1998 he was manager of Margna SA/Margna Holding SA, a Luxembourg company that invested in European blue chip stocks. Prior to these positions, from 1980 until 1994, Dr. Bussmann spent 15 years in the pharmaceutical and chemical industries in Germany and the United States, at Knoll AG, Abbott Laboratories, BASF AG and BASF Corporation. Dr. Bussmann received his Dr. juris utriusque degree from Heidelberg University and in 1977 was a Visiting Scholar at Harvard Law School. Dr. Bussmann was selected to serve on our Board based on his extensive experience in industries other than real estate, his background in finance and his senior leadership background.

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**Table of Contents**

PROPOSAL 1: ELECTION OF DIRECTORS

**Dan Emmett**

Mr. Emmett has been a member of our Board since 2014. Mr. Emmett has served as the chairman of the board of directors of Douglas Emmett, Inc., a publicly-traded high-quality office and multifamily property REIT, since its inception in 2006. Mr. Emmett co-founded the predecessors of Douglas Emmett, Inc. in 1971 and 1991. Mr. Emmett received his bachelor's degree from Stanford University and his Juris Doctorate from Harvard University. Mr. Emmett was selected to serve on our Board based on his extensive experience in the real estate industry as well as his senior leadership background.

**Lizanne Galbreath**

Ms. Galbreath has been a member of our Board since 2014. Ms. Galbreath has been the Managing Partner of Galbreath & Company, a real estate investment firm, since 1999. From April 1997 to 1999, Ms. Galbreath was Managing Director of LaSalle Partners/Jones Lang LaSalle, a publicly-traded real estate services and investment management firm, where she also served as a director. From 1984 to 1997, Ms. Galbreath served as a Managing Director, then Chairman and Chief Executive Officer, of The Galbreath Company, the predecessor entity of Galbreath & Company. Ms. Galbreath has been a member of the board of directors of ILG, Inc., a leading provider of professionally delivered vacation experiences, since May 2016. She was director of Starwood Hotels & Resorts Worldwide, Inc., a publicly-traded hotel and leisure company, from 2005 to September 2016. Ms. Galbreath is also a past Chair of the University of Pennsylvania Wharton School of Business Real Estate Advisory Board, a past member of the board of Grosvenor Americas, and a past trustee of the Urban Land Institute. Ms. Galbreath received a Masters of Business Administration from The Wharton School at the University of Pennsylvania and a Bachelor of Arts from Dartmouth College. Ms. Galbreath was selected to serve on our Board based on her extensive experience in the real estate industry as well as her senior leadership background.

**Karin Klein**

Ms. Klein has been a member of our Board since March 2016. Ms. Klein has been a partner of Bloomberg Beta, a venture capital fund which invests in technology companies that make work better, since 2013. Prior to launching Bloomberg Beta, Ms. Klein led new initiatives at Bloomberg L.P. from 2010 to 2013. Before joining Bloomberg L.P., from 2000 to 2010, Ms. Klein served in various roles at SoftBank Group Corp., a Japanese multinational telecommunications and internet company, including as a vice president and director of corporate development. Previously, she also held investing and operating roles at several investment companies and co-founded a children's education business. Ms. Klein is a member of the board of trustees of Harvey Mudd College. Ms. Klein graduated summa cum laude with a Master of Business Administration and a Bachelor of Science from The Wharton School and a Bachelor of Arts from the Annenberg School for Communication at the University of Pennsylvania. Ms. Klein was selected to serve on our Board based on her extensive experience outside the real estate industry, particularly in technology-related industries, and her senior leadership background.

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## **Table of Contents**

### PROPOSAL 1: ELECTION OF DIRECTORS

#### **Peter Linneman**

Dr. Linneman has been a member of our Board since 2014. From 1979 to 2011, Dr. Linneman was a Professor of Real Estate, Finance and Public Policy at the University of Pennsylvania, Wharton School of Business and is currently an Emeritus Albert Sussman Professor of Real Estate there. Dr. Linneman is also currently a principal of Linneman Associates, a real estate advisory firm, and a principal of American Land Funds, a private equity firm. Dr. Linneman has served on over 20 public and private company boards, including serving as Chairman of the Board of Rockefeller Center Properties, Inc., a REIT, as a member on the board of trustees of Equity Commonwealth (formerly known as Commonwealth REIT), a publicly-traded REIT, and as a member of the board of directors of Regency Centers Corporation, a publicly-traded REIT. Dr. Linneman is also currently serving as an independent director of Atrium European Real Estate Ltd., where his term will expire April 25, 2017, and AG Mortgage Investment Trust, Inc., a publicly-traded REIT. Dr. Linneman previously served as a director of Equity One, Inc., prior to its merger with Regency Centers Corporation, Bedford Property Investors, Inc. and JER Investors Trust, Inc., a finance company that acquires real estate debt securities and loans. Dr. Linneman holds both Masters and Doctorate degrees in economics from the University of Chicago and a Bachelor of Arts degree from Ashland University. Dr. Linneman was selected to serve on our Board based on his experience over many years in financial and business advisory services and investment activity and his experience as a member of numerous public and private boards, including many real estate companies.

#### **David O Connor**

Mr. O Connor has been a member of our Board since 2014. Mr. O Connor is a private investor and Managing Partner of High Rise Capital Partners, LLC, and was the co-founder and senior Managing Partner of High Rise Capital Management, L.P., a New York-based real estate securities hedge fund manager that operated from 2001 to 2011. From 1994 to 2000, he was a principal, co-portfolio manager and investment committee member of European Investors, Inc., a real estate securities investment advisory firm. Mr. O Connor serves in various positions at real estate investment firms. He is a member of the boards of Prologis, Inc., a publicly-traded REIT focused on industrial logistics and real estate globally; Regency Centers Corporation, a publicly-traded REIT that specializes in neighborhood shopping centers; and is the Non-Executive Co-Chairman of HighBrook Investment Management, LP, a real estate private equity firm. He also serves on the executive committee of the Zell/Lurie Real Estate Center at the Wharton School of the University of Pennsylvania. Mr. O Connor received a Master of Science in real estate from New York University and a Bachelor of Science from the Carroll School of Management at Boston College, where he serves as a Trustee. Mr. O Connor was selected to serve on our Board based on his extensive investment management experience in the real estate industry.

#### **Katharina Otto-Bernstein**

Ms. Otto-Bernstein has been a member of our Board since 2014. Ms. Otto-Bernstein is an award winning writer and film maker, who began her career as a journalist. Currently, she is the President of Film Manufacturers Inc., an international production company specializing in the development, production and co-production of high quality fiction and non-fiction motion pictures, as well as selected works for stage and print, a position which she has held since 1992. Ms. Otto-Bernstein is also a principal owner of ECE Projektmanagement, an international shopping center manager and developer, and a member of the board of directors of CURA Vermögensverwaltung, a real estate management firm. Ms. Otto-Bernstein is a member of the Dean's Council of the Columbia University School of the Arts and was awarded the Columbia University Alumni Medal of Achievement in 2009. She is also a member of the board of directors of the Metropolitan Opera and of the International Council of the Guggenheim Museum and served for ten years on the board of the Wildlife Conservation Society. Ms. Otto-Bernstein received a Bachelor of Arts from Columbia College in philosophy and political science and a Masters of Fine Arts in film from Columbia University. Ms. Otto-Bernstein was selected to serve on our Board based on her significant ownership interest in the Company and experience in the real estate industry.

**Table of Contents**

## PROPOSAL 1: ELECTION OF DIRECTORS

**Biographical Information Regarding Executive Officers Who Are Not Directors**

As of the date of this proxy statement, our executive officers who are not directors are as follows:

| Name              | Age | Position  |
|-------------------|-----|---|
| Wilbur Paes       | 39  | Executive Vice President, Chief Financial Officer and Treasurer |
| Jolanta Bott      | 65  | Executive Vice President, Operations and Human Resources        |
| Theodore Koltis   | 48  | Executive Vice President, Leasing                               |
| Daniel Lauer      | 54  | Executive Vice President, Chief Investment Officer              |
| Ralph D. Ruggiero | 66  | Senior Vice President, Property Management                      |
| Gage Johnson      | 55  | Senior Vice President, General Counsel and Secretary            |
| Vito Messina      | 54  | Senior Vice President, Asset Management                         |

**Wilbur Paes**

Mr. Paes has been our Executive Vice President, Chief Financial Officer and Treasurer since March 2016. Before being appointed Executive Vice President, Chief Financial Officer and Treasurer, Mr. Paes was our Senior Vice President, Chief Accounting Officer since 2014. Prior to joining our executive management team in 2014, Mr. Paes spent over 11 years at Vornado Realty Trust, a publicly traded REIT, where he held a myriad of positions in accounting and finance, most recently as Senior Vice President of SEC Reporting. Prior to that, Mr. Paes worked for the international public accounting firms of KPMG LLP and Arthur Andersen LLP, where he served some of the firms' largest real estate clients. Mr. Paes graduated from Queens College of the City University of New York with a Bachelor of Arts degree in Accounting and Information Systems. He is a Certified Public Accountant, licensed in the State of New York, and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

**Jolanta Bott**

Ms. Bott has been our Executive Vice President, Operations and Human Resources since 2014. Ms. Bott previously served as a Senior Vice President with our company since June 2002, responsible for all human resource matters. Prior to that, Ms. Bott held various other management positions at our company since July 1979. Prior to joining our company, Ms. Bott held a position in marketing and public relations at the European American Bank, where she reported directly to the Vice Chairman. Ms. Bott studied Art, Business and Psychology in Europe, Africa and Latin America, and is fluent in several languages.

**Theodore Koltis**

Mr. Koltis has been our Executive Vice President, Leasing since 2014. Mr. Koltis joined our management company in December 2010 as Senior Vice President of Leasing, responsible for the leasing of our company's portfolio in New York, Washington, D.C. and San Francisco. Prior to joining our company, since September 2002, Mr. Koltis served as a Managing Director at Tishman Speyer Properties, a real estate building and operating company, where he was responsible for leasing in New York, including Rockefeller Center, The Chrysler Building, 666 Fifth Avenue and The MetLife Building. Prior to joining Tishman Speyer Properties in 2002, Mr. Koltis worked at CB Richard Ellis, a publicly-traded commercial real estate services and investment firm, in the consulting group and at Tishman Realty and Construction in their real estate consulting group specializing in tenant advisory. He is a member of both the Real Estate Board of New York and the Young Men's/Women's Real Estate Association of New York. Mr. Koltis graduated from Cornell University with a Bachelor of Science and received a Master's degree in Business Administration from Columbia University.

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## **Table of Contents**

### PROPOSAL 1: ELECTION OF DIRECTORS

#### **Daniel Lauer**

Mr. Lauer has been our Executive Vice President, Chief Investment Officer since 2014. Mr. Lauer previously served as a Vice President of Acquisitions at our company since 2002 and Senior Vice President, Acquisitions and Business Development since February 2013, overseeing the acquisition and disposition process, including due diligence and the closing of numerous transactions. Prior to that, Mr. Lauer held various other management positions at our company since 1989. From 1985 to 1989, Mr. Lauer served in the accounting department of Turner Construction Company, a general builder and construction management firm, where he was responsible for financial reporting and budgeting for the New Jersey regional office. Mr. Lauer is a Member of the Urban Land Institute and the Samuel Zell and Robert Lurie Real Estate Center at the Wharton School, University of Pennsylvania. Mr. Lauer graduated from Fairfield University with a Bachelor of Arts degree in Economics and from Rutgers University with a Master's degree in Business Administration.

#### **Ralph DiRuggiero**

Mr. DiRuggiero has been our Senior Vice President, Property Management since 2014. Mr. DiRuggiero joined our company in May 2001 as Vice President of Property Management where he was directly involved in all aspects of property management and security for the entire portfolio. From 1999 to 2001, Mr. DiRuggiero was Senior Vice President of Property Management and Regional Director at the Trammell Crow Company, a real estate development, investment and operations company. From 1989 to 1999, Mr. DiRuggiero served in various management roles with Jones Lang LaSalle, a publicly-traded professional services and investment management company specializing in real estate, and its affiliates and predecessors, most recently as Executive Vice President. Mr. DiRuggiero graduated from the University of Scranton with a Bachelor of Science degree and from The City University of New York (Baruch College) with a Master's degree in Public Administration.

#### **Gage Johnson**

Mr. Johnson has been our Senior Vice President, General Counsel and Secretary since 2014. Mr. Johnson joined our company in May 2009 as General Counsel. Previously, since 2005, Mr. Johnson was General Counsel of Citi Property Investors, the global real estate investment management arm of Citigroup, where he was a Managing Director responsible for virtually all legal aspects of real estate investments throughout the United States, Europe and Asia in all property sectors. From 2003 to 2005, Mr. Johnson was an Executive Director in the Law Department at Morgan Stanley Real Estate, the investment firm's real estate unit. From 1998 to 2003, Mr. Johnson served in various roles at Lend Lease Real Estate, part of a publicly-traded property group specializing in project management and construction, real estate investment and development, most recently as General Counsel. Prior to joining Lend Lease Real Estate, Mr. Johnson was an attorney with the law firm of Paul Hastings LLP in Washington, D.C. He was formerly the Vice Chairman, Treasurer, and member of the Executive Committee of the Board of Directors of The National Aquarium in Washington, D.C. Mr. Johnson graduated from Princeton University with a Bachelor of Arts degree from the Woodrow Wilson School of Public & International Affairs and from the University of Virginia School of Law with a Juris Doctorate.

#### **Vito Messina**

Mr. Messina has been our Senior Vice President, Asset Management since 2014. Mr. Messina joined our company in July 2002 as Vice President of Controlling and assumed responsibility for accounting, property financing, financial accounting and financial reporting for its portfolio of properties. In July 2013 he was promoted to Senior Vice President, Asset Management where he has been responsible for overseeing the asset management function for our company's property portfolio. Previously, since 1994, Mr. Messina was Assistant Corporate Controller and later Vice President and Corporate Operations Controller at Devon Properties, Inc., an apartment and commercial property management services company. From 1986 to 1994, Mr. Messina provided audit and consulting services at Deloitte

## **Table of Contents**

### PROPOSAL 1: ELECTION OF DIRECTORS

& Touche LLP to real estate clients. Mr. Messina graduated from Queens College of the City University of New York with a Bachelor of Arts degree in Accounting. Mr. Messina is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

#### **Director Independence**

Our Board has determined that each of the following, constituting a majority of our Board, is an independent director as defined by the New York Stock Exchange (the "NYSE") rules: Martin Bussmann, Dan Emmett, Lizanne Galbreath, Karin Klein, Peter Linneman and David O'Connor. Our independent directors will meet regularly in executive sessions without the presence of our officers and non-independent directors.

#### **Lead Independent Director**

To facilitate the role of the independent directors, the Board has determined that it is appropriate for the independent directors to appoint one independent director to serve as Lead Independent Director. The Lead Independent Director is currently Peter Linneman. See Corporate Governance Matters Board Leadership Structure.

#### **The Board and its Committees**

The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and an Investment and Finance Committee. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are composed exclusively of independent directors, in accordance with the NYSE listing standards. The principal functions of each committee are briefly described below. The current charters for each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are available on our website at [www.paramount-group.com](http://www.paramount-group.com) under the Investors Corporate Governance section. Further, we will provide a copy of these charters free of charge to each stockholder upon written request. Requests for copies should be addressed to Gage Johnson, Senior Vice President, General Counsel and Secretary, at Paramount Group, Inc., 1633 Broadway, Suite 1801, New York, New York 10019. From time to time, the Board also may create additional committees for such purposes as the Board may determine.

The Board held six meetings during fiscal year 2016, and all directors attended 75% or more of the board of directors meetings and meetings of the committees on which they served during the periods they served.

**Audit Committee.** Our Audit Committee consists of Dan Emmett (chair), Peter Linneman and Martin Bussmann, each of whom is an independent director. The Board has determined that Dr. Linneman qualifies as an audit committee financial expert as that term is defined by the applicable SEC regulations and NYSE corporate governance listing standards and that each of the Audit Committee members is financially literate as that term is defined by the NYSE corporate governance listing standards. The Board has also determined that Dr. Linneman's simultaneous service on the audit committees of three other public companies would not impair his ability to serve on our Audit Committee. We have adopted an Audit Committee charter, which details the principal functions of the Audit Committee, including oversight related to:

our accounting and financial reporting processes;

the integrity of our consolidated financial statements;

our systems of disclosure controls and procedures and internal control over financial reporting;

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our compliance with financial, legal and regulatory requirements;

the performance of our internal audit function; and

PARAMOUNT GROUP, INC. | *2017 Proxy Statement* 13



**Table of Contents**

PROPOSAL 1: ELECTION OF DIRECTORS

our overall risk assessment and management. The Audit Committee is also responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The Audit Committee also prepares the Audit Committee Report required by SEC regulations to be included in this proxy statement. Our Audit Committee held five meetings during fiscal year 2016. Additional information regarding the functions performed by our Audit Committee is set forth in the Audit Committee Report.

*Compensation Committee.* The Compensation Committee consists of Lizanne Galbreath (chair), Karin Klein and David O Connor, each of whom is an independent director. We have adopted a Compensation Committee charter, which details the principal functions of the Compensation Committee, including:

reviewing and approving the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration of our Chief Executive Officer based on such evaluation;

reviewing and approving the compensation of other senior officers;

reviewing our executive compensation policies and plans;

implementing and administering our incentive compensation and equity-based plans;

assisting management in complying with our proxy statement and annual report disclosure requirements;

producing a report on executive compensation to be included in our annual proxy statement; and

reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors. The Compensation Committee held 13 meetings during fiscal year 2016.

