SL GREEN REALTY CORP
Form 10-K
February 16, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .
Commission File Number: 1-13199

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

Maryland	**13-3956755**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, New York, NY 10170
(Address of principal executive offices Zip Code)

(212) 594-2700
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange
7.625% Series C Cumulative Redeemable Preferred Stock, $0.01 par value,	New York Stock Exchange

$25.00 mandatory liquidation preference	
7.875% Series D Cumulative Redeemable Preferred Stock, $0.01 par value, $25.00 mandatory liquidation preference	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicated by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

As of February 3, 2010, there were 77,828,178 shares of the Registrant's common stock outstanding. The aggregate market value of the common stock, held by non-affiliates of the Registrant (71,644,693 shares) at June 30, 2009 was $1.6 billion. The aggregate market value was calculated by using the closing price of the common stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2010 Annual Stockholders' Meeting to be to be filed within 120 days after the end of the Registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS

General

SL Green Realty Corp. is a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. We were formed in June 1997 for the purpose of continuing the commercial real estate business of S.L. Green Properties, Inc., our predecessor entity. S.L. Green Properties, Inc., which was founded in 1980 by Stephen L. Green, our Chairman, had been engaged in the business of owning, managing, leasing, acquiring and repositioning office properties in Manhattan, a borough of New York City, or Manhattan.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. We paid approximately $6.0 billion, inclusive of debt assumed and transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP pursuant to an asset purchasing venture led by certain of Reckson's former executive management, or the Buyer, for a total consideration of approximately $2.0 billion.

As of December 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy[1]
Manhattan	Consolidated properties	21	13,782,200	94.6%
	Unconsolidated properties	8	9,429,000	95.6%
Suburban	Consolidated properties	25	3,863,000	84.8%
	Unconsolidated properties	6	2,941,700	93.7%
		60	30,015,900	93.4%

(1) The weighted average occupancy represents the total leased square feet divided by total available square feet.

As of December 31, 2009, our Manhattan properties were comprised of fee ownership (22 properties), including ownership in condominium units, leasehold ownership (five properties) and operating sublease ownership (two properties). Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to its subtenants. We are responsible for not only collecting rent from subtenants, but also maintaining the property and paying expenses relating to the property. As of December 31, 2009, our Suburban properties were comprised of fee ownership (30 properties), and leasehold ownership (one property). We refer to our Manhattan and Suburban office properties collectively as our portfolio.

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

Our corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. As of December 31, 2009, our corporate staff consisted of approximately 237 persons, including 182 professionals experienced in all aspects of commercial real estate. We can be contacted at (212) 594-2700. We maintain a website at *www.slgreen.com*. On our website, you can obtain, free of charge, a copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission, or the SEC. We have also made available on our website our audit committee charter, compensation committee charter, corporate governance and nominating committee charter, code of business conduct and ethics and corporate governance principles. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site *(http://www.sec.gov)* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Unless the context requires otherwise, all references to "we," "our" and "us" in this annual report means SL Green Realty Corp., a Maryland corporation, and one or more of its subsidiaries, including SL Green Operating Partnership, L.P., a Delaware limited partnership, or the operating partnership, and the predecessors thereof, or the SL Green Predecessor, or, as the context may require, SL Green Realty Corp. only or SL Green Operating Partnership, L.P. only and "S.L. Green Properties" means S.L. Green Properties, Inc., a New York corporation, as well as the affiliated partnerships and other entities through which Stephen L. Green has historically conducted commercial real estate activities.

Corporate Structure

In connection with our initial public offering, or IPO, in August 1997, our operating partnership received a contribution of interests in real estate properties as well as a 95% economic, non-voting interest in the management, leasing and construction companies affiliated with S.L. Green Properties. We refer to this management entity as the "Service Corporation." We are organized so as to qualify and have elected to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code.

Substantially all of our assets are held by, and all of our operations are conducted through, our operating partnership. We are the sole managing general partner of, and as of December 31, 2009, were the owner of approximately 97.9% of the economic interests in, our operating partnership. All of the management and leasing operations with respect to our wholly-owned properties are conducted through SL Green Management LLC, or Management LLC. Our operating partnership owns a 100% interest in Management LLC.

In order to maintain our qualification as a REIT while realizing income from management, leasing and construction contracts with third parties and joint venture properties, all of these service operations are conducted through the Service Corporation. We, through our operating partnership, own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation. Through dividends on our equity interest, we expect to receive substantially all of the cash flow from the Service Corporation's operations. All of the voting common stock of the Service Corporation (representing 5% of the total equity) is held by a Company affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. Since July 1, 2003, we have consolidated the operations of the Service Corporation into our financial results. Effective January 1, 2001, the Service Corporation elected to be taxed as a taxable REIT subsidiary.

Business and Growth Strategies

Our primary business objective is to maximize total return to stockholders through growth in funds from operations and appreciation in the value of our assets during any business cycle. We seek to achieve this objective by assembling a high quality portfolio of office properties in the New York Metro area and capitalizing on current opportunities in both the Manhattan and Suburban office markets through: (i) property acquisitions (directly or through joint ventures) acquiring office properties at a significant discount to replacement cost and with fully escalated in-place rents that we believe can increase over time and often at a discount to current market rents which provide attractive initial yields and the potential for cash flow growth, as well as properties with significant vacancies; (ii) property repositioning repositioning acquired retail and commercial office properties that are under-performing through renovations, active management and proactive leasing; (iii) property dispositions; (iv) integrated leasing and property management; and (v) structured finance investments primarily in the New York Metro area. Generally, we focus on properties that are within a ten-minute walk of midtown Manhattan's primary commuter stations.

Property Acquisitions. We acquire properties for long term appreciation and earnings growth (core assets) or for shorter term holding periods where we attempt to create significant increases in value which, when sold, result in capital gains that increase our investment capital base (non-core assets). In acquiring core and non-core properties, directly or through joint ventures with the highest quality institutional investors, we believe that we have the following advantages over many of our competitors: (i) senior management's average 23 years of experience as a full-service, fully-integrated real estate company focused on the office market in Manhattan; (ii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests as opposed to solely cash transactions; and (iii) the ability to close a transaction quickly despite complicated ownership structures.

Property Repositioning. We apply our management's experience in enhancing property cash flow and value by renovating and repositioning properties to be among the best in their sub-markets. Many of the retail and commercial office buildings we own or acquire are located in or near sub-market(s) which are undergoing major reinvestment and where the properties in these markets have relatively low vacancy rates compared to other sub-markets. Because the properties feature unique architectural design, large floor plates or other amenities and functionally appealing characteristics, reinvestment in them provides us an opportunity to meet market needs and generate favorable returns.

Property Dispositions. We continuously evaluate our properties to identify which are most suitable to meet our long-term earnings growth objectives and contribute to increasing portfolio value. Properties that no longer meet our earnings objectives are identified as non-core holdings, and are targeted for sale to create investment capital. We believe that we will be able to re-deploy capital generated from the disposition of non-core holdings into property acquisitions or investments in high-yield structured finance investments, which will provide enhanced future capital gain and earnings growth opportunities.

Leasing and Property Management. We seek to capitalize on our management's extensive knowledge of the Manhattan and Suburban marketplaces and the needs of the tenants therein by continuing a proactive approach to leasing and management, which includes: (i) use of in-depth market research; (ii) utilization of an extensive network of third-party brokers; (iii) use of comprehensive building management analysis and planning; and (iv) a commitment to tenant satisfaction by providing high quality tenant services at affordable rental rates. We believe proactive leasing efforts have contributed to average occupancy rates in our portfolio consistently exceeding the market average.

Structured Finance. We seek to invest in high-yield structured finance investments. These investments generally provide high current returns and, in certain cases, a potential for future capital gains. These investments may also serve as a potential source of real estate acquisitions for us. These investments include both floating rate and fixed rate investments. Our floating rate investments serve as a natural hedge for our unhedged floating rate debt. We expect that our structured finance investments will generally not exceed more than 10% of our total assets. Structured finance investments include first mortgages, mortgage participations, subordinate loans, bridge loans and preferred equity investments.