*Nominating and Corporate Governance Committee.* Our Nominating and Corporate Governance Committee consists of Peter Linneman (chair), David O Connor and Lizanne Galbreath, each of whom is an independent director. We have adopted a Nominating and Corporate Governance Committee charter, which details the principal functions of the Nominating and Corporate Governance Committee, including:

identifying and recommending to the Board qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;

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developing and recommending to the Board corporate governance guidelines and implementing and monitoring such guidelines;

reviewing and making recommendations on matters involving the general operation of the Board, including board size and composition, and committee composition and structure;

recommending to the Board nominees for each committee of the Board;

annually facilitating the assessment of the Board's performance, as required by applicable laws, regulations and the NYSE corporate governance listing standards; and

annually reviewing and making recommendations to the Board regarding revisions to the Corporate Governance Guidelines and the Code of Business Conduct and Ethics.

Our Nominating and Corporate Governance Committee held four meetings during fiscal year 2016.

**Table of Contents**

## PROPOSAL 1: ELECTION OF DIRECTORS

**Investment and Finance Committee.** Our Investment and Finance Committee consists of Albert Behler (chair) and Thomas Armbrust. If Mr. Armbrust is unavailable, Dan Emmett would serve in his place. This committee is responsible for approving certain material acquisitions, dispositions and other investment and financing decisions of the Company. Our Investment and Finance Committee held five meetings during fiscal year 2016.

**Director Compensation**

The Board has established a compensation program for our non-employee directors. Under this program, we pay the following fees to our nonemployee directors on a quarterly basis, in cash:

an annual retainer of \$40,000;

an additional annual retainer of \$50,000 to our lead director (currently Peter Linneman);

an additional annual retainer of \$15,000 to each committee chair; and

an additional annual retainer of \$5,000 to each committee member.

We will also reimburse each of our directors for his or her travel expenses incurred in connection with his or her attendance at full Board and committee meetings. No additional compensation is received by the members of our Investment and Finance Committee. Directors of the Company who are also employees receive no additional compensation for their services as directors.

In order to encourage our non-employee directors to acquire a significant equity stake in us and to align our non-employee directors and stockholders, at each annual stockholder meeting we will grant each of our non-employee directors LTIP units or shares of restricted common stock under our 2014 Equity Incentive Plan with a value of \$100,000 which will vest upon the earlier of the anniversary of the date of grant or the next annual stockholder meeting.

The following table sets forth information regarding the compensation paid to our non-employee directors during the fiscal year ended December 31, 2016:

| Name                     | Fees Earned<br>or |              |            |
|--------------------------|-------------------|--------------|------------|
|                          | Paid in Cash      | Stock Awards | Total      |
|                          | (\$)              | (\$)         | (\$)       |
| Thomas Armbrust          | \$ 40,000         | \$ 100,000   | \$ 140,000 |
| Martin Bussmann          | 45,000            | 95,000       | 140,000    |
| Dan Emmett               | 55,000            | 95,000       | 150,000    |
| Lizanne Galbreath        | 60,000            | 95,000       | 155,000    |
| Karin Klein              | 45,000            | 95,000       | 140,000    |
| Peter Linneman           | 110,000           | 95,000       | 205,000    |
| David O Connor           | 50,000            | 95,000       | 145,000    |
| Katharina Otto-Bernstein | 40,000            | 95,000       | 135,000    |

- (1) On May 19, 2016 we granted 6,317 LTIP units to each of Messrs. Bussmann, Emmett, Linneman and O Connor and Mmes. Galbreath, Klein and Otto-Bernstein, and 6,317 shares of restricted stock to Mr. Armbrust, under our 2014 Equity Incentive Plan. Such awards will vest if they remain on our Board until the 2017 annual stockholder meeting. Amounts shown reflect the aggregate grant date fair value of LTIP units or shares of restricted stock issued to each director as determined pursuant to Financial Accounting Standards Board's Accounting Standards Codification Topic 718 *Compensation - Stock Compensation* ( *ASC Topic 718* ), disregarding the estimate of forfeitures. The assumptions we used for calculating the grant date fair values are set forth in Note 20 to our combined consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Table of Contents**

PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

**PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

Section 14A(a)(1) of the Exchange Act generally requires each public company to include in its proxy statement a separate resolution subject to a non-binding stockholder vote to approve the compensation of the company's named executive officers, as disclosed in its proxy statement pursuant to Item 402 of Regulation S-K, not less frequently than once every three years. This is commonly known as, and is referred to herein as, a "say-on-pay" proposal or resolution.

At the 2016 annual meeting of stockholders which was held on May 19, 2016, our stockholders voted on, among other matters, a proposal regarding the frequency of holding a non-binding, advisory vote on the compensation of our named executive officers. A majority of the votes cast on the frequency proposal were cast in favor of holding a non-binding, advisory vote on the compensation of the Company's named executive officers every year, which was consistent with the recommendation of the Board. The Board considered the voting results with respect to the frequency proposal as well as other factors, and currently intends for the Company to hold a non-binding, advisory vote on the compensation of the Company's named executive officers every year until the next required advisory vote on the frequency of holding the non-binding, advisory vote on the compensation of our named executive officers.

Accordingly, pursuant to Section 14A(a)(1) of the Exchange Act, the Company is providing stockholders with the opportunity to approve the following non-binding, advisory resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

**The Board unanimously recommends a vote FOR this resolution.**

We are asking our stockholders to indicate their support for our named executive officers' compensation as described in this proxy statement. This vote is not limited to any specific item of compensation, but rather addresses the overall compensation of our named executive officers and our philosophy, policies and practices relating to their compensation as described in this proxy statement pursuant to Item 402 of Regulation S-K.

The say-on-pay resolution is advisory, and therefore will not have any binding legal effect on the Company or the Compensation Committee. However, the Compensation Committee does value the opinions of our stockholders and intends to take the results of the vote on this proposal into account in its future decisions regarding the compensation of our named executive officers.

**Table of Contents**

## PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed the accounting firm of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2017. Stockholder ratification of the appointment of Deloitte & Touche LLP is not required by law, the NYSE or the Company's organizational documents. However, as a matter of good corporate governance, the Board has elected to submit the appointment of Deloitte & Touche LLP to the stockholders for ratification at the 2017 annual meeting. Even if the appointment is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time if the Audit Committee believes that such a change would be in the best interest of the Company and its stockholders. If stockholders do not ratify the appointment of Deloitte & Touche LLP, the Audit Committee will take that fact into consideration, together with such other factors it deems relevant, in determining its next selection of an independent registered public accounting firm. Deloitte & Touche LLP has served as our independent registered public accounting firm since our formation in 2014 and is considered by our management to be well-qualified. Deloitte & Touche LLP has advised us that neither it nor any member thereof has any financial interest, direct or indirect, in the Company or any of our subsidiaries in any capacity.

A representative of Deloitte & Touche LLP will be present at the annual meeting, will be given the opportunity to make a statement at the annual meeting if he or she so desires and will be available to respond to appropriate questions.

A majority of all of the votes cast with respect to this proposal is required for the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017. Abstentions do not constitute a vote for or against and will not be counted as votes cast. Abstentions and broker non-votes will have no effect on this proposal.

**Fee Disclosure**

The following is a summary of the fees billed by Deloitte & Touche LLP for professional services rendered to us for the fiscal years ended December 31, 2016 and December 31, 2015:

|                    | 2016                | 2015                |
|--------------------|---------------------|---------------------|
| Audit Fees         | \$ 1,259,800        | \$ 1,160,000        |
| Audit-Related Fees | 1,102,785           | 1,030,500           |
| Tax Fees           | 10,438              | 25,000              |
| All Other Fees     | 81,500              | 846,000             |
| <b>Total</b>       | <b>\$ 2,454,323</b> | <b>\$ 3,061,500</b> |

*Audit Fees*

Audit Fees include fees associated with professional services rendered for the audit of the financial statements and services that are normally provided by Deloitte & Touche LLP in connection with statutory and regulatory filings or engagements. For example, audit fees include fees for professional services rendered in connection with quarterly and annual reports, and the issuance of consents by Deloitte & Touche LLP to be named in our registration statements and to the use of their audit report in the registration statements.

*Audit-Related Fees*

Audit-Related Fees refers to fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements.



**Table of Contents**

PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

*Tax Fees*

Tax Fees refers to fees and related expenses for professional services for tax compliance, tax advice and tax planning.

*All Other Fees*

All Other Fees refers to fees and related expenses for products and services other than services described above.

Our Audit Committee considers whether the provision by Deloitte & Touche LLP of any services that would be required to be described under All Other Fees would be compatible with maintaining Deloitte & Touche LLP's independence from both management and the Company.

**Pre-Approval Policies and Procedures of our Audit Committee**

Our Audit Committee must pre-approve all audit services and permissible non-audit services provided by our independent registered public accounting firm, except for any *de minimis* non-audit services. Non-audit services are considered *de minimis* if: (i) the aggregate amount of all such non-audit services constitutes not more than five percent of the total amount of revenues we paid to our independent registered public accounting firm during the fiscal year in which they are provided; (ii) we did not recognize such services at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to our Audit Committee's or any of its members' attention and approved by our Audit Committee or any of its members who has authority to give such approval prior to the completion of the audit. None of the fees reflected above were incurred as a result of non-audit services provided by our independent registered public accounting firm pursuant to this *de minimis* exception. Our Audit Committee may delegate to one or more of its members who is an independent director the authority to grant pre-approvals.

**The Board unanimously recommends a vote **FOR** the ratification of the appointment of  
Deloitte & Touche LLP as our independent registered public accounting firm for 2017.**



**Table of Contents**

AUDIT COMMITTEE REPORT

## AUDIT COMMITTEE REPORT

*Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended (the Securities Act ), or the Securities Exchange Act of 1934, as amended (the Exchange Act ), that might incorporate this proxy statement or future filing with the SEC, in whole or in part, the following report shall not be deemed incorporated by reference into any such filing.*

The undersigned members of the Audit Committee of the Board of Directors of Paramount Group, Inc. submit this report in connection with the committee's review of the financial reports for the fiscal year ended December 31, 2016 as follows:

1. the Audit Committee has reviewed and discussed with management the audited financial statements of Paramount Group, Inc. for the fiscal year ended December 31, 2016;
2. the Audit Committee has discussed with representatives of Deloitte & Touche LLP the matters required to be discussed with them by Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board; and
3. the Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the SEC.

*Submitted by our Audit Committee*

Dan Emmett (Chairman)

Peter Linneman

Martin Bussmann

**Table of Contents**

## CORPORATE GOVERNANCE MATTERS

**CORPORATE GOVERNANCE MATTERS**

We are committed to operating our business under strong and accountable corporate governance practices. You are encouraged to visit the Investors Corporate Governance section of our website at [www.paramount-group.com](http://www.paramount-group.com) to view or to obtain copies of our committee charters, Code of Business Conduct and Ethics, Corporate Governance Guidelines and stockholder communication policy. The information found on, or accessible through, our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document we file with or furnish to the SEC. You also may obtain, free of charge, a copy of the respective charters of our committees, Code of Business Conduct and Ethics, Corporate Governance Guidelines and stockholder communication policy by directing your request in writing to Paramount Group, Inc., 1633 Broadway, Suite 1801, New York, New York 10019, Attention: Investor Relations. Additional information relating to the corporate governance of the Company also is included in other sections of this proxy statement.

**Corporate Governance Highlights**

|  |   |
|--|---|
| Annual Election of All Directors<br>6 of 9 Directors are Independent | Anti-Hedging and Anti-Pledging Policies<br>Clawback Policy              |
| Majority Voting for Directors  | Minimum Share Ownership Guidelines for Directors and Executive Officers |
| Lead Independent Director  | No Shareholder Rights Plan  |
| Executive Sessions without Management                                | Board and Committee Risk Oversight                                      |
| Annual Board and Committee Self Evaluations                          | Code of Business Conduct and Ethics for Directors and Employees         |

**Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines that address significant issues of corporate governance and set forth procedures by which the Board carries out its responsibilities. Among the areas addressed by the Corporate Governance Guidelines are director qualification standards, director responsibilities, Board structure, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession, annual performance evaluation of the Board and committees, related person transaction approval and disclosure policy, and stockholder rights plan. Our Nominating and Corporate Governance Committee is responsible for, among other things, assessing and periodically reviewing the adequacy of the Corporate Governance Guidelines and will recommend, as appropriate, proposed changes to the Board.

**Director Independence**

Our Corporate Governance Guidelines provide that a majority of our directors serving on the Board and all directors serving on the Board committees must be independent as required by the listing standards of the NYSE and the applicable rules promulgated by the SEC. The Board has determined affirmatively, based upon its review of all relevant facts and circumstances and after considering all applicable relationships of which the Board had knowledge, between or among the directors and the Company or our management (some of such relationships are described in the section of this proxy statement entitled *Certain Relationships and Related Party Transactions*), that each of the following directors and director nominees has no direct or indirect material relationship with us and is independent under the listing standards of the NYSE: Martin Bussmann, Dan Emmett, Lizanne Galbreath, Karin Klein, Peter Linneman and David O Connor.

## **Table of Contents**

### CORPORATE GOVERNANCE MATTERS

#### **Code of Business Conduct and Ethics**

Our Board has established a Code of Business Conduct and Ethics that applies to our officers, directors and employees. Among other matters, our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;

compliance with laws, rules and regulations;

prompt internal reporting of violations of the code to appropriate persons identified in the code; and

accountability for adherence to the Code of Business Conduct and Ethics.

Any waiver of the Code of Business Conduct and Ethics for our directors or officers may be made only by our Board or our Nominating and Corporate Governance Committee and will be promptly disclosed as required by law or NYSE regulations. We intend to disclose on our website any amendment to, or waiver of, any provisions of our Code of Business Conduct and Ethics applicable to our directors and executive officers that would otherwise be required to be disclosed under the rules of the SEC or the NYSE.

#### **Audit Committee Financial Expert**

The Board has determined that Peter Linneman qualifies as an audit committee financial expert, as defined in Item 401(h) of SEC Regulation S-K.

#### **Communications with the Board**

We have a process by which stockholders and other interested parties may communicate with the non-employee directors, both individually and as a group, through the Board's Lead Independent Director. In cases where stockholders or other interested parties wish to communicate directly with non-employee directors, messages can be sent in writing or by email to: Lead Independent Director, Paramount Group, Inc., c/o Issuer Direct Corporation ( IDC ) using the following link: [https://irdirect.net/PGRE/whistleblower\\_iframe/](https://irdirect.net/PGRE/whistleblower_iframe/), or any other link to or toll-free number of a third party reporting service approved by the Lead Independent Director from time to time and posted on our website or otherwise appropriately disseminated. IDC acts as agent for the Lead Independent Director in facilitating direct communications to him and any other non-employee directors he requests. Any such communications may be made anonymously.

#### **Audit Committee Complaint Procedures**

Our Audit Committee has established procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. If you wish to contact our Audit Committee to report complaints or concerns relating to the financial reporting of the Company, you may do so in writing to the Chairperson of our Audit Committee, c/o IDC using the following link: [https://irdirect.net/PGRE/whistleblower\\_iframe/](https://irdirect.net/PGRE/whistleblower_iframe/), or the toll-free number provided in the link, or any other link to or toll-free number of a third party reporting service approved by the Chairperson of the Audit Committee from time to time and posted on our website or otherwise appropriately disseminated. Any such communications may be made anonymously.



## **Table of Contents**

### CORPORATE GOVERNANCE MATTERS

#### **Director Attendance at Annual Meetings**

We encourage each member of the Board to attend each annual meeting of stockholders. All of our directors serving at that time attended the annual meeting of stockholders held on May 19, 2016.

#### **Identification of Director Candidates**

Our Nominating and Corporate Governance Committee assists the Board in identifying and reviewing director candidates to determine whether they qualify for membership on the Board and recommends director nominees to the Board to be considered for election at our annual meeting of stockholders. Our Nominating and Corporate Governance Committee has adopted a written policy on the criteria and process of identifying and reviewing director candidates.

At a minimum, the Nominating and Corporate Governance Committee must be satisfied that each director candidate (i) has experience at a strategic or policymaking level in a business, legal, accounting, government, non-profit or academic organization of high standing, (ii) is highly accomplished in his or her respective field, (iii) is well regarded in the community and shall have a reputation for the highest ethical and moral standards and (iv) has sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve.

In addition to the minimum qualifications for each nominee set forth above, the Nominating and Corporate Governance Committee must recommend that the Board select persons for nomination to help ensure that (i) a majority of the Board will be independent in accordance with the standards established pursuant to Section 303A of the NYSE Listed Company Manual, (ii) each of its Audit, Compensation and Nominating and Corporate Governance Committees will be comprised entirely of independent directors and (iii) at least one member of the Audit Committee will have accounting or related financial management expertise.

Finally, in addition to any other standards the Nominating and Corporate Governance Committee may deem appropriate from time to time for the overall structure and composition of the Board, the Nominating and Corporate Governance Committee may, but is not required to, consider (i) whether the nominee has direct experience in the real estate industry, particularly in the office real estate industry, or in the markets in which the Company operates, and (ii) whether the nominee, if elected, assists in achieving a mix of Board members that represents a diversity of background and experience.

Our Nominating and Corporate Governance Committee may consider director candidates recommended by our stockholders. Our Nominating and Corporate Governance Committee will apply the same standards in considering candidates submitted by stockholders as it does in evaluating candidates submitted by members of the Board. Any recommendations by stockholders are to follow the procedures outlined under *Stockholder Proposals* in this proxy statement and should provide the reasons supporting a candidate's recommendation, the candidate's qualifications and the candidate's written consent to being considered as a director nominee.

As previously disclosed, we have entered into a stockholders agreement with Maren Otto, Katharina Otto-Bernstein and Alexander Otto providing these members of the Otto family with the right, collectively, to designate up to three director nominees to our Board. The number of director nominees that these members of the Otto family will have the right to designate may be reduced in the future based on reductions in the percentage of our total outstanding common stock owned by these individuals, their lineal descendants or entities they own or control collectively. Albert Behler, Thomas Armbrust and Katharina Otto-Bernstein have been designated for nomination to our Board pursuant to the stockholders agreement.