Competition

The leasing of real estate is highly competitive, especially in the Manhattan office market. Although currently no other publicly traded REIT has been formed primarily to acquire, own, reposition and manage Manhattan

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commercial office properties, we may in the future compete with such other REITs. We compete for tenants with landlords and developers of similar properties located in our markets primarily on the basis of location, rent charged, services provided, balance sheet strength and the design and condition of our properties. In addition, we face competition from other real estate companies including other REITs that currently invest in markets other than or in addition to Manhattan, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or are less attractive from a financial viewpoint than we are willing to pursue.

Manhattan Office Market Overview

Manhattan is by far the largest office market in the United States, containing more rentable square feet than the next five largest central business district office markets combined. The properties in our portfolio are concentrated in some of Manhattan's most prominent Midtown locations.

Manhattan has a total inventory of 392.9 million square feet, including 240.5 million square feet in Midtown. Based on current construction activity, we estimate that Midtown Manhattan will have approximately 2.0 million square feet of new construction becoming available in the next two years, approximately 7.3% of which is pre-leased. This will add approximately 0.5% to Manhattan's total inventory.

General Terms of Leases in the Midtown Manhattan Markets

Leases entered into for space in the midtown Manhattan markets typically contain terms which may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in excess of 10,000 square feet in the midtown markets generally is seven to fifteen years. The tenant often will negotiate an option to extend the term of the lease for one or two renewal periods of five years each. The base rent during the initial term often will provide for agreed upon periodic increases over the term of the lease. Base rent for renewal terms, and base rent for the final years of a long-term lease (in those leases which do not provide an agreed upon rent during such final years), often is based upon a percentage of the fair market rental value of the premises (determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value). Leases may contain termination options whereby tenants can terminate their lease obligations generally upon payment of a penalty.

In addition to base rent, the tenant generally will also pay its pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year, increases in the consumer price index over the index value in effect during a base year, or a fixed percentage increase over base rent.

Electricity is most often supplied by the landlord either on a sub-metered basis or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) typically are provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided other than during normal business hours.

In a typical lease for a new tenant, the landlord will deliver the premises with all existing improvements demolished and any asbestos abated. The landlord also typically will provide a tenant improvement allowance, which is a fixed sum that the landlord makes available to the tenant to reimburse the tenant for all or a portion of the tenant's initial construction of its premises. Such sum typically is payable as work progresses, upon submission of invoices for the cost of construction. However, in certain leases (most often for relatively small amounts of space), the landlord will construct the premises for the tenant.

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Occupancy

The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2009, 2008 and 2007:

	Percent Occupied as of December 31,		
Property	**2009**	**2008**	**2007**
Manhattan Properties	95.0%	96.7%	96.6%
Same-Store Properties[1]	93.2%	95.3%	95.0%
Unconsolidated Joint Venture Properties	95.1%	95.0%	95.2%
Portfolio	93.4%	95.2%	95.5%

(1) Same-Store Properties for 2009 represents 45 of our 46 consolidated properties owned by us at January 1, 2008 and still owned by us at December 31, 2009.

Rent Growth

We estimate that rents in place, at December 31, 2009, in our Manhattan and Suburban consolidated properties are approximately 4.9% and 4.5%, respectively, below current market asking rents. We estimate that rents in place at December 31, 2009 in our Manhattan and Suburban properties owned through unconsolidated joint ventures are approximately 10.4% and 0.3%, respectively, below current market asking rents. These comparative measures were approximately 20.2% and 14.4% at December 31, 2008 for the consolidated properties and 25.0% and 6.7% for the unconsolidated joint venture properties. As of December 31, 2009, 41.9% and 24.5% of all leases in-place in our consolidated properties and unconsolidated joint venture properties, respectively, are scheduled to expire during the next five years. There can be no assurances that our estimates of current market rents are accurate, that market rents currently prevailing will not erode in the future or that we will realize any rent growth. However, we believe the degree that rents in the current portfolio are below market provides a potential for long-term internal growth.