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**Table of Contents**

CORPORATE GOVERNANCE MATTERS

**Executive Sessions of Non-Management Directors**

Our Corporate Governance Guidelines require the non-management directors serving on the Board to meet at regularly scheduled executive sessions without management participation and to hold an executive session at least once each year with only independent directors present. In accordance with such requirement, our non-management directors and/or our independent directors meet in executive sessions from time to time on such a basis. The executive sessions are chaired by our Lead Independent Director.

**Annual Elections; Majority Voting**

Each of our directors will be elected by our stockholders to serve until our next annual meeting of stockholders and until his or her successor is duly elected and qualified. Our bylaws provide for majority voting in uncontested director elections. Pursuant to our bylaws, in a contested election, directors are elected by a plurality of all of the votes cast in the election of directors, and in an uncontested election, a director is elected if he or she receives more votes for his or her election than votes against his or her election. Under our Corporate Governance Guidelines, any director who fails to be elected by a majority vote in an uncontested election is required to tender his or her resignation to our Board, subject to acceptance. Our Nominating and Corporate Governance Committee will make a recommendation to our Board on whether to accept or reject the resignation, or whether other action should be taken. Our Board will then act on our Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of election results. If the resignation is not accepted, the director will continue to serve until the next annual meeting and until the director's successor is duly elected and qualifies. The director who tenders his or her resignation will not participate in our Board's decision.

**Board Leadership Structure**

As noted above, our Board currently is comprised of six independent and three non-independent directors. Albert Behler, our Chief Executive Officer and President, serves as Chairman of the Board. Our Board believes that the Company and our stockholders are best served by having Mr. Behler serve as Chairman and Chief Executive Officer.

Mr. Behler's over 25 years of experience leading the Company and its predecessor and significant ownership interest in the Company uniquely qualify him to serve as both Chairman and Chief Executive Officer. In addition, our Board believes that Mr. Behler's combined role as an executive officer and the Chairman of our Board promotes unified leadership and direction for our Board and executive management, and it allows for a single, clear focus for the chain of command to execute our strategic initiatives and business plans.

The Board has appointed Peter Linneman, one of the independent directors, as Lead Independent Director. We believe that the number of independent, experienced directors that make up our Board, along with the independent oversight of our Lead Independent Director, benefits the Company and its stockholders.

We recognize that different board leadership structures may be appropriate for companies in different situations, and that no one structure is suitable for all companies. Our current Board leadership structure is optimal for us because it demonstrates to our employees and other stakeholders that the Company is under strong leadership. In our judgment, the Company, like many companies, has been well-served by this leadership structure.

## **Table of Contents**

### CORPORATE GOVERNANCE MATTERS

The Lead Independent Director has the following responsibilities:

presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of independent directors;

serving as liaison between the Chairman and the independent directors;

approving information sent to our Board;

approving Board meeting agendas;

approving Board meeting schedules to assure that there is sufficient time for discussion of all agenda items; and

if requested by major stockholders, ensuring that he or she is available for consultation and direct communication.

Our Lead Independent Director also has the authority to call meetings of the independent directors.

We believe that the Lead Independent Director is an integral part of the Board's structure that promotes strong, independent oversight of our management and affairs.

### **Anti-Hedging and Anti-Pledging Policy**

None of our executives have engaged in any hedging transactions with respect to our stock and none of our executives have engaged in any pledging transactions with respect to our stock except as noted in Security Ownership of Certain Beneficial Owners and Management. Under our policies no executive or director may buy or sell puts, calls, other derivative securities of the Company or any derivative securities that provide the economic equivalent of ownership of any of the Company's securities or an opportunity, direct or indirect, to profit from any change in the value of the Company's securities or engage in any other hedging transaction with respect to the Company's securities, at any time unless such transaction has been approved by the Nominating and Corporate Governance Committee.

We also have an anti-pledging policy whereby, no executive or director may pledge Company securities as collateral for a loan (or modify an existing pledge) unless the pledge has been approved by the Nominating and Corporate Governance Committee.

### **Minimum Share Ownership Guidelines for Executive Officers and Directors**

We have adopted minimum stock ownership guidelines that require each executive officer to maintain a minimum number of shares of our common stock (including operating partnership units and LTIP units) having a value equal to or greater than a multiple (six times, in the case of our Chief Executive Officer, and three times, in the case of all other Section 16 executive officers) of such executive officer's base salary. Each executive officer must achieve the minimum equity investment within five years from the later of the date of the adoption of the policy (for executive officers in place at that time) and the date of such officer's appointment (for subsequently appointed executive officers), and until such time as the executive officer achieves such minimum, he or she must retain 50 percent of the value of any vested award, net of taxes.

We have adopted minimum stock ownership guidelines that require our independent directors to hold a number of shares of our common stock (including operating partnership units and LTIP units) having a market value equal to or greater than five times the portion of the annual base retainer which is eligible to be paid in cash. Each independent director must achieve the minimum equity investment within five years from the later of the date of the adoption of the policy (for directors in place at that time) and the date of such director's election to our Board (for

subsequently appointed directors) to attain compliance with the stock ownership requirements.



**Table of Contents**

CORPORATE GOVERNANCE MATTERS

**Risk Oversight**

Our Board is responsible for overseeing the Company's risk management process. The Board focuses on the Company's general risk management strategy and the most significant risks facing the Company, and ensures that appropriate risk mitigation strategies are implemented by management. The Board also is apprised of particular risk management matters in connection with its general oversight and approval of corporate matters.

The Board has delegated to the Audit Committee oversight of the Company's risk management process. Among its duties, the Audit Committee reviews with management (a) the Company policies with respect to risk assessment and management of risks that may be material to the Company, (b) the Company's system of internal controls over financial reporting and (c) the Company's compliance with legal and regulatory requirements. Our other Board committees also consider and address risk as they perform their respective committee responsibilities. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

In addition, the Compensation Committee considers the risks to the Company's stockholders and to achievement of our goals that may be inherent in the Company's compensation program.

The Company's management is responsible for day-to-day risk management, including the primary monitoring and testing function for companywide policies and procedures, and management of the day-to-day oversight of the risk management strategy for the ongoing business of the Company. This oversight includes identifying, evaluating and addressing potential risks that may exist at the enterprise, strategic, financial, operational and compliance and reporting levels.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing the Company and that our Board leadership structure supports this approach.

**Table of Contents**

## EXECUTIVE COMPENSATION

**EXECUTIVE COMPENSATION****Compensation Discussion and Analysis**

Throughout this proxy statement, the following individuals who served as our Chief Executive Officer ( CEO ) and Chief Financial Officer during 2016 and the other three most highly-compensated executive officers as of the end of 2016, as determined in accordance with applicable SEC rules, are collectively referred to as our named executive officers ( NEOs ). The table below lists our NEOs for 2016.

| Executive                    | Title   |
|------------------------------|---|
| Albert Behler                | Chairman, President and Chief Executive Officer                 |
| Wilbur Paes <sup>(1)</sup>   | Executive Vice President, Chief Financial Officer and Treasurer |
| Jolanta Bott                 | Executive Vice President, Operations and Human Resources        |
| Theodore Koltis              | Executive Vice President, Leasing                               |
| Daniel Lauer                 | Executive Vice President, Chief Investment Officer              |
| Michael Walsh <sup>(2)</sup> | Former Chief Financial Officer                                  |

(1) On March 3, 2016, Mr. Paes was promoted to Executive Vice President, Chief Financial Officer and Treasurer.

(2) Mr. Walsh served as our Chief Financial Officer until March 2, 2016. See Executive Compensation Separation Agreement with Michael Walsh for details.

**Executive Compensation Philosophy**

Our executive compensation program is designed to incentivize the creation of long-term shareholder value by aligning the compensation structure for executives with the achievement of our business strategies and to maximize total shareholder return over the long term. In order to meet our objectives, our executive compensation program includes several elements designed to:

*Attract and Retain Highly Talented Executives:* We provide fixed base salaries that reflect the highly competitive markets in which we operate, changes in responsibilities and merit increases;

*Pay for Performance:* We seek to align the interests of our executives with our long-term shareholders by tying the vast majority of their non-salary compensation to performance-based incentives, through a:

Short-term Incentive Compensation (cash bonus) program designed to motivate our executives through a strong emphasis on performance, with the flexibility to reward financial, operational and individual performance; and

Long-Term Equity Incentive Compensation program to create an appropriate link between compensation and the creation of shareholder value, including multi-year performance-based awards tied to absolute and relative total shareholder returns.

*Create a Balanced Approach:* The Compensation Committee recognizes that our unique portfolio of highly coveted assets is among the most concentrated in the industry, both in terms of the number of markets in which we operate, as well as in the unusually high value per asset that we own. As such, in order to mitigate some of the potential volatility which can arise through concentration, the Compensation Committee

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believes that an executive compensation program with a greater number of elements (but with less value in each) will:

Reduce the volatility of annual compensation, resulting in potentially higher employee retention;

Potentially mitigate the risk that any individual element may receive inordinate focus and encourage excessively risky behaviors; and

Promote a long-term view by connecting executives' eventual realized compensation to the decisions that they make, as the majority of their annual compensation vests over a period of four years.

**Table of Contents**

## EXECUTIVE COMPENSATION

**Compensation Best Practices**

| WHAT WE DO  | WHAT WE DON'T DO  |
|---|---|
| A significant portion of our executive officers' total compensation opportunity is based on performance ( <i>i.e.</i> , not guaranteed) and salaries comprise a modest portion of each executive officer's total compensation opportunity.                | × We do not provide tax gross-up payments to any of our executive officers.   |
| We established a formulaic short-term incentive bonus program based on rigorous goals for management.   | × We do not provide single-trigger change in control cash severance payments. |
| We align our executive officers with our long-term investors by awarding a significant percentage of their equity compensation in the form of multi-year, performance-based equity awards that use relative Total Shareholder Returns as the main metric. | × We do not guarantee annual salary increases or minimum cash bonuses.        |
| We enhance executive officer retention with time-based, multi-year vesting equity incentive awards granted for prior-year performance.  | × We do not allow for repricing of stock options.                             |
| We have a clawback policy.  | × We do not allow hedging or pledging of our stock.                           |
| We have minimum stock ownership guidelines for our executives and directors.  |   |
| We engage an independent compensation consultant to advise the Compensation Committee, which is comprised solely of independent directors.  |   |

**RECENT CHANGES TO COMPENSATION PROGRAM**

|  |
|--|
| No increase in base salaries (since 2014).   |
| Established an annual formulaic short-term incentive compensation program (cash bonus) based on the achievement of key financial and operational objectives. |
| Reduced long-term equity compensation of our NEOs by 9.4%, while increasing the amount tied to performance (70% for our CEO and 60% for all other NEOs).     |
| Increased the focus on relative total shareholder returns within our multi-year performance program.   |
| Revised the mix of total compensation, with a greater focus on equity compensation (85.5% for our CEO and 80.7% for all other NEOs).                         |

## **Table of Contents**

### EXECUTIVE COMPENSATION

#### **2016 Say-on-Pay Vote**

At our 2016 annual meeting of stockholders, a non-binding, advisory resolution approving the compensation paid to our NEOs, as disclosed in our 2016 proxy statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussions, was approved by our stockholders, with approximately 97% of the votes cast having been voted in favor of the proposal to approve such resolution. The Compensation Committee has considered the results of this vote and, as a result of the high percentage of votes cast in favor of this resolution, the Committee viewed these results as an indication of stockholders' overall satisfaction with the manner in which we compensated our NEOs for 2015.

#### **Elements of Our Compensation Program**

The compensation provided to our NEOs typically consists of base salary, short-term incentive compensation (cash bonus) and long-term incentive compensation (equity awards). We benchmark our compensation against a peer group of 13 publicly traded real estate investment trusts which we believe are similar to us in terms of asset focus (i.e. office), market capitalization and/or other relevant factors (see "Peer Group Benchmarking"). We use the peer group benchmarking as a starting point and as an indicator of compensation trends in the market. The final compensation for our NEOs is ultimately determined by the Compensation Committee based on the peer group benchmarking data as well as the corporate and each NEO's individual performance and their roles within the organization. The following charts illustrate the mix of compensation elements for our CEO and other NEOs for 2016.

\* Includes Ms. Bott and Messrs. Paes, Koltis and Lauer

- (1) Consists of 70% performance-based equity awards and 30% time-based equity awards (excluding cash bonuses exchanged for equity in connection with our bonus exchange program).
- (2) Consists of 60% performance based equity awards and 40% time-based equity awards (excluding cash bonuses exchanged for equity in connection with our bonus exchange program).

**Table of Contents**

## EXECUTIVE COMPENSATION

*Base Salary*

The base salary payable to each NEO provides a fixed component of compensation that reflects the executive's position and responsibilities. Base salaries are reviewed annually by the Compensation Committee and may be adjusted to better match competitive market levels or to recognize an executive's professional growth, development and increased responsibility. Below are the details of the Base Salaries for each of our NEOs.

| Executive       | Base Salary <sup>(1)</sup> |              |              |
|-----------------|----------------------------|--------------|--------------|
|                 | 2017                       | 2016         | 2015         |
| Albert Behler   | \$ 1,100,000               | \$ 1,100,000 | \$ 1,100,000 |
| Wilbur Paes     | 525,000                    | 525,000      | 450,000      |
| Jolanta Bott    | 475,000                    | 475,000      | 475,000      |
| Theodore Koltis | 700,000                    | 700,000      | 700,000      |
| Daniel Lauer    | 400,000                    | 400,000      | n/a          |

- (1) The base salaries of our NEOs were established at the time of our initial public offering in November 2014 and have not been increased since, except for Mr. Paes' salary, which was increased on March 3, 2016, in connection with his promotion to Executive Vice President, Chief Financial Officer and Treasurer.

*Short-Term Incentive Compensation*

In 2016, the Compensation Committee adopted a new Short Term Incentive ( STI ) compensation program for our NEOs, based on the achievement of (i) key annual quantitative financial and operational goals ( Corporate Objectives ) and (ii) qualitative individual performance goals ( Individual Objectives ), as assessed by the Compensation Committee. For our CEO, 75% of his STI compensation opportunity is based on the achievement of Corporate Objectives and the remaining 25% is based on Individual Objectives. For our other NEOs, 60% (40% in the case of Mr. Koltis) of their STI compensation opportunity is based on the achievement of Corporate Objectives and the remaining 40% (60% in the case of Mr. Koltis) is based on Individual Objectives.

The STI compensation program is designed to encourage outstanding individual and Company performance by motivating the NEOs to achieve key Corporate and Individual Objectives by rewarding performance measured against those objectives. The STI compensation program results in awards being paid 100% in cash, however in an effort to further align the interests of our NEOs with that of our stockholders, each NEO has the opportunity to exchange all or a portion of his or her STI compensation for equity, pursuant to our Bonus Exchange Program as more fully described below.

The STI compensation program is intended to cover annual performance periods. Awards under the STI compensation program are typically paid in the first quarter of the following year after the Compensation Committee assesses the actual results of the Corporate and Individual Objectives against the objectives that were set forth at the beginning of the prior year. Awards under the STI compensation program are expressed as a percentage of base salary at target levels, although based on the degree of outperformance or underperformance, varying degrees of awards may be earned. To the extent performance falls between two levels, linear interpolation will apply. In the event that the Company's actual performance does not meet the threshold requirement, no awards are earned, and to the extent the Company's actual performance for the performance period is above the maximum requirement, the earned awards are capped at the maximum bonus opportunity for each NEO.

**Table of Contents**

## EXECUTIVE COMPENSATION

The table below sets forth the Corporate Objectives, their weightings and the respective results pursuant to the 2016 STI compensation program.

| Metric                                  | Weighting | Threshold | Target   | Maximum  | Actual Results |
|---|-----------|-----------|----------|----------|----------------|
| Core FFO Per Share                      | 40.0%     | \$ 0.80   | \$ 0.82  | \$ 0.84  | \$ 0.84        |
| Square Footage of Leases Signed         | 10.0%     | 400,000   | 550,000  | 700,000  | 734,238        |
| Same-Store Leased Percentage            | 10.0%     | 92.5%     | 94.0%    | 95.5%    | 92.9%          |
| Mark-to-Market on Signed Leases         | 10.0%     | 5.0%      | 10.0%    | 15.0%    | 3.6%           |
| G&A <sup>(1)</sup>                      | 7.5%      | \$ 49.0M  | \$ 48.0M | \$ 47.0M | \$ 48.6M       |
| Balance Sheet Management <sup>(2)</sup> | 22.5%     | (2)       | (2)      | (2)      | (2)            |

(1) Excluding the impact of Corporate Objective bonus amounts achieved above target levels, the mark-to-market adjustments of our deferred compensation plan and other one-time items approved by the Compensation Committee.

(2) Included various components, including (i) maintaining a fixed charge coverage ratio of 2.25x, (ii) liquidity of over \$1.0 billion, and (iii) increasing the Company's weighted average debt maturities to over 4.25 years, the actual results for all of which exceeded the maximum range.

The table below sets forth the STI compensation that was awarded to each of our NEOs pursuant to the achievement of the Corporate Objectives.

| Name            | % of Total<br>STI Compensation<br>Opportunity | Corporate Objective Component |              |              | Actual       |
|-----------------|---|-------------------------------|--------------|--------------|--------------|
|                 |   | Threshold                     | Target       | Maximum      | Payout       |
| Albert Behler   | 75%   | \$ 618,750                    | \$ 1,237,500 | \$ 1,856,250 | \$ 1,489,125 |
| Wilbur Paes     | 60%   | 236,250                       | 393,750      | 551,250      | 449,925      |
| Jolanta Bott    | 60%   | 142,500                       | 285,000      | 427,500      | 342,950      |
| Theodore Koltis | 40%   | 210,000                       | 280,000      | 350,000      | 294,467      |
| Daniel Lauer    | 60%   | 120,000                       | 180,000      | 240,000      | 198,400      |

**Table of Contents**

## EXECUTIVE COMPENSATION

The table below sets forth the Individual Objectives that were established for each of our NEOs.

| Executive       | 2016 Individual Objectives   |
|-----------------|--|
| Albert Behler   | <ul style="list-style-type: none"> <li>- Executing the Company's overall strategic and business plans</li> <li>- Motivating the executive and senior management team to achieve superior results</li> <li>- Increasing investor outreach</li> </ul>  |
| Wilbur Paes     | <ul style="list-style-type: none"> <li>- Effectively managing and overseeing the Company's Finance functions</li> <li>- Communicating and interacting with the analyst and investor community</li> <li>- Successfully completing a Chart of Account conversion</li> </ul>  |
| Jolanta Bott    | <ul style="list-style-type: none"> <li>- Maintaining and improving the morale of personnel across the Company</li> <li>- Effectively managing space needs for the Company</li> <li>- Successfully implementing a new Payroll and Benefits system</li> </ul>  |
| Theodore Koltis | <ul style="list-style-type: none"> <li>- Effectively managing the Company's leasing function</li> <li>- Increasing leased occupancy of the Company's Washington, D.C. portfolio to over 95.0%</li> <li>- Coordinating with Asset Management to look for value creation opportunities within the portfolio</li> </ul>   |
| Daniel Lauer    | <ul style="list-style-type: none"> <li>- Leading the acquisition department in various aspects, including raising fund capital</li> <li>- Strategically pursuing value add acquisition opportunities by recycling capital</li> <li>- Effectively leveraging various departments in the underwriting process</li> </ul> |

The table below sets forth the STI compensation that was awarded to each of our NEOs pursuant to the achievement of the Individual Objectives as assessed by the Compensation Committee.

| Name            | % of Total<br>STI<br>Compensation<br>Opportunity | Individual Objective Component |            |            | Actual<br>Payout |
|-----------------|--|--------------------------------|------------|------------|------------------|
|                 |  | Threshold                      | Target     | Maximum    |                  |
| Albert Behler   | 25%  | \$ 206,250                     | \$ 412,500 | \$ 618,750 | \$ 460,875       |
| Wilbur Paes     | 40%  | 157,500                        | 262,500    | 367,500    | 365,075          |
| Jolanta Bott    | 40%  | 95,000                         | 190,000    | 285,000    | 207,050          |
| Theodore Koltis | 60%  | 315,000                        | 420,000    | 525,000    | 455,533          |
| Daniel Lauer    | 40%  | 80,000                         | 120,000    | 160,000    | 151,600          |

The table below sets forth the *total* STI compensation that was awarded in the first quarter of 2017 for 2016 performance to each of our NEOs pursuant to the Compensation Committee's assessment of the Corporate Objectives and each NEO's Individual Objectives.

| Name            | Total STI Compensation Opportunity |              |              | Actual<br>Payout |
|-----------------|------------------------------------|--------------|--------------|------------------|
|                 | Threshold                          | Target       | Maximum      |                  |
| Albert Behler   | \$ 825,000                         | \$ 1,650,000 | \$ 2,475,000 | \$ 1,950,000     |
| Wilbur Paes     | 393,750                            | 656,250      | 918,750      | 815,000          |
| Jolanta Bott    | 237,500                            | 475,000      | 712,500      | 550,000          |
| Theodore Koltis | 525,000                            | 700,000      | 875,000      | 750,000          |
| Daniel Lauer    | 200,000                            | 300,000      | 400,000      | 350,000          |

The table above excludes deferred compensation bonuses aggregating \$900,000, which were awarded to three of our NEOs, in relation to their base salaries, as follows: Mr. Behler \$471,429; Mr. Paes \$225,000; and Ms. Bott \$203,571.





**Table of Contents**

## EXECUTIVE COMPENSATION

*Bonus Exchange Program*

In order to encourage our NEOs to increase their equity holdings, the Compensation Committee approved a bonus exchange program whereby our NEOs can elect to exchange all or a portion of his or her STI compensation (which is typically paid in the first quarter of the following year) for (i) fully vested options or fully vested LTIP units of our operating partnership, with a value equal to the cash bonus exchanged, or (ii) options or LTIP units, each subject to three-year vesting (40%, 40% and 20%), with a value equal to 125% of the cash bonus exchanged. Below are the details of the 2016 Bonus Exchange Program.

| Executive       | Bonus Exchange   |   |
|-----------------|--|---|
|                 | Grant Date Fair Value of Options in Lieu of Cash Bonus | Grant Date Fair Value of LTIP Units in Lieu of Cash Bonus |
| Albert Behler   | \$ 2,437,500 <sup>(1)</sup>                            | \$  |
| Wilbur Paes     |  | 509,375 <sup>(2)</sup>                                    |
| Jolanta Bott    |  |   |
| Theodore Koltis |  |   |
| Daniel Lauer    |  |   |

(1) Mr. Behler exchanged his entire 2016 STI bonus of \$1,950,000 and received an option to acquire 606,344 shares of our common stock at an exercise price of \$16.81, subject to vesting over three years.

(2) Mr. Paes exchanged 50.0% of his 2016 STI bonus, or \$407,500, and received 31,897 LTIP units, subject to vesting over three years.

*Long-Term Equity Incentive Compensation*

The Compensation Committee believes that a substantial portion of each NEO's annual compensation should be in the form of long-term equity (LTE). LTE incentive awards encourage management to create stockholder value over the long term, because the value of the equity awards is directly attributable to changes in the price of our common stock over time. In addition, LTE incentive awards are an effective tool for management retention because full vesting of the awards generally requires continued employment for multiple years. LTE incentive awards are granted in the form of LTIP units, representing a class of partnership interests in our operating partnership and are comprised of both performance-based LTIP units (70.0% for our CEO and 60.0% for all other NEOs) and time-based LTIP units (30.0% for our CEO and 40% for all other NEOs).

*2017 Performance Program*

On January 30, 2017, the Compensation Committee approved the 2017 Performance Program, a multi-year performance-based LTE compensation program. The purpose of the 2017 Performance Program is to further align the interests of our stockholders with that of management by encouraging our senior officers to create stockholder value in a pay for performance structure. Under the 2017 Performance Program, participants may earn awards in the form of LTIP units of our operating partnership based on our Total Shareholder Return (TSR) over a three-year performance measurement period beginning on January 1, 2017 and continuing through December 31, 2019, on both an absolute basis and relative basis. 25.0% of the award is earned if we outperform a predetermined absolute TSR and the remaining 75.0% is earned if we outperform a predetermined relative TSR. Specifically, participants begin to earn awards under the 2017 Performance Program if our TSR for the performance measurement period equals or exceeds 18.0% on an absolute basis and is in the 30<sup>th</sup> percentile of the performance of the SNL Office REIT Index constituents on a relative basis, and awards will be fully earned if our TSR for the performance measurement period equals or exceeds 30.0% on an absolute basis and exceeds the 80<sup>th</sup>

**Table of Contents**

## EXECUTIVE COMPENSATION

percentile of the performance of the SNL Office REIT Index constituents on a relative basis. Participants will not earn any awards under the 2017 Performance Program if our TSR during the performance measurement period does not meet either of these minimum thresholds. The number of LTIP units that are earned if performance is above the minimum thresholds, but below the maximum thresholds, will be determined based on linear interpolation between the percentages earned at the minimum and maximum thresholds. During the performance measurement period, participants will receive per unit distributions equal to one-tenth of the per share dividends otherwise payable to our common stockholders with respect to their LTIP units. If the LTIP units are ultimately earned based on the achievement of the designated performance objectives, participants will receive cash or additional LTIP units based on the additional amount the participants would have received if per unit distributions during the performance measurement periods for the earned LTIP units had equaled per share dividends paid to our common stockholders less the amount of distributions participants actually received during the performance measurement period. If the designated performance objectives are achieved, awards earned under the 2017 Performance Program will also be subject to vesting based on continued employment with us through December 31, 2020, with 50.0% of each award vesting following the conclusion of the performance measurement period, and the remaining 50.0% vesting on December 31, 2020. Our NEOs are required to hold earned awards for an additional year following vesting (i.e., December 31, 2021).

Below are the details of the annual LTE incentive awards that were awarded to each of our NEOs in the first quarter of 2017 for 2016 performance.

| Executive       | Grant Date<br>Fair<br>Value of<br>Performance-<br>Based<br>LTIP<br>Units <sup>(1)</sup> | Long Term Equity Incentive Awards                                       |   |        | %<br>Change<br>over 2015 |
|-----------------|---|---|---|--------|--------------------------|
|                 |   | Grant Date Fair<br>Value of Time-<br>Based LTIP<br>Units <sup>(2)</sup> | Total Grant<br>Date Fair Value<br>of Long Term<br>Equity Awards |        |                          |
| Albert Behler   | \$ 4,550,000  | \$ 1,852,500  | \$ 6,402,500  | -5.8%  |                          |
| Wilbur Paes     | 870,000   | 551,000   | 1,421,000   | -5.3%  |                          |
| Jolanta Bott    | 720,000   | 456,000   | 1,176,000   | -21.6% |                          |
| Theodore Koltis | 720,000   | 456,000   | 1,176,000   | -21.6% |                          |
| Daniel Lauer    | 720,000   | 456,000   | 1,176,000   | n/a    |                          |

(1) Pursuant to the 2017 Performance Program, the following LTIP units were granted to our NEOs: Mr. Behler, 481,420 LTIP units; Mr. Paes, 92,052 LTIP units; Ms. Bott, 76,182 LTIP units; Mr. Koltis, 76,182 LTIP units; and Mr. Lauer 76,182 LTIP units.

(2) The time-based LTIP units vest ratably over four years, subject to continued employment.

**Table of Contents**

## EXECUTIVE COMPENSATION

*2016 Total Direct Compensation*

Under the rules and regulations of the SEC, each year the Summary Compensation Table must disclose the salary paid during that year, the annual cash incentive earned for that year and the equity-based, long-term incentive awards granted during that year. As noted above, because the equity-based pay we award in the first quarter of each year (similar to the cash bonus awarded in the first quarter of each year) represents compensation for prior year performance, the SEC's approach prevents us from showing together all the pay—salary, annual cash incentive and equity-based awards—earned for performance in any one calendar year. In order to provide our stockholders with the aggregate amount of compensation earned by each NEO for a given calendar year, we are including below a supplemental Total Direct Compensation Table. We believe the Total Direct Compensation Table enables a more meaningful annual compensation presentation than the Summary Compensation Table presented later in this proxy statement because it consists of (i) the actual salary paid for the year, (ii) the annual incentives and deferred bonuses awarded for the year and (iii) the annual grant date fair value of equity grants awarded for service and performance for the year, irrespective of when such amounts ultimately were granted, paid and/or vested. This table illustrates one of the analyses undertaken by the Compensation Committee in determining each element of our NEO compensation for the particular year in light of each executive's performance during the year.

*Total Direct Compensation Table*

The Total Direct Compensation earned by our NEOs for 2016 is set forth in the table below. We have omitted Mr. Walsh from the Total Direct Compensation Table because his employment ended in March of 2016.

| Executive       | Year | Salary       | STI Compensation | Deferred Bonus | Grant Date Fair Value of Options or LTIP Units in lieu of Cash Incentive <sup>(1)</sup> | Grant Date Fair Value of Performance-Based LTIP Units <sup>(2)</sup> | Grant Date Fair Value of Time-Based LTIP Units | Total Direct Compensation |
|-----------------|------|--------------|------------------|----------------|---|--|--|---------------------------|
| Albert Behler   | 2016 | \$ 1,100,000 | \$               | \$ 471,429     | \$ 2,437,500  | \$ 4,550,000   | \$ 1,852,500                                   | \$ 10,411,429             |
|                 | 2015 | 1,100,000    |                  | 455,172        | 812,500   | 4,080,000  | 2,720,000                                      | 9,167,672                 |
| Wilbur Paes     | 2016 | 512,500      | 407,500          | 225,000        | 509,375   | 870,000  | 551,000  | 3,075,375                 |
|                 | 2015 | 450,000      | 200,000          |                |   | 900,000  | 600,000  | 2,150,000                 |
| Jolanta Bott    | 2016 | 475,000      | 550,000          | 203,571        |   | 720,000  | 456,000  | 2,404,571                 |
|                 | 2015 | 475,000      | 150,000          | 196,552        |   | 900,000  | 600,000  | 2,321,552                 |
| Theodore Koltis | 2016 | 700,000      | 750,000          |                |   | 720,000  | 456,000  | 2,626,000                 |
|                 | 2015 | 700,000      | 464,000          |                | 145,000   | 900,000  | 600,000  | 2,809,000                 |
| Daniel Lauer    | 2016 | 400,000      | 350,000          |                |   | 720,000  | 456,000  | 1,926,000                 |

(1) See Bonus Exchange Program on page 32 for additional details.

(2) See 2017 Performance Program on page 32 for additional details, including the terms of our 2017 Performance Program. The terms of our 2016 Performance Program are set forth in Note 20 to our combined consolidated financial statements included in our Annual Report on form 10-K for the fiscal year ended December 31, 2016.

**Table of Contents**

## EXECUTIVE COMPENSATION

**Aligning CEO Pay for Performance**

The Compensation Committee believes that TSR should drive actual pay earned; accordingly, a significant portion of what our CEO earns over time is driven by our TSR over that same period. By awarding a significant portion of our CEO's total compensation in the form of multi-year long-term performance-based equity awards, there is a strong alignment of the actual pay earned by our CEO with the returns of that of our stockholders. To that end the Compensation Committee implemented the following changes in 2016 with respect to the compensation of our CEO:

No increase in base salary;

Established a rigorous formulaic short-term incentive compensation (cash bonus) program based on key strategic financial and operational objectives, with 75% of the cash bonus based on the achievement of these objectives and the remaining 25% based on qualitative individual goals;

Reduced total long-term equity compensation by 5.8%, with an increase in the amount tied to performance (70% this year vs. 60% last year); and

Revised the mix of total compensation, with 85.5% in long-term equity and only 14.5% in cash.

*Pay for Performance in Practice*

The table below demonstrates the strong alignment between CEO pay and our pay-for-performance philosophy as well as the actual compensation earned or expected to be earned by our CEO in connection with the performance-based long-term equity awards that were granted to him.

| Performance Period         | Grant Date<br>Fair Value of<br>Award | PGRE<br>TSR<br>Relative<br>to SNL<br>Office<br>REIT<br>Index <sup>(1)</sup> | Estimated<br>Payout <sup>(1)</sup> |
|----------------------------|--------------------------------------|---|------------------------------------|
| April 2015 - March 2018    | \$ 1,982,500                         | -19.2%  | 0.0%                               |
| March 2016 - February 2019 | 4,080,000                            | -12.1%  | 0.0%                               |

(1) Based on performance measured as of December 31, 2016.

**Table of Contents**

## EXECUTIVE COMPENSATION

*CEO Compensation - Reported vs. Realized Pay*

| Compensation Element                          | Reported Pay<br>Per Summary<br>Compensation<br>Table | Realized Pay<br>Actual<br>Compensation<br>Earned |
|---|--|--|
| Salary  | \$ 1,100,000   | \$ 1,100,000                                     |
| Bonus   | 471,429  | 471,429  |
| Non-Equity Incentive Plan Compensation        | 1,950,000  | 1,950,000  |
| Long-Term Equity Incentive Plan Compensation: |  |  |
| Stock Awards - Time Based                     | 2,720,000  | 2,720,000  |
| Stock Awards - Performance Based              | 4,080,000  | - (1)  |
| Option Awards                                 | 162,500  | 50,184 (2)                                       |
| All Other Compensation                        | 142,355  | 142,355  |
| <b>Total 2016 Compensation</b>                | <b>\$ 10,626,284</b>                                 | <b>\$ 6,433,968</b>                              |

- (1) Assuming performance for the three-year performance measurement period applicable to these awards continued at the same annualized rate as we experienced from the beginning of the performance period through December 31, 2016.
- (2) Based on the difference between the December 31, 2016 closing stock price of our common stock and the strike price of options received. The following chart illustrates the disparity between our CEO's Total Compensation as reported in the Summary Compensation Table on page 42 and the compensation actually realized by our CEO.

**Table of Contents**

## EXECUTIVE COMPENSATION

**Peer Group Benchmarking**

In developing our executive compensation programs, the Compensation Committee commissioned a

peer group compensation benchmarking analysis to ensure that our programs are competitive with those of other publicly traded REITs, including taking into account the cost of attracting and retaining talented executives in the New York City marketplace. The Compensation Committee developed an appropriate peer group for our Company with the advice of FPL Associates LP ( FPL ), an independent compensation consultant. In establishing an appropriate peer group, the Compensation Committee not only focused on publicly traded REITs relative to our size, but also included publicly traded REITs in the office sector that compete in high-barrier high-cost markets like New York City, Washington, D.C. and San Francisco, markets in which we operate and compete for talent. For instance, the Compensation Committee included companies like Boston Properties, Inc., SL Green Realty Corp. and Vornado Realty Trust in our peer group, notwithstanding their larger relative size, because these companies are office REITs that operate in the very markets we operate in and compete with us for talent and deal flow and like us, two of these companies are headquartered in New York City. Based on these factors, the Compensation Committee selected the following 13 publicly traded REITs focused on the office sector as members of our peer group:

|                                       |                                 |                                    |
|---------------------------------------|---------------------------------|------------------------------------|
| Alexandria Real Estate Equities, Inc. | Douglas Emmett, Inc.            | Kilroy Realty Corporation          |
| Boston Properties, Inc.               | Empire State Realty Trust, Inc. | Piedmont Office Realty Trust, Inc. |
| Columbia Property Trust, Inc.         | Gramercy Property Trust, Inc.   | SL Green Realty Corp.              |
| Corporate Office Properties Trust     | Highwoods Properties, Inc.      | Vornado Realty Trust               |
|                                       | Hudson Pacific Properties, Inc. |                                    |

After our peer group was established, FPL provided market data and practices of the peer group for the Compensation Committee to consider, as well as executive compensation trends and developments. Specifically, FPL provided information regarding the design and levels of compensation paid by our peers and overall counsel to determine the appropriate incentive design for our Company. Such compensation data for peers was analyzed by the Compensation Committee with the assistance of FPL.