Industry Segments

We are a REIT that acquires, owns, repositions, manages and leases commercial office and retail properties in the New York Metro area and have two reportable segments, real estate and structured finance investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

At December 31, 2009, our real estate portfolio was primarily located in one geographical market, namely, the New York Metro area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). As of December 31, 2009, one tenant in our portfolio contributed approximately 8.2% of our portfolio annualized rent. No other tenant contributed more than 5.8% of our portfolio annualized rent. Portfolio annualized rent includes our consolidated annualized revenue and our share of joint venture annualized revenue. In addition, no property contributed in excess of 8.2% of our consolidated revenue for 2009. In addition, two borrowers accounted for more than 10.0% of the revenue earned on structured finance investments at December 31, 2009.

Employees

At December 31, 2009, we employed approximately 961 employees, over 183 of whom were managers and professionals, approximately 723 of whom were hourly-paid employees involved in building operations and approximately 55 of whom were clerical, data processing and other administrative employees. There are currently three collective bargaining agreements which cover the workforce that services substantially all of our properties.

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Acquisitions

During 2009, we acquired two sub-leasehold positions at 420 Lexington Avenue for an aggregate purchase price of $15.9 million.

Dispositions

During 2009, we sold two consolidated properties for gross contract prices of approximately $135.7 million. We realized losses of approximately $7.1 million on the sales of these properties, which encompassed 0.8 million square feet.

Structured Finance

During 2009, we originated or acquired approximately $254.3 million in structured finance and preferred equity investments (net of discount), inclusive of accretion of discount and pay-in-kind interest. There were also approximately $216.5 million in sales, repayments and participations in 2009. Included in this was approximately $146.5 million of loan loss reserves.

Offering/Financings

In May 2009, we sold 19,550,000 shares of our common stock. The net proceeds from this offering (approximately $387.1 million) was used to repurchase unsecured debt and for other corporate purposes.

In 2009, we repurchased approximately $564.6 million of our convertible bonds, realizing gains on early extinguishment of debt of approximately $86.0 million.

We also closed on mortgage financings at five properties totaling approximately $1.0 billion.

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ITEM 1A. RISK FACTORS

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island, resulting from general economic conditions could adversely affect the value of our real estate portfolio and our results of operations and, consequently, our ability to service current debt and to pay dividends to stockholders.

Most of our commercial office properties are located in midtown Manhattan. As a result, our business is dependent on the condition of the New York City economy in general and the market for office space in midtown Manhattan, in particular. Weakness in the New York City economy could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our ability to service current debt and to pay dividends to stockholders. The Manhattan vacancy rate continues to exceed 11% although we expect that to moderate slightly by the end of 2010. We could also be impacted by weakness in our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island.

We may be unable to renew leases or relet space as leases expire.

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, including the cost of required renovations, may be less favorable than current lease terms. Over the next five years, through the end of 2014, leases will expire on approximately 41.9% and 24.5% of the rentable square feet at our consolidated properties and unconsolidated joint venture properties, respectively. As of December 31, 2009, approximately 7.0 million and 2.9 million square feet are scheduled to expire by December 31, 2014 at our consolidated properties and unconsolidated joint venture properties, respectively, and these leases currently have annualized escalated rental income totaling approximately $306.1 million and $154.6 million, respectively. We also have some leases with termination options beyond 2014. If we are unable to promptly renew the leases or relet this space at similar rates, our cash flow and ability to service debt and pay dividends to stockholders would be adversely affected.

The expiration of long term leases or operating sublease interests could adversely affect our results of operations.

Our interest in seven of our commercial office properties is through either long-term leasehold or operating sublease interests in the land and the improvements, rather than by a fee interest in the land. Unless we can purchase a fee interest in the underlying land or extend the terms of these leases before their expiration, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases, which would significantly adversely affect our results of operations. These properties are 673 First Avenue, 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas, all in Manhattan and 1055 Washington Avenue, Connecticut. The average remaining term of these long-term leases, including our unilateral extension rights on each of the properties, is approximately 38 years. Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized escalated rents of these properties at December 31, 2009 totaled approximately $240.7 million, or 23.2%, of our share of total portfolio annualized revenue associated with these properties. We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date.

Our results of operations rely on major tenants, including in the financial services sector, and insolvency, bankruptcy or receivership of these and other tenants could adversely affect our results of operations.

Giving effect to leases in effect as of December 31, 2009 for consolidated properties and unconsolidated joint venture properties as of that date, our five largest tenants, based on square footage leased, accounted for approximately 21.9% of our share of portfolio annualized rent, and, other than three tenants, Citigroup, Inc. (and its affiliates), Viacom International Inc. and Credit Suisse Securities (USA) LLC who accounted for approximately 8.2%, 4.7% and 5.8% of our share of portfolio annualized rent, respectively, no tenant accounted for more than

2.1% of that total. In addition, the financial services sector accounted for approximately 41.0% of our total annualized revenues and 39.0% of our square feet leased of our portfolio as of December 31, 2009. This sector continues to experience significant turmoil which has resulted in significant job losses. Of our 30 largest tenants based on square feet leased, which accounted for approximately 45.8% of our share of portfolio annualized rent, 57.0% (inclusive of lease guarantors) carry an investment grade credit rating. If current economic conditions persist or deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents, particularly in respect of our financial service tenants. Our business would be adversely affected if any of our major tenants or any other tenants became insolvent, declared bankruptcy, are put into receivership or otherwise refused to pay rent in a timely fashion or at all.

Adverse economic and geopolitical conditions in general and the Northeastern commercial office markets in particular could have a material adverse effect on our results of operations, financial condition and our ability to pay dividends to stockholders.

Our business may be affected by the unprecedented volatility and illiquidity in the financial and credit markets, the general global economic recession, and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the Northeast, particularly in New York, Westchester County and Connecticut. Because our portfolio consists primarily of commercial office buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if economic conditions persist or deteriorate, then our results of operations, financial condition and ability to service current debt and to pay distributions to our stockholders may be adversely affected by the following, among other potential conditions:

- significant job losses in the financial and professional services industries have occurred and may continue to occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from both our existing operations and our acquisition and development activities and increase our future interest expense;

- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and

- reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair our ability to access capital.

These conditions, which could have a material adverse effect on our results of operations, financial condition and ability to pay distributions, may continue or worsen in the future.

There can be no assurance that the actions of the U.S. government, Federal Reserve and other governmental and regulatory bodies for the purpose of stabilizing the financial markets, or market response to those actions, will achieve the intended effect, and our business may not benefit from and may be adversely impacted by these actions and further government or market developments could adversely impact us.

Since mid-2007, and particularly during the second half of 2008, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in the value of subprime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. The global markets have been characterized by substantially increased volatility and short-selling and an overall loss of investor confidence, initial in financial institutions, but more recently in companies in a number of other industries and in the broader markets. The decline in asset values has caused increases in margin calls for investors, requirements that derivatives counterparties post additional collateral and redemptions by mutual and hedge fund investors, all of which have increased the downward pressure on asset values and outflows of client funds across the financial services industry. In addition, the increased redemptions and unavailability of credit have required hedge funds and others to rapidly reduce leverage, which has increased volatility and further contributed to the decline in asset values.

In response to the recent unprecedented financial issues affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, the Emergency Economic Stabilization Act of 2008 ("EESA"), was signed into law on October 3, 2008. The EESA provides the U.S. Secretary of Treasury with the authority to establish a Troubled Asset Relief Program ("TARP"), to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations, or other instruments based on, or related to, such mortgages, that in each case was originated or issued on or before March 14, 2008. EESA also provides for a program that would allow companies to insure their troubled assets. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA"), a $787 billion stimulus bill for the purpose of stabilizing the economy by creating jobs among other things. As of February 12 , 2010, the U.S. Treasury is managing or overseeing the following programs under TARP: the Capital Purchase Program ("CCP"), the Systemically Significant Failing Institutions Program ("SSFIP"), the Auto Industry Financing Program ("AIFP"), the Legacy Public-Private Investment Program ("-PPIP"), and the Homeowner Affordability and Stability Plan ("HASP") which is partially financed by TARP.