For purposes of determining our overall level of executive compensation (*i.e.* base salary, annual incentive cash bonus and long-term equity incentive compensation), the Compensation Committee reviews both total compensation and mix of compensation components paid by our peer group to executives in comparable positions. However, an executive's target compensation is not mechanically set to be a particular percentage of the peer group. The Compensation Committee also takes into account the executive's role and experience, as compared to our peers' executives, and other factors, such as experience, retention and responsibility. In addition, the Compensation Committee believes that ultimately the decision as to appropriate target compensation for a particular executive should be made based on the full review of individual and his role within the organization, Company performance as well as market data.

The Compensation Committee evaluates the members of our peer group each year to ensure that they continue to be appropriate and to determine whether other companies should be added.

## **Table of Contents**

### EXECUTIVE COMPENSATION

#### **Roles of the Compensation Committee, Compensation Consultant and Management**

##### *Compensation Committee*

The Compensation Committee is comprised entirely of independent directors. The Compensation Committee has overall responsibility for monitoring the performance of our executives and evaluating and approving our executive compensation plans, policies and programs. In addition, our Compensation Committee oversees and administers our 2014 Equity Incentive Plan.

The Compensation Committee, after taking into account recommendations from our independent compensation consultant, determines all components of our CEO's compensation. With respect to the other NEOs, the Compensation Committee seeks input from our CEO, in addition to our independent compensation consultant, and then reviews and grants final approval of all components of our other NEOs' compensation as well.

##### *Compensation Consultant*

The Compensation Committee has engaged FPL, an outside compensation consultant, to provide guidance with respect to the development and implementation of our compensation programs. FPL provided our Compensation Committee with advice concerning the types and levels of compensation to be paid to our NEOs. FPL also guided the Compensation Committee in the design of our 2016 and 2017 performance-based equity programs.

The Compensation Committee performs an annual assessment of the compensation consultant's independence to determine whether the consultant is independent. The Compensation Committee has determined that FPL is independent, and that their work has not raised any conflict of interests. During 2016, FPL did not provide any services to our Company other than the aforementioned services to the Compensation Committee.

##### *Management*

Our CEO attends Compensation Committee meetings, as appropriate, provides information as to the individual performance of the other NEOs and makes annual recommendations to the Compensation Committee of appropriate compensation levels for all NEOs other than himself. Nonetheless, all components of our executive officers' compensation must be approved by the Compensation Committee in its sole discretion and the Compensation Committee regularly meets in executive session without our CEO or any members of management.

#### **Other Compensation Policies and Practices**

##### *Employment Agreements and Executive Severance Plan*

We have employment agreements with Messrs. Behler and Paes and Ms. Bott. We have also adopted an Executive Severance Plan in which Messrs. Koltis and Lauer are covered participants. (See "Potential Payments Upon Termination or Change in Control" below). These agreements and the Executive Severance Plan provide a certain level of severance in the event of a termination by us without cause or by the executives for good reason. In return, each executive agrees to certain restrictive covenants, including non-competition and non-solicitation covenants during their employment with us and for a limited period after termination of employment. We believe that these agreements and the Executive Severance Plan are fair to the executives and to our stockholders and, because the severance benefits are agreed to in advance, avoid the need for protracted negotiations in the event of termination of employment.

##### *Other Elements of Compensation*

**Employee Benefits.** Our full-time employees, including our NEOs, are eligible to participate in health and welfare benefit plans, such as medical, dental, life and long-term disability insurance.





**Table of Contents**

## EXECUTIVE COMPENSATION

**401(k) Plan.** We have a 401(k) Savings/Retirement Plan ( 401(k) Plan ) that covers eligible employees, including our NEOs. Our 401(k) Plan permits eligible employees to contribute up to 25.0% of their pre-tax compensation and/or up to 25.0% of their after-tax compensation as a Roth contribution, subject to certain limitations imposed by the Internal Revenue Code (the Code ). The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) Plan. Our 401(k) Plan includes a matching contribution, subject to Code limitations, equal to 100.0% of the first 6.0% and 50.0% of the next 6.0% of the participant's compensation.

**Deferred Compensation Plan.** In connection with our formation transactions, we assumed a deferred compensation plan that had been maintained by our predecessor in which Mr. Behler and Ms. Bott had participated. Mr. Paes also became a participant in 2016. Under this deferred compensation plan, deferred bonuses were awarded to participants, and participants were permitted to defer a portion of their income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the participants. In connection with this plan, our predecessor set aside assets in a rabbi trust held by an independent trustee and the trustee is directed to make similar or identical investments as those selected by each participant in order to generally match its liabilities to the participants under the deferred compensation plan with equivalent assets and thereby limit market risk. We also acquired these investments from our predecessor in connection with our formation transactions. All amounts deferred under this deferred compensation plan will be paid to a participant upon his or her attainment of Social Security retirement age. In the future, we may permit one or more of our executive officers to elect to defer a portion of his or her compensation pursuant to this deferred compensation plan or make additional awards to our executive officers of deferred compensation pursuant to this deferred compensation plan.

**Perquisites and Other Personal Benefits.** We reimburse Mr. Behler for his club memberships up to \$20,000 each year and provide him with life insurance coverage of \$5.0 million and long-term disability insurance coverage of at least 60.0% of the sum of Mr. Behler's base salary and target bonus, in effect from time to time. Mr. Behler also has personal use of a Company-leased car as well as limousine service. We provide Ms. Bott and Mr. Paes with an annual car allowance of \$9,600 and free parking. We also reimburse Ms. Bott the cost of her automobile insurance.

*Clawback Policy*

We have adopted a formal clawback policy, which allows us to recoup compensation paid to an officer covered by the policy if the related financial results are subsequently restated as described below. The policy covers all of our current and former NEOs as well as certain other specified officers. Pursuant to this policy, if we are required to prepare an accounting restatement due to material non-compliance with any financial reporting requirement, then the Compensation Committee may require an employee covered by the policy to repay or forfeit to the Company excess compensation. Excess compensation includes annual cash bonus and long-term incentive compensation in any form (including options and LTIP units, whether time-based or performance-based) received by that employee during the three-year period preceding the publication of the restated financial statements that the Compensation Committee determines was in excess of the amount that such employee would have received if such compensation had been determined based on the financial results reported in the restated financial statements. In making its determination to recoup compensation from an officer, the Compensation Committee may take into account any factors it deems reasonable, including any determination whether the officer engaged in fraud, willful misconduct or committed acts or omissions which materially contributed to the events that led to the restatement.

The Compensation Committee intends to periodically review this clawback policy and, as appropriate, conform it to any applicable final rules adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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## **Table of Contents**

### EXECUTIVE COMPENSATION

#### *Anti-Hedging and Anti-Pledging Policies*

None of our executives have engaged in any hedging transactions with respect to our stock and none of our executives have engaged in any pledging transactions with respect to our stock except as noted in Security Ownership of Certain Beneficial Owners and Management. Under our policies, no executive or director may buy or sell puts, calls, other derivative securities of the Company or any derivative securities that provide the economic equivalent of ownership of any of the Company's securities or an opportunity, director or indirect, to profit from any change in the value of the Company's securities or engage in any other hedging transaction with respect to the Company's securities, at any time unless such transaction has been approved by the Nominating and Corporate Governance Committee.

We also have an anti-pledging policy whereby no executive or director may pledge Company securities as collateral for a loan (or modify an existing pledge) unless the pledge has been approved by the Nominating and Corporate Governance Committee.

#### *Minimum Share Ownership Guidelines for Executive Officers and Directors*

We have adopted minimum stock ownership guidelines that require each executive officer to maintain a minimum number of shares of our common stock (including operating partnership units and LTIP units) having a value equal to or greater than a multiple (six times, in the case of our CEO, and three times, in the case of all other Section 16 executive officers) of such executive officer's base salary. Each executive officer must achieve the minimum equity investment within five years from the later of the date of the adoption of the policy (for executive officers in place at that time) and the date of such officer's appointment (for subsequently appointed executive officers), and until such time as the executive officer achieves such minimum, he or she must retain 50 percent of the value of any vested award, net of taxes.

We have adopted minimum stock ownership guidelines that require our independent directors to hold a number of shares of our common stock (including operating partnership units and LTIP units) having a market value equal to or greater than five times the portion of the annual base retainer which is eligible to be paid in cash. Each independent director must achieve the minimum equity investment within five years from the later of the date of the adoption of the policy (for directors in place at that time) and the date of such director's election to our Board (for subsequently appointed directors) to attain compliance with the stock ownership requirements.

#### *Tax Gross-Up Payments*

We do not provide any golden parachute tax gross-up payments to our NEOs. Under the employment agreements with certain of our NEOs, if any payments or benefits to be paid or provided to the executive would be subject to golden parachute excise taxes under Section 280G of the Code, the executive's payments and benefits under his or her employment agreement will be reduced to the extent necessary to avoid such excise taxes, but only if such a reduction of pay or benefits would result in a greater net after-tax receipt for the executive.

#### *Tax Considerations*

**Deductibility of Executive Compensation.** Under Section 162(m) of the Code, a publicly held corporation may not deduct compensation of more than \$1 million paid to any covered employee in any year unless the compensation qualifies as performance-based compensation within the meaning of Section 162(m). We expect Section 162(m) to have limited impact on the Company for a number of reasons. First, as a newly public company, certain compensation payable by us to our executive officers during a transition period that may extend until the annual meeting of stockholders that occurs in the fourth calendar year after our initial public offering may be exempt from the cap on deduction imposed by Section 162(m) under a special transition rule provided by the regulations promulgated

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**Table of Contents**

EXECUTIVE COMPENSATION

under Section 162(m). Second, based on our interpretation of certain private letter rulings, it is our position that compensation payable to our executive officers that is attributable to services for our operating partnership is not subject to Section 162(m) as our operating partnership is not a publicly held corporation within the meaning of Section 162(m). As a result, and based on the level of cash compensation expected to be payable to our executive officers, the possible loss of a U.S. federal tax deduction would not be expected to have a material impact on us. Accordingly, we do not expect Section 162(m) to have a significant impact on the Compensation Committee's compensation decisions for our executive officers.

*Section 409A of the Code.* Section 409A of the Code requires that nonqualified deferred compensation be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees and other service providers, including our NEOs, so that they are either exempt from, or satisfy the requirements of, Section 409A.

*Accounting Standards*

The Compensation Committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity plans and programs. As accounting standards change, we may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives. ASC Topic 718 requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of equity awards under the 2014 Equity Incentive Plan will be accounted for under ASC Topic 718.

*Risk Considerations in Our Compensation Programs*

The Compensation Committee has discussed the concept of risk as it relates to our compensation programs with management and FPL, and the Compensation Committee does not believe the goals, or the underlying philosophy, of our compensation programs encourage excessive or inappropriate risk taking.

We structure the compensation to our executive officers to consist of both fixed and variable compensation. The fixed portion (base salary) of compensation is designed to provide a base level of income regardless of our financial or share price performance. The variable portion of compensation (STI and LTE) is designed to encourage and reward both short- and long-term financial, operational and individual performance, with appropriate caps on the maximum amount of annual cash incentive compensation and shares and/or units that can be earned. We have also put in place various policies (anti-hedging and pledging and clawback policies and stock ownership guidelines) that address and mitigate compensation-related risks.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that our Compensation Discussion and Analysis be included in this Proxy Statement.

*Submitted by the Compensation Committee*

Lizanne Galbreath (Chair)

Karin Klein

David O Connor



**Table of Contents**

## EXECUTIVE COMPENSATION

**Summary Compensation Table**

The following table sets forth information regarding the compensation paid to our NEOs:

| Name and Principal Position | Year | Non-Equity Incentive   |                             |                          |                             |                              | All Other Compensation <sup>(2)</sup> | Total      |
|-----------------------------|------|------------------------|-----------------------------|--------------------------|-----------------------------|------------------------------|---------------------------------------|------------|
|                             |      | Salary                 | Bonus                       | Plan Compensation        | Stock Awards <sup>(1)</sup> | Option Awards <sup>(1)</sup> |                                       |            |
|                             |      | \$                     | \$                          | \$                       | \$                          | \$                           |                                       |            |
| <b>Albert Behler</b>        | 2016 | 1,100,000              | 471,429 <sup>(3)</sup>      | 1,950,000 <sup>(4)</sup> | 6,800,000                   | 162,500 <sup>(4)</sup>       | 142,355                               | 10,626,284 |
| Chairman, Chief Executive   | 2015 | 1,100,000              | 1,105,172 <sup>(4)(5)</sup> |                          | 1,982,500                   |                              | 153,596                               | 4,341,268  |
|                             | 2014 | 114,521 <sup>(6)</sup> | 426,293 <sup>(7)</sup>      |                          | 48,450,005 <sup>(8)</sup>   | 1,695,000                    | 2,178                                 | 50,687,997 |
| Officer and President       |      |                        |                             |                          |                             |                              |                                       |            |
| <b>Wilbur Paes</b>          | 2016 | 512,500                | 225,000 <sup>(3)</sup>      | 815,000 <sup>(4)</sup>   | 3,487,500 <sup>(9)</sup>    |                              | 28,072                                | 5,068,072  |
| Executive Vice President,   | 2015 | 450,000                | 200,000                     |                          | 436,150                     | 444,000                      | 12,536                                | 1,542,686  |
| Chief Financial Officer and |      |                        |                             |                          |                             |                              |                                       |            |
| Treasurer                   |      |                        |                             |                          |                             |                              |                                       |            |
| <b>Jolanta Bott</b>         | 2016 | 475,000                | 203,571 <sup>(3)</sup>      | 550,000                  | 1,500,000                   |                              | 39,933                                | 2,768,504  |
| Executive Vice President,   | 2015 | 475,000                | 346,552 <sup>(5)</sup>      |                          | 396,500                     |                              | 35,233                                | 1,253,285  |
|                             | 2014 | 49,452 <sup>(6)</sup>  | 89,137 <sup>(7)</sup>       |                          | 3,704,998 <sup>(8)</sup>    | 339,000                      | 2,322                                 | 4,184,909  |
| Operations and Human        |      |                        |                             |                          |                             |                              |                                       |            |
| Resources                   |      |                        |                             |                          |                             |                              |                                       |            |
| <b>Theodore Koltis</b>      | 2016 | 700,000                |                             | 750,000                  | 1,529,000 <sup>(4)</sup>    |                              | 21,348                                | 3,000,348  |
| Executive Vice President,   | 2015 | 700,000                | 580,000 <sup>(4)</sup>      |                          | 475,800                     |                              | 25,298                                | 1,781,098  |
| Leasing                     |      |                        |                             |                          |                             |                              |                                       |            |
| <b>Daniel Lauer</b>         | 2016 | 400,000                |                             | 350,000                  | 1,500,000                   |                              | 20,936                                | 2,270,936  |
| Executive Vice President,   |      |                        |                             |                          |                             |                              |                                       |            |
| Chief Investment Officer    |      |                        |                             |                          |                             |                              |                                       |            |
| <b>Michael Walsh</b>        | 2016 | 115,385                |                             |                          |                             |                              | 1,121,723 <sup>(10)</sup>             | 1,237,108  |
| Former Chief Financial      | 2015 | 461,918                | 478,276 <sup>(4)(5)</sup>   |                          | 2,107,140                   | 444,000                      | 1,132                                 | 3,492,466  |

## Officer

- (1) Reflects the aggregate grant date fair value of stock awards, performance-based awards and option awards granted, calculated in accordance with ASC Topic 718, disregarding the estimate for forfeitures. The assumptions we used for calculating the grant date fair values are set forth in Note 20 to our combined consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Assuming that maximum performance is achieved under our 2016 Performance Plan, the value of the awards made to our NEOs at the date of grant would have been as follows: Mr. Behler- \$8,145,761; Mr. Paes - \$1,796,875; Ms. Bott - \$1,796,875; Mr. Koltis - \$1,796,875 and Mr. Lauer - \$1,796,875, respectively. The actual grant date fair value of these awards are set forth below under 2016 Grants of Plan Based Awards.
- (2) The table below sets forth the components of All Other Compensation for 2016, other than cash severance and consulting fees paid to Mr. Walsh, which are discussed in footnote (10) below.

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| Life Insurance/ |  |                      |                                  |         |                 |         |
|-----------------|--|----------------------|----------------------------------|---------|-----------------|---------|
| Executive       | Executive Long-Term Disability Insurance | 401(k) Company Match | Car Allowance/ Car/Car Insurance | Parking | Club Membership | Total   |
|                 | \$                                       | \$                   | \$                               | \$      | \$              | \$      |
| Albert Behler   | 71,409                                   | 18,000               | 32,946                           |         | 20,000          | 142,355 |
| Wilbur Paes     | 2,936                                    | 15,536               | 9,600                            | (a)     |                 | 28,072  |
| Jolanta Bott    | 3,245                                    | 24,000               | 12,688                           | (a)     |                 | 39,933  |
| Theodore Koltis | 3,348                                    | 18,000               |                                  |         |                 | 21,348  |
| Daniel Lauer    | 2,936                                    | 18,000               |                                  |         |                 | 20,936  |
| Michael Walsh   | 382                                      | 2,076                |                                  |         |                 | 2,458   |

(a) Ms. Bott and Mr. Paes received free parking at the Company's premises, but the Company did not incur incremental cost in connection therewith.