There can be no assurance that the EESA, TARP or other programs will have a beneficial impact on the financial markets, including current extreme levels of volatility. In addition, the U.S. Government, Federal Reserve and other governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis. We cannot predict whether or when such actions may occur or what impact, if any, such actions could have on our business, results of operations and financial condition.

We may suffer adverse consequences if our revenues decline since our operating costs do not necessarily decline in proportion to our revenue.

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in relation to changes in our rental revenue. This means that our costs will not necessarily decline even if our revenues do. Our operating costs could also increase while our revenues do not. If our operating costs increase but our rental revenues do not, we may be forced to borrow to cover our costs, we may incur losses and we may not have cash available for distributions to our stockholders.

We face risks associated with property acquisitions.

We may acquire individual properties and portfolios of properties, including large portfolios that could significantly increase our size and alter our capital structure. Our acquisition activities and their success may be exposed to the following risks:

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including due diligence investigations to our satisfaction;
- we may be unable to finance acquisitions on favorable terms or at all;
- acquired properties may fail to perform as we expected;
- our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;
- we may not be able to obtain adequate insurance coverage for new properties;
- acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and

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- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions.

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities with other investors, particularly private investors who can incur more leverage, and this competition may adversely affect us by subjecting us to the following risks:

- an inability to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors; and
- an increase in the purchase price for such acquisition property, in the event we are able to acquire such desired property.

We rely on seven large properties for a significant portion of our revenue.

As of December 31, 2009, seven of our properties, 420 Lexington Avenue, One Madison Avenue, 485 Lexington Avenue, 1185 Avenue of the Americas, 1221 Avenue of the Americas, 1515 Broadway and 388-390 Greenwich Street, accounted for approximately 42.0% of our portfolio annualized rent, including our share of joint venture annualized rent, and no single property accounted for more than approximately 7% of our portfolio annualized rent, including our share of joint venture annualized rent. Our revenue and cash available for distribution to our stockholders would be materially adversely affected if the ground lease for the 420 Lexington Avenue or 1185 Avenue of the Americas property were terminated for any reason or if one or all of these properties were materially damaged or destroyed. Additionally, our revenue and cash available for distribution to our stockholders would be materially adversely affected if our tenants at these properties experienced a downturn in their business which may weaken their financial condition and result in their failure to timely make rental payments, defaulting under their leases or filing for bankruptcy.

The continuing threat of terrorist attacks may adversely affect the value of our properties and our ability to generate cash flow.

There may be a decrease in demand for space in New York City because it is considered at risk for future terrorist attacks, and this decrease may reduce our revenues from property rentals. In the aftermath of a terrorist attack, tenants in the New York City area may choose to relocate their business to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. This in turn would trigger a decrease in the demand for space in the New York City area, which could increase vacancies in our properties

and force us to lease our properties on less favorable terms. As a result, the value of our properties and the level of our revenues could materially decline.

A terrorist attack could cause insurance premiums to increase significantly.

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $450.0 million for acts of terrorism. This policy expires on December 31, 2010. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2010. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2010.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont was formed in an effort to, among other reasons; stabilize to some extent the fluctuations of insurance market conditions. Belmont is licensed in New York to write Terrorism, NBCR (nuclear, biological, chemical, and radiological), General Liability, Environmental Liability and D&O coverage.

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective September 1, 2009, Belmont increased its terrorism coverage from $250 million to $400 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio.

General Liability: Belmont insures a deductible on the general liability insurance with a $150,000 deductible per occurrence and a $2.2 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $150,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.2 million. Belmont has retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.

Environmental Liability: Belmont insures a deductible of $1 million per occurrence on a $30 million environmental liability policy covering the entire portfolio.

As long as we own Belmont, we are responsible for its liquidity and capital resources, and the accounts of Belmont are part of our consolidated financial statements. If we experience a loss and Belmont is required to pay under its insurance policy, we would ultimately record the loss to the extent of Belmont's required payment. Therefore, insurance coverage provided by Belmont should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance.

TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of foreign and domestic terrorism. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases and our 2007 unsecured revolving credit facility, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing $1.0 billion of "all-risk" property insurance, including terrorism coverage, and a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of "all-risk" property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388-390 Greenwich Street, where we participate with SITQ Immobilier, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

Our dependence on smaller and growth-oriented businesses to rent our office space could adversely affect our cash flow and results of operations.

Many of the tenants in our properties are smaller, growth-oriented businesses that may not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than large businesses. Growth-oriented firms may also seek other office space, including Class A space, as they develop. Dependence on these companies could create a higher risk of tenant defaults, turnover and bankruptcies, which could adversely affect our distributable cash flow and results of operations.

Debt financing, financial covenants, degree of leverage, and increases in interest rates could adversely affect our economic performance.

Scheduled debt payments could adversely affect our results of operations.

The total principal amount of our outstanding consolidated indebtedness was approximately $4.9 billion as of December 31, 2009, consisting of approximately $1.37 billion under our 2007 unsecured revolving credit facility, $823.0 million under our senior unsecured notes, $100.0 million under our junior subordinated deferrable interest debentures and approximately $2.6 billion of non-recourse mortgage loans on sixteen of our properties. In addition, we could increase the amount of our outstanding indebtedness in the future, in part by borrowing under our 2007 unsecured revolving credit facility, which had $50.8 million available for draw as of December 31, 2009. Our 2007 unsecured revolving credit facility matures in June 2011 and has a one-year as-of-right extension option. As of December 31, 2009, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was approximately $4.2 billion, of which our proportionate share was approximately $1.8 billion. Cash flow could be insufficient to pay distributions at expected levels and meet the payments of principal and interest required under our current mortgage indebtedness, 2007 unsecured revolving credit facility, senior unsecured notes, debentures and indebtedness outstanding at our joint venture properties.

If we are unable to make payments under our 2007 unsecured revolving credit facility, all amounts due and owing at such time shall accrue interest at a rate equal to 4% higher than the rate at which each draw was made. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make payments under our 2007 unsecured revolving credit facility would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which in all cases requires substantial principal payments at maturity. In 2010, approximately $114.8 million of corporate indebtedness, and $258.6 million of debt on our unconsolidated joint venture properties will mature. There are no debt maturities in 2010 on our consolidated properties. At the present time, we intend to exercise extension options or refinance the debt associated with our properties on or prior to their respective maturity dates. If any principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow will not be sufficient in all years to repay all maturing debt. At the time of refinancing, prevailing interest rates or other factors, such as the possible reluctance of lenders to make commercial real estate loans may result in higher interest rates. Increased interest expense on the refinanced debt would adversely affect cash flow and our ability to service debt and make distributions to stockholders.

Financial covenants could adversely affect our ability to conduct our business.

The mortgages and mezzanine loans on our properties contain customary negative covenants that limit our ability to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. In addition, our 2007 unsecured revolving credit facility contains customary restrictions and requirements on our method of operations. Our 2007 unsecured revolving credit facility and senior unsecured bonds also require us to maintain designated ratios of total debt-to-assets, debt service coverage and unencumbered assets-to-unsecured debt. These restrictions could adversely affect our results of operations and our ability to make distributions to stockholders.

Rising interest rates could adversely affect our cash flow.