**Table of Contents**

## EXECUTIVE COMPENSATION

- (3) Amounts represent deferred bonuses awarded under our deferred compensation plan.
- (4) Our NEOs may elect to exchange all or a portion of their STI compensation for equity pursuant to our Bonus Exchange Program (see page 32 for details). The following table shows the actual cash bonuses awarded to the NEOs pursuant to our STI compensation program that participated in the Bonus Exchange Program, including the amount exchanged, the premium received on exchange and the exchanged equity value. Pursuant to SEC rules, the amount of the actual bonuses awarded is reported in the above Summary Compensation Table under the Bonus column, but the 25% premium on exchange is disclosed in the following year under the column Stock Awards or Option Awards, whichever is applicable.

| Executive       | Year | STI          | Amount Exchanged | 25% Premium on | Exchange     |
|-----------------|------|--------------|------------------|----------------|--------------|
|                 |      | Compensation |                  | Exchange       | Equity Value |
|                 |      | \$           | \$               | \$             | \$           |
| Albert Behler   | 2016 | 1,950,000    | 1,950,000        | 487,500        | 2,437,500    |
|                 | 2015 | 650,000      | 650,000          | 162,500        | 812,500      |
| Wilbur Paes     | 2016 | 815,000      | 407,500          | 101,875        | 509,375      |
| Theodore Koltis | 2015 | 580,000      | 116,000          | 29,000         | 145,000      |
| Michael Walsh   | 2015 | 230,000      | 230,000          | 57,500         | 287,500      |

- (5) Amounts include deferred bonuses awarded under our deferred compensation plan of \$455,172, \$248,276 and \$196,552 to Messrs. Behler, Walsh and Ms. Bott, respectively.
- (6) Represents actual base salary paid for 2014 commencing with the completion of our initial public offering on November 24, 2014.
- (7) Represents 25% of the bonus for 2014 paid by us. Our predecessor paid 75% of the bonus for 2014. Amounts include deferred bonuses awarded under our deferred compensation plan of \$113,793 and \$49,137, for Mr. Behler and Ms. Bott, respectively.
- (8) Represents one-time founders grants that were approved by the Company's then-current board of directors and made in connection with the Company's initial public offering. These grants were fully disclosed in the prospectus circulated in connection with the initial public offering.
- (9) Includes LTIP units granted to Mr. Paes in connection with his promotion to Executive Vice President, Chief Financial Officer and Treasurer in March 2016, with a grant date fair value of \$1,987,500.
- (10) Includes cash severance of \$1,019,265 paid to Mr. Walsh in connection with his resignation, and \$100,000 of consulting fees. See Executive Compensation Separation Agreement with Michael Walsh for details.



**Table of Contents**

## EXECUTIVE COMPENSATION

**2016 Grants of Plan-Based Awards**

The following table sets forth certain information with respect to each grant of an award made to our NEOs in the fiscal year ended December 31, 2016.

| Executive       | Grant     |               | Estimated Future Payouts Under Non Equity Incentive Plan Awards |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards |                           |                            | All Other Stock Awards; Number of Shares of Stock or Units | All Other Option Awards; Number of Securities Underlying Options | Exercise or Base Price of Option Awards (\$/Share) | Grant Date Fair Value of Stock and Option Awards (\$) |
|-----------------|-----------|---------------|---|-------------|--------------|---|---------------------------|----------------------------|--|--|--|---|
|                 | Date      | Approval Date | Threshold (\$)  | Target (\$) | Maximum (\$) | Threshold <sup>(1)</sup> (#)                                | Target <sup>(1)</sup> (#) | Maximum <sup>(1)</sup> (#) |  |  |  |   |
| Albert Behler   | 2/23/2016 | 2/23/2016     |   |             |              |   |                           |                            |  | 238,971 <sup>(2)</sup>   | 14.94 <sup>(2)</sup>                               | 812,500   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              |   |                           |                            | 171,070 <sup>(3)</sup>                                     |  |  | 2,720,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              | 128,078   | 320,195                   | 512,312                    |  |  |  | 4,080,000   |
|                 | n/a       | n/a           | 825,000   | 1,650,000   | 2,475,000    |   |                           |                            |  |  |  |   |
| Wilbur Paes     | 3/18/2016 | 3/18/2016     |   |             |              |   |                           |                            | 37,736 <sup>(3)</sup>                                      |  |  | 600,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              | 28,253  | 70,632                    | 113,011                    |  |  |  | 900,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              |   |                           |                            | 125,000 <sup>(4)</sup>                                     |  |  | 1,987,500   |
|                 | n/a       | n/a           | 393,750   | 656,250     | 918,750      |   |                           |                            |  |  |  |   |
| Jolanta Bott    | 3/18/2016 | 3/18/2016     |   |             |              |   |                           |                            | 37,736 <sup>(3)</sup>                                      |  |  | 600,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              | 28,253  | 70,632                    | 113,011                    |  |  |  | 900,000   |
|                 | n/a       | n/a           | 237,500   | 475,000     | 712,500      |   |                           |                            |  |  |  |   |
| Theodore Koltis | 2/23/2016 | 2/23/2016     |   |             |              |   |                           |                            | 9,706 <sup>(5)</sup>                                       |  |  | 145,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              |   |                           |                            | 37,736 <sup>(3)</sup>                                      |  |  | 600,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              | 28,253  | 70,632                    | 113,011                    |  |  |  | 900,000   |
|                 | n/a       | n/a           | 525,000   | 700,000     | 875,000      |   |                           |                            |  |  |  |   |
| Daniel Lauer    | 3/18/2016 | 3/18/2016     |   |             |              |   |                           |                            | 37,736 <sup>(3)</sup>                                      |  |  | 600,000   |
|                 | 3/18/2016 | 3/18/2016     |   |             |              | 28,253  | 70,632                    | 113,011                    |  |  |  | 900,000   |
|                 | n/a       | n/a           | 200,000   | 300,000     | 400,000      |   |                           |                            |  |  |  |   |
| Michael Walsh   | 2/23/2016 | 2/23/2016     |   |             |              |   |                           |                            | 19,244 <sup>(6)</sup>                                      |  |  | 287,500   |

(1) The information in these columns represents awards made under our 2016 Performance Program (which have not been earned). The terms of our 2016 Performance Program, including the vesting terms, are set forth in Note 20 to our combined consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(2) Represents 100.0% of Mr. Behler's 2015 incentive cash bonus of \$650,000, which was exchanged for an option to acquire 238,971 shares of our common stock at an exercise price of \$14.94, subject to vesting over three years based on continued employment.

(3) Represents LTIP units granted for 2015 performance to executive officers and employees under our 2014 Equity Incentive Plan, with 25.0% vesting on each of March 18, 2017, 2018, 2019 and 2020 subject to continued employment.

(4) Represents LTIP units granted to Mr. Paes in connection with his promotion to Executive Vice President, Chief Financial Officer and Treasurer in March 2016, with 25.0% vesting on each of March 18, 2017, 2018, 2019 and 2020, subject to continued employment.

(5) Represents 20.0% of Mr. Koltis's 2015 incentive cash bonus, or \$116,000, which was exchanged for 9,706 LTIP units, subject to vesting over three years based on continued employment.

(6) Represents 100.0% of Mr. Walsh's 2015 incentive cash bonus of \$230,000, which was exchanged for 19,244 LTIP units that vested on March 2, 2016. See Executive Compensation Separation Agreement with Michael Walsh for details.

**Table of Contents**

## EXECUTIVE COMPENSATION

**Outstanding Equity Awards at Fiscal Year-End 2016**

The following table sets forth certain information with respect to all outstanding equity awards held by our NEOs as of December 31, 2016.

| Executive       | Option Awards   |   |                   |                        | Stock Awards  |   | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Awards That Have Not Vested (#) <sup>(2)</sup> | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Awards That Have Not Vested (\$) <sup>(2)</sup> |
|-----------------|---|---|-------------------|------------------------|---|---|--|---|
|                 | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup> |  |   |
| Albert Behler   | 200,000   | 300,000 <sup>(3)</sup>  | 17.50             | 11/17/2024             | 171,429 <sup>(4)</sup><br>171,070 <sup>(8)</sup>            | 2,741,150<br>2,735,409  | 186,391  | 2,980,392   |
|                 |   | 238,971 <sup>(6)</sup>  | 14.94             | 2/23/2026              |   |   |  |   |
| Wilbur Paes     | 20,000  | 80,000 <sup>(5)</sup>   | 19.08             | 3/31/2025              | 10,286 <sup>(4)</sup>                                       | 164,473   | 41,082   | 656,901   |
|                 |   |   |                   |                        | 37,736 <sup>(8)</sup><br>125,000 <sup>(9)</sup>             | 603,399<br>1,998,750  |  |   |
| Jolanta Bott    | 40,000  | 60,000 <sup>(3)</sup>   | 17.50             | 11/17/2024             | 48,000 <sup>(4)</sup>                                       | 767,520   | 39,916   | 638,257   |
|                 |   |   |                   |                        | 37,736 <sup>(8)</sup>                                       | 603,399   |  |   |
| Theodore Koltis | 40,000  | 60,000 <sup>(3)</sup>   | 17.50             | 11/17/2024             | 34,286 <sup>(4)</sup>                                       | 548,233   | 42,248   | 675,546   |
|                 |   |   |                   |                        | 9,706 <sup>(7)</sup><br>37,736 <sup>(8)</sup>               | 155,199<br>603,399  |  |   |
| Daniel Lauer    | 40,000  | 60,000 <sup>(3)</sup>   | 17.50             | 11/17/2024             | 48,000 <sup>(4)</sup>                                       | 767,520   | 42,248   | 675,546   |
|                 |   |   |                   |                        | 37,736 <sup>(8)</sup>                                       | 603,399   |  |   |
| Michael Walsh   | 100,000   |   | 19.08             | 3/2/2018               |   |   | 13,995   | 223,780   |

(1) Based on a price of \$15.99 per unit, which was the closing price on the NYSE of one share of our common stock on December 31, 2016. Assumes that the value of LTIP units on a per unit basis is equal to the per share value of our common stock.

**Table of Contents**

## EXECUTIVE COMPENSATION

- (2) The number and market or payout value of equity incentive plan awards is based on the amount that the NEOs would have earned under our 2015 and 2016 Performance Programs, if the threshold performance goals were achieved. Represents outstanding awards under our 2015 and 2016 Performance Programs. Awards under our 2015 Performance Program are earned based on our TSR over a three-year performance period ending March 31, 2018, with 50% of any award earned vesting upon the conclusion of the performance measurement period, and the remaining 50.0% vesting in substantially equal installments on April 1, 2019 and 2020, subject to continued employment. Awards under our 2016 Performance Program are earned based on our TSR over a three-year performance period ending March 17, 2019, with 50% of any award earned vesting upon the conclusion of the performance measurement period, and the remaining 50.0% vesting on March 17, 2020, subject to continued employment. Assuming performance for the three-year performance period applicable to these awards continued at the same annualized rate as we experienced from the beginning of each performance period through December 31, 2016, the NEOs would not have earned any of these awards. Accordingly, in accordance with SEC rules, the number and market or payout value of equity incentive plan awards is based on the awards that the NEOs would have earned under our 2015 and 2016 Performance Programs, if the threshold performance goals were achieved, as follows:

|                 | 2015 Performance<br>Program at Threshold | 2016 Performance<br>Program at Threshold |
|-----------------|--|--|
|                 | (#)                                      | (#)                                      |
| Albert Behler   | 58,313                                   | 128,078                                  |
| Wilbur Paes     | 12,829                                   | 28,253                                   |
| Jolanta Bott    | 11,663                                   | 28,253                                   |
| Theodore Koltis | 13,995                                   | 28,253                                   |
| Daniel Lauer    | 13,995                                   | 28,253                                   |
| Michael Walsh   | 13,995                                   |  |

- (3) Reflects the unvested portion of stock options granted on November 18, 2014 in connection with our initial public offering, which vest in substantially equal installments on each of November 24, 2017, 2018 and 2019, subject to continued employment.
- (4) Reflects the unvested portion of LTIP units granted on November 24, 2014 in connection with our initial public offering, which vest in substantially equal installments on each of November 24, 2017, 2018 and 2019, subject to continued employment.
- (5) Reflects the unvested portion of stock options granted on April 1, 2015, which vest in substantially equal installments on each of April 1, 2017, 2018, 2019 and 2020, subject to continued employment.
- (6) Reflects stock options granted on February 23, 2016 in connection with our bonus exchange program, with 40.0% vesting on each of February 23, 2017 and 2018, and the remaining 20.0% vesting on February 23, 2019, subject to continued employment.
- (7) Reflects LTIP units granted on February 23, 2016 in connection with our bonus exchange program, with 40.0% vesting on each of February 23, 2017 and 2018, and the remaining 20.0% vesting on February 23, 2019, subject to continued employment.
- (8) Reflects LTIP units granted on March 18, 2016, with 25.0% vesting on each of March 18, 2017, 2018, 2019 and 2020 subject to continued employment.
- (9) Reflects LTIP units granted to Mr. Paes on March 18, 2016 in connection with his employment agreement, with 25.0% vesting on each of March 18, 2017, 2018, 2019 and 2020, subject to continued employment.

**Table of Contents**

## EXECUTIVE COMPENSATION

**2016 Option Exercises and Stock Vested**

The following table sets forth the aggregate number of options to purchase shares of our common stock that was exercised by our NEOs in 2016 and the aggregate number of shares of common stock and LTIP units that vested in 2016. The value realized on exercise is the product of (i) the closing price on the New York Stock Exchange of a share of common stock on the date of exercise minus the exercise price, multiplied by (ii) the number of shares of common stock underlying exercised options. The value realized on vesting is the product of (i) the closing price on the New York Stock Exchange of a share of common stock on the vesting date (or, if there were no reported sales on such date, the most recent previous date on which there were reported sales), multiplied by (ii) the number of shares/LTIP units vesting.

| Executive       | Number of Shares Acquired on Exercise<br>(#) | Value Realized on Exercise<br>(\$) | Number of Shares Acquired on Vesting<br>(#) | Value Realized on Vesting<br>(\$) |
|-----------------|--|------------------------------------|---|-----------------------------------|
| Albert Behler   |  |                                    | 57,143                                      | 894,288                           |
| Wilbur Paes     |  |                                    | 3,429                                       | 53,664                            |
| Jolanta Bott    |  |                                    | 16,000                                      | 250,400                           |
| Theodore Koltis |  |                                    | 11,429                                      | 178,864                           |
| Daniel Lauer    |  |                                    | 16,000                                      | 250,400                           |
| Michael Walsh   |  |                                    | 109,244                                     | 1,731,517                         |

**Nonqualified Deferred Compensation**

Under our deferred compensation plan, deferred bonuses were awarded to Messrs. Behler and Walsh and Ms. Bott in 2016. Deferred bonuses are credited with earnings or losses based upon the investment returns of assets in the rabbi trust managed by the trustee.

The table below summarizes the annual rates of return for the year ended December 31, 2016 for the assets in the rabbi trust:

| Name of Fund                 | 2016 Rate of Return (%) | Name of Fund                  | 2016 Rate of Return (%) |
|------------------------------|-------------------------|-------------------------------|-------------------------|
| Money Market Fund            | 0.34                    | Investment Grade Taxable      | 1.86                    |
| US Large Cap Fund            | 1.59                    | Investment Grade Tax Exempt   | 1.04                    |
| US Mid Cap Fund              | 1.32                    | International Developed Bonds | 2.00                    |
| US Small Cap Fund            | 1.10                    | REIT Fund                     | 2.47                    |
| International Developed Fund | 0.57                    | Commodities                   | 0.00                    |
| Emerging Markets Fund        | 0.67                    |                               |                         |

Benefits under the deferred compensation plan are generally paid upon attainment of Social Security retirement age.

**Table of Contents**

## EXECUTIVE COMPENSATION

The following table shows deferred bonuses granted to our NEOs under the deferred compensation plan during the year ended December 31, 2016, the earnings (losses) and withdrawals/distributions during the year, and the aggregate account balance of each NEO under the deferred compensation plan as of December 31, 2016.

| Executive     | Recent Contributions in 2016 | Aggregate Earnings in 2016 | Aggregate Withdrawals/ Distributions | Aggregate Balance at 12/31/2016 |
|---------------|------------------------------|----------------------------|--------------------------------------|---------------------------------|
|               | (\$) <sup>(1)</sup>          | (\$)                       | (\$)                                 | (\$)                            |
| Albert Behler | 455,172                      | 680,424                    |                                      | 23,471,400 <sup>(2)</sup>       |
| Jolanta Bott  | 196,552                      | 120,755                    |                                      | 4,139,019 <sup>(2)</sup>        |
| Michael Walsh | 248,276                      | 5,044                      |                                      | 253,320                         |

(1) All of the amounts reported in the contributions column are also included in the Summary Compensation Table as bonus for 2015.

(2) Amounts include contributions made by plan participants, and our predecessor company. The cumulative contributions made by the Company since the completion of our initial public offering in November 2014 are as follows: Mr. Behler \$568,965 and Ms. Bott \$245,689.

**Potential Payments Upon Termination or Change in Control****Employment Agreements**

Pursuant to the terms of the employment agreements with Messrs. Behler and Paes, and Ms. Bott, upon the termination of the executive's employment by us without cause (as defined in the applicable employment agreement) or by the executive for good reason (as defined in the applicable employment agreement), subject to the executive signing a separation agreement and mutual release, the executive will be entitled to the following severance payments and benefits:

a lump sum cash payment equal to the sum of the executive's earned but unpaid base salary, earned but unpaid annual cash incentive bonus, unpaid expense reimbursement and accrued but unused vacation time to the date of termination;

a lump sum cash payment equal to a multiple of (x) the executive's then-current annual base salary, plus (y) the average of the annual cash incentive bonuses earned by the executive with respect to the three most recent fiscal years ending on or before the date of termination (but not less than \$1,250,000 for Mr. Behler and \$750,000 for Mr. Paes); the multiple is two for Mr. Behler and one for Mr. Paes and Ms. Bott or, in the event such termination occurs in connection with or within two years after a change in control (as defined in the applicable employment agreement), three for Mr. Behler and two for Mr. Paes and Ms. Bott;

a prorated portion of the annual bonus for the year of termination, calculated based on the executive's target bonus for such year;

a lump sum cash payment equal to a multiple of annual premium payable by us for the executive's health and dental insurance; the multiple is two for Mr. Behler and one for Mr. Paes and Ms. Bott; or, in the event such termination occurs in connection with or within two years after a change in control, 2 for Mr. Behler and 1.5 for Mr. Paes and Ms. Bott; and

accelerated vesting of all equity grants subject to only time-based vesting based on continued employment, with the vesting of equity grants with performance vesting only accelerated to the extent provided by the applicable award agreement.

None of the employment agreements provide for any tax gross ups and, in the event the executive would become subject to an excise tax under Section 4999 of the Code imposed on parachute payments (within the meaning of Section 280G of the Code), the amounts payable as described

above would be reduced to the level so that the excise tax will not apply, but only if such reduction would

**Table of Contents**

EXECUTIVE COMPENSATION

result in a greater after-tax amount to the executive. Each employment agreement provides that, upon a change in control, we will set aside funds in a rabbi trust in an amount sufficient to pay the severance payments due in the event of the termination of the executive in connection with or within two years after a change in control of our company either by us without cause or by the executive for good reason, provided that the executive will only be entitled to these funds in the event the executive's employment is actually terminated in connection with or within two years after a change in control of our company either by us without cause or by the executive for good reason.

All of the cash severance payments described above are to be made as lump sum payments within 30 days after the date of termination of employment. However, to the extent necessary to avoid the imposition of an additional tax under Section 409A of the Code, severance pay and benefits will be delayed until six months and one day after termination during which time the payments will accrue interest at the short-term applicable federal rate.

Each employment agreement also provides that in the event the executive's employment is terminated on account of his or her death or disability, the executive or his or her beneficiary in the case of death will receive the following payments:

a lump sum cash payment equal to the sum of the executive's earned but unpaid base salary, earned but unpaid annual cash incentive bonus, unpaid expense reimbursement and accrued but unused vacation time to the date of termination;

a prorated portion of the annual bonus payable for the year of such termination, calculated based on actual achievement of applicable performance metrics for the applicable year; and

accelerated vesting of all equity grants subject to only time-based vesting based on continued employment, with the vesting of equity grants with performance vesting only accelerated to the extent provided by the applicable award agreement.

Each executive is subject to certain restrictive covenants pursuant to their employment agreements, including non-competition and non-solicitation covenants during their employment with us and for six months after termination of employment.

**Executive Severance Plan**

We have adopted an Executive Severance Plan for the benefit of certain specified executive officers who are not parties to an employment agreement, including Messrs. Koltis and Lauer. In the event a participating officer is terminated by us without cause, subject to the officer signing a separation agreement and release with restrictive covenants, including non-competition and non-solicitation covenants for six months after termination of employment, this plan will provide severance benefits in the amount of the sum of the officer's base salary, most recent cash bonus and an amount equal to the annual premium payable by us for the officer's health and dental insurance.

The following tables set forth the amounts that would have been paid to our continuing NEOs in the event of a termination by us without cause or by the executive for good reason other than in connection with a change in control; upon death or disability; upon a change in control without termination and upon a termination by us without cause or by the executive for good reason in connection with a change in control occurring, in each case, as of December 31, 2016. The amounts in the tables below exclude payments that would be made for (i) accrued salary and vacation pay; (ii) distribution of plan balances under our 401(k) plan; (iii) life insurance proceeds in the event of death; and (iv) disability insurance payouts in the event of disability to the extent they have been earned prior to the termination of employment or are provided on a non-discriminatory basis to salaried employees upon termination of employment.

**Table of Contents**

## EXECUTIVE COMPENSATION

| Executive                               | Without Cause/<br>For Good Reason | Death/Disability    | Change in<br>Control (No<br>Termination) | Change in<br>Control<br>(Termination<br>Without<br>Cause/For Good<br>Reason) |
|---|-----------------------------------|---------------------|--|--|
| <b>Albert Behler</b>                    |                                   |                     |  |  |
| Bonus                                   | \$ 1,650,000                      | \$ 1,650,000        | \$                                       | \$ 1,650,000   |
| Cash Severance                          | 4,700,000                         |                     |  | 7,050,000  |
| Vesting of LTIP Units <sup>(1)</sup>    | 5,476,559                         | 5,476,559           | 5,476,559                                | 5,476,559  |
| Vesting of Stock Options <sup>(2)</sup> | 250,920                           | 250,920             | 250,920                                  | 250,920  |
| Performance Awards <sup>(3)</sup>       |                                   |                     |  |  |
| Benefits <sup>(4)</sup>                 | 62,406                            |                     |  | 62,406   |
| <b>Total<sup>(5)</sup></b>              | <b>\$ 12,139,885</b>              | <b>\$ 7,377,479</b> | <b>\$ 5,727,479</b>                      | <b>\$ 14,489,885</b>   |
| <b>Wilbur Paes</b>                      |                                   |                     |  |  |
| Bonus                                   | \$ 656,250                        | \$ 656,250          | \$                                       | \$ 656,250   |
| Cash Severance                          | 1,275,000                         |                     |  | 2,550,000  |
| Vesting of LTIP Units <sup>(1)</sup>    | 2,766,622                         | 2,766,622           | 2,766,622                                | 2,766,622  |
| Vesting of Stock Options <sup>(2)</sup> |                                   |                     |  |  |
| Performance Awards <sup>(3)</sup>       |                                   |                     |  |  |
| Benefits <sup>(4)</sup>                 | 36,803                            |                     |  | 36,803   |
| <b>Total<sup>(5)</sup></b>              | <b>\$ 4,734,675</b>               | <b>\$ 3,422,872</b> | <b>\$ 2,766,622</b>                      | <b>\$ 6,028,077</b>  |
| <b>Jolanta Bott</b>                     |                                   |                     |  |  |
| Bonus                                   | \$ 475,000                        | \$ 475,000          | \$                                       | \$ 475,000   |
| Cash Severance                          | 626,667                           |                     |  | 1,253,333  |
| Vesting of LTIP Units <sup>(1)</sup>    | 1,370,919                         | 1,370,919           | 1,370,919                                | 1,370,919  |
| Vesting of Stock Options <sup>(2)</sup> |                                   |                     |  |  |
| Performance Awards <sup>(3)</sup>       |                                   |                     |  |  |
| Benefits <sup>(4)</sup>                 | 15,247                            |                     |  | 22,871   |
| <b>Total<sup>(5)</sup></b>              | <b>\$ 2,487,833</b>               | <b>\$ 1,845,919</b> | <b>\$ 1,370,919</b>                      | <b>\$ 3,122,123</b>  |
| <b>Theodore Koltis</b>                  |                                   |                     |  |  |
| Bonus                                   | \$ 580,000                        | \$                  | \$                                       | \$ 580,000 <sup>(7)</sup>  |
| Cash Severance                          | 700,000                           |                     |  | 700,000 <sup>(7)</sup>   |
| Vesting of LTIP Units <sup>(1)</sup>    | 1,306,831                         | 1,306,831           | 1,306,831                                | 1,306,831  |
| Vesting of Stock Options <sup>(2)</sup> |                                   |                     |  |  |
| Performance Awards <sup>(3)</sup>       |                                   |                     |  |  |
| Benefits <sup>(4)</sup>                 | 48,888                            |                     |  | 48,888   |
| <b>Total<sup>(6)</sup></b>              | <b>\$ 2,635,719</b>               | <b>\$ 1,306,831</b> | <b>\$ 1,306,831</b>                      | <b>\$ 2,635,719</b>  |
| <b>Daniel Lauer</b>                     |                                   |                     |  |  |
| Bonus                                   | \$ 130,000                        | \$                  | \$                                       | \$ 130,000 <sup>(7)</sup>  |
| Cash Severance                          | 400,000                           |                     |  | 400,000 <sup>(7)</sup>   |
| Vesting of LTIP Units <sup>(1)</sup>    | 1,370,919                         | 1,370,919           | 1,370,919                                | 1,370,919  |



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|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Vesting of Stock Options <sup>(2)</sup> |              |              |              |              |
| Performance Awards <sup>(3)</sup>       |              |              |              |              |
| Benefits <sup>(4)</sup>                 | 36,803       |              |              | 36,803       |
| <b>Total<sup>(5)</sup></b>              | \$ 1,937,722 | \$ 1,370,919 | \$ 1,370,919 | \$ 1,937,722 |

(1) For all of the executives, outstanding equity awards with time-based vesting fully vest upon a change in control, the executive's termination upon death or disability, or termination by us

**Table of Contents**

## EXECUTIVE COMPENSATION

without cause or by the executive for good reason. As of December 31, 2016, Messrs. Behler, Paes, Koltis and Lauer and Ms. Bott held unvested time-based LTIP units as follows: Mr. Behler 342,499 LTIP units; Mr. Paes 173,022 LTIP units; Ms. Bott 85,736 LTIP units; Mr. Koltis 81,728 LTIP units; and Mr. Lauer 85,736 LTIP units. For purposes of the tables above, the value of the equity awards that vest are based on the value of unvested awards set forth in the Outstanding Equity Awards at Fiscal Year-End 2016 table above.

- (2) All of the executives' outstanding stock options fully vest upon a change in control, the executive's termination upon death or disability, termination by us without cause or by the executive for good reason. Assumes that the per share value of the stock options that vest equals (i) \$15.99 per share, which was the closing price on the NYSE of one share of our common stock on December 31, 2016, less (ii) the exercise price per share of such stock options. Information regarding unvested stock options held by our NEOs as of December 31, 2016 is contained in the Outstanding Equity Awards at Fiscal Year-End 2016 table above.
- (3) In accordance with the terms of our Performance Programs, in the event of a change in control during the performance period, the performance period will be shortened to end on the date of the change in control and the executives' awards will be based on performance through that date, with further proration if the change in control occurs during the first year of the performance period. Any LTIP units earned upon a change in control will remain subject to time-based vesting but will be fully vested in the event of termination by us without cause or by the executive for good reason within 18 months following the change in control. Based on our TSR performance from the beginning of the respective performance period through December 31, 2016, all outstanding awards under our 2015 and 2016 Performance Programs would have been forfeited in the event of a change in control as of December 31, 2016. If an executive's employment is terminated before the end of a performance period as a result of death or disability, or is terminated by us without cause or by the executive for good reason, the executive's award will be calculated as of the end of the performance period in the same manner as if such termination had not occurred, but prorated based on the number of days in the performance period during which such executive was employed by us. Any LTIP units so earned will be fully vested. No amounts are included in the event of such a termination, because the executive only would have been entitled to vesting to the extent that the awards were earned based on the achievement of the performance-based vesting criteria through the end of the performance period.
- (4) Benefits payment includes a lump sum cash payment equal to a multiple of annual premium payable by us for the executive's health and dental insurance; the multiple is two for Mr. Behler and one for Messrs. Paes, Koltis and Lauer and Ms. Bott; or, in the event such termination occurs in connection with or within two years after a change in control, two for Mr. Behler, 1.5 for Mr. Paes and Ms. Bott, and one for Messrs. Koltis and Lauer.
- (5) In the event the executive would become subject to an excise tax under Section 4999 of the Code imposed on parachute payments (within the meaning of Section 280G of the Code), the amounts payable as described above would be reduced to the level so that the excise tax will not apply, but only if such reduction would result in a greater after-tax amount to the executive.
- (6) Payments under the Executive Severance Plan are subject to Messrs. Koltis and Lauer signing a separation agreement and release with restrictive covenants, including non-competition and non-solicitation covenants for six months after termination of employment.
- (7) These payments will only be made under the Executive Severance Plan if Messrs. Koltis and Lauer are terminated by us without cause.

**Table of Contents**

EXECUTIVE COMPENSATION

**Separation Agreement with Michael Walsh**

Pursuant to the Separation Agreement, as required by the terms of Mr. Walsh's employment agreement, Mr. Walsh received a single lump sum payment in the amount of \$1,019,265 less applicable tax-related deductions and withholdings. In addition, Mr. Walsh's outstanding unvested time-based option and LTIP units were fully vested and the period in which he may exercise his option was extended to two years following his termination. His performance-based LTIP units remain outstanding and a pro-rata portion of the LTIP units may be earned based on our performance through the end of the three-year performance period.

Mr. Walsh agreed to provide transition consulting services to the Company for up to three months after the effective date of his Separation Agreement, pursuant to which he was paid \$100,000 in cash.

Pursuant to the terms of the employment agreement with Mr. Walsh, Mr. Walsh was subject to certain restrictive covenants, including a non-competition covenant during the consulting period and non-solicitation and non-interference covenants until March 2, 2017.

**Compensation Committee Interlocks and Insider Participation**

During 2016, the following directors, all of whom are independent directors, served on our Compensation Committee for at least part of the year: Lizanne Galbreath, Dan Emmett, Karin Klein and David O'Connor. None of our executive officers serve as a member of a board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our Board or Compensation Committee.

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**Table of Contents**

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT**

The following table presents information regarding the beneficial ownership of shares of our common stock and units in our operating partnership as of February 1, 2017, with respect to:

each of our directors;

each of our NEOs;

each person known by us to be the beneficial owner of 5% or more of the outstanding shares of our common stock or the outstanding shares of our common stock and units in our operating partnership; and

all of our directors and executive officers as a group.

Beneficial ownership of shares and units is determined under rules of the SEC and generally includes any shares or units, as applicable, over which a person exercises sole or shared voting or investment power. Except as noted by footnote, and subject to community property laws where applicable, we believe based on the information provided to us that the persons and entities named in the table below have sole voting and investment power with respect to all shares of our common stock and units in our operating partnership shown as beneficially owned by them. Shares of our common stock and units in our operating partnership that a person has the right to acquire within 60 days of February 1, 2017 are deemed to be outstanding and beneficially owned by the person having the right to acquire such shares or units for purposes of the table below, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person.

As of February 1, 2017, there were 230,738,716 shares of our common stock outstanding and 34,272,297 units of our operating partnership outstanding, consisting of 32,196,546 common operating partnership units and 2,075,751 LTIP units (excluding 3,309,971 unvested performance-based LTIP units granted to the Company's executive officers and employees pursuant to our Performance Plans, which may be earned based on the achievement of the designated performance objectives).

Unless otherwise indicated, all shares and units are owned directly. Except as indicated in the footnotes to the table below, the business address of the stockholders listed below is the address of our principal executive office, 1633 Broadway, Suite 1801, New York, NY 10019.

**Table of Contents**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

| Executive  | Common Stock                                       |   | Common Stock and Units                                       |   |
|--|--|---|--|---|
|  | Number of Shares Beneficially Owned <sup>(1)</sup> | Percentage of All Shares <sup>(2)</sup> | Number of Shares and Units Beneficially Owned <sup>(1)</sup> | Percentage of All Shares and Units <sup>(2)</sup> |
| <b>5% Stockholders</b>   |  |   |  |   |
| The Otto Family Group <sup>(3)</sup>   | 33,415,587   | 14.5%                                   | 33,432,837   | 12.6%   |
| The Vanguard Group <sup>(4)</sup>  | 26,626,852   | 11.5%                                   | 26,626,852   | 10.0%   |
| Alexander Otto <sup>(5)</sup>  | 14,145,495   | 6.1%                                    | 14,145,495   | 5.3%  |
| Vanguard Specialized Funds Vanguard REIT Index Fund <sup>(6)</sup>           | 13,331,750   | 5.8%                                    | 13,331,750   | 5.0%  |
| Katharina Otto-Bernstein <sup>(19)</sup>                                     | 12,131,489   | 5.3%                                    | 12,148,739   | 4.6%  |
| <b>Executive Officers and Directors</b>                                      |  |   |  |   |
| Albert Behler <sup>(7)</sup>   | 407,400  | *                                       | 5,620,598  | 2.1%  |
| Wilbur Paes <sup>(8)</sup>   | 50,000   | *                                       | 324,851  | *   |
| Jolanta Bott <sup>(9)</sup>  | 47,214   | *                                       | 418,983  | *   |
| Theodore Koltis <sup>(10)</sup>  | 40,000   | *                                       | 302,189  | *   |
| Daniel Lauer <sup>(11)</sup>   | 47,214   | *                                       | 397,422  | *   |
| Thomas Armbrust <sup>(12)</sup>  | 145,821  | *                                       | 145,821  | *   |
| Martin Bussmann <sup>(13)</sup>  |  | *                                       | 6,317  | *   |
| Dan Emmett <sup>(14)</sup>   | 57,142   | *                                       | 74,392   | *   |
| Lizanne Galbreath <sup>(15)</sup>  | 15,625   | *                                       | 32,875   | *   |
| Karin Klein <sup>(16)</sup>  |  | *                                       | 6,317  | *   |
| Peter Linneman <sup>(17)</sup>   | 30,000   | *                                       | 54,768   | *   |
| David O Connors <sup>(18)</sup>  | 46,285   | *                                       | 63,535   | *   |
| Katharina Otto-Bernstein <sup>(19)</sup>                                     | 12,131,489   | 5.3%                                    | 12,148,739   | 4.6%  |
| All directors and executive officers as a group (16 persons) <sup>(20)</sup> | 13,065,404   | 5.7%                                    | 20,205,649   | 7.6%  |

(\*) Represents less than 1.0%

- (1) Number of shares beneficially owned includes shares of common stock that may be acquired by exercising stock options within 60 days of February 1, 2017 but does not include shares of common stock that may be acquired by redeeming common units in the operating partnership. Number of shares and units beneficially owned includes all shares included in the column titled Number of shares beneficially owned plus shares of common stock that may be acquired by redeeming common units in the operating partnership assuming that (i) all outstanding common units in the operating partnership are immediately redeemable/exchangeable, (ii) all outstanding LTIP units have vested in full and have been converted into an equal number of common units in the operating partnership (excluding unvested performance-based LTIP units granted to the Company's executive officers and employees pursuant to our Performance Plans, which may be earned based on the achievement of designated performance objectives) and (iii) all common units in the operating partnership have been exchanged for shares of common stock.
- (2) As of February 1, 2017, 230,738,716 shares of common stock, 32,196,546 common units in the operating partnership and 2,075,751 LTIP units were outstanding (excluding 3,309,971 unvested performance-based LTIP units granted to the Company's executive officers and employees pursuant to our Performance Plans, which may be earned based on the achievement of designated performance objectives). To compute the percentage of outstanding shares of common stock held

**Table of Contents**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

- by each person and unless otherwise noted, any share of common stock which such person has the right to acquire pursuant to the exercise of stock options exercisable within 60 days of February 1, 2017 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The percentage of outstanding shares of common stock and units held by each person is calculated in the same manner as the percentage of outstanding shares of common stock, except that in performing this calculation we assume that: (i) all outstanding LTIP units held by all persons have vested in full and have been converted into an equal number of common units in the operating partnership, and (ii) all common units in the operating partnership held by all persons, other than us, have been exchanged for shares of common stock.
- (3) Based on information provided on a Schedule 13D jointly filed with the SEC on December 4, 2014 by AROSA Vermögensverwaltungsgesellschaft m.b.H., a German limited liability company ( AROSA ), Alexander Otto, the sole shareholder of AROSA, Katharina Otto-Bernstein and Maren Otto. Represents the shares beneficially owned by Maren Otto and her two children, Alexander Otto and Katharina Otto-Bernstein. Maren Otto has sole voting and sole dispositive power over 7,138,603 of these shares of common stock. For the number of these shares beneficially owned by each of Alexander Otto and Katharina Otto-Bernstein refer to footnotes (5) and (19), respectively. The address for AROSA, Maren Otto and Katharina Otto-Bernstein is c/o CURA Vermögensverwaltung, G.m.b.H. & Co. KG, Werner-Otto-Straße 1-7, D-22179 Hamburg, Germany and the address for Alexander Otto is c/o ECE Projektmanagement G.m.b.H & Co. KG, Heegbarg 30, 22391 Hamburg, Germany.
  - (4) Based on information provided on a Schedule 13G/A filed with the SEC on February 13, 2017 by The Vanguard Group. The Vanguard Group reported shared voting power with respect to 175,093 shares and shared dispositive power with respect to 272,224 shares. The address for The Vanguard Group is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.
  - (5) Based on information provided on a Schedule 13D jointly filed with the SEC on December 4, 2014 by AROSA, Alexander Otto, Katharina Otto-Bernstein and Maren Otto. Includes 13,656,206 shares of common stock held directly by Alexander Otto and 489,289 shares of common stock held by AROSA, an entity wholly-owned by Alexander Otto. Alexander Otto has sole voting and sole dispositive power over each of these shares of common stock. The address for Alexander Otto is c/o ECE Projektmanagement G.m.b.H & Co. KG, Heegbarg 30, 22391 Hamburg, Germany and the address for AROSA is c/o CURA Vermögensverwaltung, G.m.b.H. & Co. KG, Werner-Otto-Straße 1-7, D-22179 Hamburg, Germany.
  - (6) Based on information provided on a Schedule 13G/A filed with the SEC on February 13, 2017 by Vanguard Specialized Funds Vanguard REIT Index Fund. Vanguard Specialized Funds Vanguard REIT Index Fund reported sole voting power with respect to all 13,331,750 shares and sole and shared dispositive power with respect to none of the shares. The address for Vanguard Specialized Funds Vanguard REIT Index Fund is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.
  - (7) Includes 295,588 shares of common stock underlying exercisable stock options. Also includes, only under the Number of Shares and Units Beneficially Owned column, 2,011,839 common units (of which 401,245 common units are held by entities that are wholly owned by Albert Behler) and 3,201,359 LTIP units (of which 458,502 LTIP units are subject to vesting). 111,812 of the shares of common stock and 592,480 of the common units are pledged as collateral in connection with notes granted to CNBB-RDF Holdings, LP ( CNBB-RDF Holdings ), an entity controlled by members of the Otto family, relating to previously granted interests in our predecessor.
  - (8) Includes 40,000 shares of common stock underlying exercisable stock options. Also includes, only under the Number of Shares and Units Beneficially Owned column, 274,851 LTIP units (of which 239,423 LTIP units are subject to vesting).
  - (9) Includes 40,000 shares of common stock underlying exercisable stock options. Also includes, only under the Number of Shares and Units Beneficially Owned column, 82,621 common units and 289,148 LTIP units (of which 114,291 LTIP units are subject to vesting). 7,214 of the shares of

**Table of Contents**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

- common stock and 31,831 of the common units are pledged as collateral in connection with notes granted to CNBB-RDF Holdings relating to previously granted interests in our predecessor.
- (10) Includes 40,000 shares of common stock underlying exercisable stock options. Also includes, only under the Number of Shares and Units Beneficially Owned column, 3,335 common units and 258,854 LTIP units (of which 110,283 LTIP units are subject to vesting). 3,335 of the common units are pledged as collateral in connection with notes granted to CNBB-RDF Holdings relating to previously granted interests in our predecessor.
- (11) Includes 40,000 shares of common stock underlying exercisable stock options. Also includes, only under the Number of Shares and Units Beneficially Owned column, 61,060 common units and 289,148 LTIP units (of which 114,291 LTIP units are subject to vesting). 7,214 of the shares of common stock and 25,164 of the common units are pledged as collateral in connection with the notes granted to CNBB-RDF Holdings relating to previously granted interests in our predecessor.
- (12) Includes 17,250 shares of restricted stock (of which 6,317 shares are subject to vesting).
- (13) Includes, only under the Number of Shares and Units Beneficially Owned column, 6,317 LTIP units which are subject to vesting.
- (14) Includes, only under the Number of Shares and Units Beneficially Owned column, 17,250 LTIP units (of which 6,317 LTIP units are subject to vesting).
- (15) Includes, only under the Number of Shares and Units Beneficially Owned column, 17,250 LTIP units (of which 6,317 LTIP units are subject to vesting).
- (16) Includes, only under the Number of Shares and Units Beneficially Owned column, 6,317 LTIP units which are subject to vesting.
- (17) Includes, only under the Number of Shares and Units Beneficially Owned column, 17,250 LTIP units (of which 6,317 LTIP units are subject to vesting) and 7,518 common units held jointly by Peter Linneman and his spouse, with respect to which Dr. Linneman has shared voting and dispositive power.
- (18) Includes, only under the Number of Shares and Units Beneficially Owned column, 17,250 LTIP units (of which 6,317 LTIP units are subject to vesting).
- (19) Based in part on information provided on a Schedule 13D jointly filed with the SEC on December 4, 2014 by AROSA, Alexander Otto, Katharina Otto-Bernstein and Maren Otto. Katharina Otto-Bernstein will have sole voting and sole dispositive power over each of these shares of common stock. Includes, only under the Number of Shares and Units Beneficially Owned column, 17,250 LTIP units (of which 6,317 LTIP units are subject to vesting). The address for Katharina Otto-Bernstein is c/o CURA Vermögensverwaltung, G.m.b.H. & Co. KG, Werner-Otto-Straße 1-7, D-22179 Hamburg, Germany.
- (20) Includes 495,588 shares of common stock underlying exercisable stock options and 17,250 shares of restricted stock (of which 6,317 shares are subject to vesting). Also includes, only under the Number of Shares and Units Beneficially Owned column, 2,273,058 common units and 4,867,187 LTIP units (of which 1,185,096 LTIP units are subject to vesting). 133,454 common stock and 687,975 common units are pledged as collateral in connection with notes granted to CNBB-RDF Holdings relating to previously granted interests in our predecessor.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and the NYSE. Officers, directors and persons who own more than 10% of a registered class of our equity securities are required by SEC regulation to furnish us with copies of all Section 16(a) forms that they file. To our knowledge, based solely on review of the copies of such reports and any amendments thereto furnished to us during or with respect to our most recent fiscal year, all Section 16(a) filing requirements applicable to our executive officers, directors and persons who own more than 10% of a registered class of our equity securities were satisfied.

**Table of Contents**

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS****Management Agreements**

In connection with the formation transactions, we assumed certain management agreements of our predecessor pursuant to which we provide property management, leasing, reporting or other services for certain properties or business entities owned by members of the Otto family, including the Commercial National Bank Building, which is 100% indirectly owned by Maren Otto, Katharina Otto-Bernstein and Alexander Otto. Pursuant to the Commercial National Bank Building property management agreement, we receive (i) property management fees of 3.0% of the property's annual gross revenue; (ii) construction service fees of 3.0% of certain costs, tenant improvements and tenant allowances; and (iii) disposition fees of 0.50% of the gross consideration paid in connection with a disposition of the property. During 2016, we received fees of \$795,000 pursuant to these agreements, including \$501,000 from the agreement relating to property management and leasing for the Commercial National Bank Building. The property management agreement automatically renews for annual terms unless terminated by either party by giving three months written notice to the other before the end of any calendar year. The other management agreements automatically renew for annual terms unless terminated by either party by giving thirty days written notice to the other before the end of any calendar year.

**Note Payable**

Prior to the completion of the formation transactions, in lieu of certain cash distributions, certain of the entities comprising our predecessor distributed a \$24,500,000 note, which is payable to CNBB-RDF Holdings, which is an entity owned by Maren Otto, Katharina Otto-Bernstein and Alexander Otto, and a \$2,799,000 note, which is payable to a different entity owned by members of the Otto family. The notes, which were distributed in lieu of certain cash distributions prior to the completion of the formation transactions, bear interest at a fixed rate of 0.50% and mature three years from the date of distribution. From January 1, 2016 through December 31, 2016 we recognized \$139,000 of interest in connection with the notes.

**1633 Broadway Lease**

Our predecessor leased 3,330 square feet of space in 1633 Broadway to CNBB-RDF Holdings at an annual base rent of \$57.00 per square foot, with five months of free rent and no tenant improvement allowance. The term of the lease extends through 2019. We believe that the terms of this lease, at the time it was signed, were at least as favorable to us as the terms we could have obtained from a third party in an arm's length transaction for the lease of this space. For the year ended December 31, 2016, we recognized \$225,000 of rental income from this lease.

**Mannheim Trust**

Dr. Martin Bussmann (a member of our Board of Directors) is also a trustee and a director of Mannheim Trust, a subsidiary of which leases 6,790 square feet at 712 Fifth Avenue, our 50.0% owned unconsolidated joint venture. The Mannheim Trust is for the benefit of his children. For the year ended December 31, 2016, we recognized \$416,000 for our share of rental income from this lease. On December 5, 2016, we renewed our lease agreement with Mannheim Trust for 5,593 square feet, which expires in April 2023.

**Hamburg Trust HTC Consulting GmbH**

We have engaged Hamburg Trust HTC Consulting GmbH ( HTC ), a licensed broker in Germany, to supervise selling efforts for our private equity real estate funds (or investments in feeder vehicles for these funds) to investors in Germany. Pursuant to this engagement, which was begun by our predecessor, we have agreed to pay HTC for the costs it incurred to sell investments in this feeder vehicle and other funds, which primarily consist of commissions paid to third party agents, and other incremental costs incurred by HTC as a result of the engagement, plus, in each case, a mark-up of 10%.



**Table of Contents**

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

HTC is 100% owned by Albert Behler, our Chairman, Chief Executive Officer and President. We accrued \$625,000 for fees and expense reimbursements due to HTC for the services it provided during 2016.

**Review and Approval of Future Transactions with Related Persons**

Our Board has adopted a Related Person Transaction Approval and Disclosure Policy, included as part of our Corporate Governance Guidelines, for the review, approval or ratification of any related person transaction. This policy provides that all related person transactions, other than a transaction for which an obligation to disclose under Item 404 of Regulation S-K (or any successor provision) arises solely from the fact that a beneficial owner, other than members of the Otto family, Wilhelm von Finck and entities controlled directly or indirectly by such individuals, of more than 5% of a class of our voting securities (or an immediate family member of any such beneficial owner) has an interest in the transaction, must be reviewed and approved by a majority of the disinterested directors on our Board in advance of us or any of our subsidiaries entering into the transaction; provided that, if we or any of our subsidiaries enter into a transaction without recognizing that such transaction constitutes a related person transaction, the approval requirement will be satisfied if such transaction is ratified by a majority of the disinterested directors on the Board promptly after we recognize that such transaction constituted a related person transaction. Disinterested directors are directors that do not have a personal financial interest in the transaction that is adverse to our financial interest or that of our stockholders. The term *related person transaction* refers to a transaction required to be disclosed by us pursuant to Item 404 of Regulation S-K (or any successor provision) promulgated by the SEC. This policy was followed for all of the applicable related person transactions described above, other than the lease renewal with Mannheim Trust, which was ratified by a majority of the disinterested directors promptly after being entered into by the Company.

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**Table of Contents**

OTHER MATTERS

## **OTHER MATTERS**

### **Solicitation of Proxies**

We will pay the cost of solicitation of proxies. Our directors, officers and employees may solicit proxies personally, by telephone, via the internet or by mail without additional compensation for such activities. We also will request persons, firms and corporations holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send a Notice of Internet Availability of Proxy Materials to and obtain proxies from such beneficial owners. We will reimburse such holders for their reasonable expenses. No arrangements or contracts have been made with any solicitors as of the date of this proxy statement, although we reserve the right to engage solicitors if we deem them necessary.

### **Stockholder Proposals**

Stockholders who, in accordance with the Rule 14a-8 under the Exchange Act, wish to present proposals for inclusion in the proxy materials to be distributed by us in connection with our 2018 annual meeting must submit their proposals to our Corporate Secretary on or before December 8, 2017.

Apart from the SEC's Rule 14a-8 that addresses the inclusion of stockholder proposals in our proxy materials, under our bylaws, certain procedures are provided that a stockholder must follow to nominate persons for election as directors or to introduce an item of business at an annual meeting of stockholders. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an annual meeting of stockholders must be timely submitted in writing to Gage Johnson, Secretary, at Paramount Group, Inc., 1633 Broadway, Suite 1801, New York, New York 10019. To be considered timely, we must receive the notice of your intention to introduce a nomination or proposed item of business at our annual meeting:

not earlier than the 150<sup>th</sup> day nor later than 5:00 p.m., New York time, on the 120<sup>th</sup> day prior to the first anniversary of the date of the notice for the preceding year's annual meeting; or

not earlier than the 150<sup>th</sup> day prior to the date of the annual meeting and not later than 5:00 p.m., New York time, on the later of the 120<sup>th</sup> day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made, in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting.

Assuming that our 2018 annual meeting is not advanced or delayed by more than 30 days from the first anniversary of the date of the 2017 annual meeting, we must receive notice of your intention to introduce a nomination or other item of business at the 2018 annual meeting after November 8, 2017 and no later than 5:00 p.m., New York time, on December 8, 2017.

### **Attendance at the Meeting**

All stockholders of record of shares of common stock at the close of business on the record date, or their designated proxies, are authorized to attend the annual meeting. If you are not a stockholder of record but hold shares through a broker, bank or other nominee, you should provide proof of beneficial ownership as of the record date, such as an account statement reflecting your stock ownership as of the record date, a copy of the voting instruction card provided by your broker, bank or other nominee, or other similar evidence of ownership. If you do not have proof of ownership, you may not be admitted to the annual meeting. Each stockholder and proxy may be asked to present a valid government-issued photo identification, such as a driver's license or passport, before being admitted. Cameras, recording devices and other electronic devices will not be permitted, and attendees may be subject to security inspections and other security precautions.

## **Table of Contents**

### OTHER MATTERS

#### **Householding of Proxy Materials**

If you and other residents at your mailing address own shares of common stock in street name, your broker, bank or other nominee may have sent you a notice that your household will receive only one Notice of Internet Availability of Proxy Materials, annual report and/or proxy statement, as applicable. This procedure, known as householding, is intended to reduce the volume of duplicate information stockholders receive and also reduce our printing and postage costs. Under applicable law, if you consented or were deemed to have consented, your broker, bank or other nominee may send one copy of the applicable proxy materials to your address for all residents that own shares of common stock in street name. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee. If you are receiving multiple copies of our proxy materials, you may be able to request householding by contacting your broker, bank or other nominee.

If you wish to request extra copies free of charge of our proxy materials, please send your request in writing to Paramount Group, Inc., 1633 Broadway, Suite 1801, New York, New York 10019, Attention: Investor Relations or by telephone at (212) 237-3100.

#### **Other Matters**

The Board does not know of any matters other than those described in this proxy statement that will be presented for action at the annual meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders.

#### **By Order of our Board of Directors**

Gage Johnson

*Senior Vice President, General Counsel and Secretary*

New York, New York

April 7, 2017

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**Table of Contents**

*PARAMOUNT GROUP, INC.*

*1633 BROADWAY, SUITE 1801*

*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, on May 17, 2017. 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, on May 17, 2017. 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:

E19485-P89287

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**PARAMOUNT GROUP, INC.**

**The Board of Directors recommends you vote  
FOR all nominees listed:**

1. Election of Directors

**Nominees:**

**For                      Against                      Abstain**

1a. Albert Behler

1b. Thomas Armbrust

1c. Martin Bussmann

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- 1d. Dan Emmett
- 1e. Lizanne Galbreath
- 1f. Karin Klein
- 1g. Peter Linneman
- 1h. David O Connor
- 1i. Katharina Otto-Bernstein

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

**The Board of Directors recommends you vote FOR the following proposals:**

**For    Against    Abstain**

- 2. Approval, on a non-binding advisory basis, of our named executive officer compensation.
- 3. Ratification of the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

**NOTE:** The proxies are also authorized to vote in their discretion on such other matters as may properly come before the meeting or any adjournment thereof.

**The undersigned hereby acknowledge(s) receipt of a copy of the Notice of the 2017 Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders, and revoke(s) any proxy or proxies heretofore given with respect to the 2017 Annual Meeting.**

Signature [PLEASE SIGN WITHIN BOX]    Date

Signature (Joint Owners)

Date

V.1.1

**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

Do not mail your proxy card if you vote by telephone or Internet.

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**PARAMOUNT GROUP, INC.**

**Annual Meeting of Stockholders**

**To be Held on May 18, 2017**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoint(s) Albert Behler and Wilbur Paes, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of Paramount Group, Inc. held of record by the undersigned on March 20, 2017, at the Annual Meeting of Stockholders to be held at 12:00 p.m., EDT on May 18, 2017, at 745 Fifth Avenue, 9th Floor, New York, New York, and any adjournment or postponement thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted For all nominees for director, For the approval, on a non-binding advisory basis, of our named executive officer compensation, and For the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.**

**Continued and to be signed on reverse side**

V.1.1