Advances under our 2007 unsecured revolving credit facility and certain property-level mortgage debt bear interest at a variable rate. These consolidated variable rate borrowings totaled approximately $1.6 billion at December 31, 2009. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing under our 2007 unsecured revolving credit facility, which had $50.8 million available for draw as of December 31, 2009. Borrowings under our 2007 unsecured revolving credit facility currently bear interest at a spread equal to the 30-day LIBOR, plus 90 basis points. As of December 31, 2009, borrowings under our 2007 unsecured revolving credit facility and junior subordinated deferrable interest debentures totaled $1.37 billion, and $100.0 million, respectively, and bore interest at 1.23% and 5.61%, respectively. We may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance our debt at higher rates. Accordingly, increases in interest rates above that which we anticipated based upon historical trends could adversely affect our ability to continue to make distributions to stockholders. At December 31, 2009, a hypothetical 100 basis point increase in interest rates along the entire interest rate curve would increase our annual interest costs by approximately $15.2 million and would increase our share of joint venture annual interest costs by approximately $6.4 million.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

The interest rate hedge instruments we use to manage some of our exposure to interest rate volatility involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to interest rate changes. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

No limitation on debt could adversely affect our cash flow.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2009, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of approximately $1.8 billion, was approximately 61.4%. We have historically targeted a debt-to-market capitalization less than this. However, due to the significant decrease in our stock price we are currently operating in excess of that threshold. We are currently undertaking steps aimed at reducing our debt. Any changes that increase our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease. Our market capitalization is variable and does not necessarily reflect the fair market value of our assets at all times. We also consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service.

Structured finance investments could cause us to incur expenses, which could adversely affect our results of operations.

We owned mezzanine loans, junior participations and preferred equity interests in 27 investments with an aggregate book value of approximately $785.6 million at December 31, 2009. Such investments may or may not be recourse obligations of the borrower and are not insured or guaranteed by governmental agencies or otherwise. In the event of a default under these obligations, we may have to realize upon our collateral and thereafter make substantial improvements or repairs to the underlying real estate in order to maximize the property's investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce their obligation to us. Relatively high loan-to-value ratios and declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization.

We maintain and regularly evaluate financial reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. We believe the increase in our non-performing loans has been driven by the recent credit crisis, which have adversely impacted the ability of many of our borrowers to service their debt and refinance our loans to them at maturity. We have significantly increased our provision for loan losses to $93.8 million and our direct write-offs to $69.1 million in 2009 based upon the performance of our assets and conditions in the financial markets and overall economy, which continued to deteriorate in 2009. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse affect on our financial performance, the market prices of our securities and our ability to pay dividends.

Special Servicing Activities could result in liability to us.

We provide special servicing activities on behalf of third parties. We have been rated by Fitch and S&P to provide such services. An intended or unintended breach of the servicing standards and/or our fiduciary duties to bondholders could result in material liability to us.

Joint investments could be adversely affected by our lack of sole decision-making authority and reliance upon a co-venturer's financial condition.

We co-invest with third parties through partnerships, joint ventures, co-tenancies or other entities, acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, we will not be in a position to exercise sole decision-making authority regarding that property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals, which are inconsistent with our business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner, co-tenant or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in specific circumstances be liable for the actions of our third-party partners, co-tenants or co-venturers. As of December 31, 2009, our unconsolidated joint ventures owned 11 properties and we had an aggregate cost basis in the joint ventures totaling approximately $1.1 billion. As of December 31, 2009, our share of joint venture debt totaled approximately $1.8 billion.

Our joint venture agreements may contain terms in favor of our partners that could have an adverse effect on the value of our investments in the joint ventures.

Each of our joint venture agreements has been individually negotiated with our partner in the joint venture and, in some cases, we have agreed to terms that are favorable to our partner in the joint venture. For example, our partner may be entitled to a specified portion of the profits of the joint venture before we are entitled to any portion of such profits and our partner may have rights to buy our interest in the joint venture, to force us to buy the partner's interest in the joint venture or to compel the sale of the property owned by such joint venture. These rights may permit our partner in a particular joint venture to obtain a greater benefit from the value or profits of the joint venture than us, which could have an adverse effect on the value of our investment in the joint venture and on our financial condition and results of operations. We may also enter into similar arrangements in the future.

We are subject to possible environmental liabilities and other possible liabilities.

We are subject to various federal, state and local environmental laws. These laws regulate our use, storage, disposal and management of hazardous substances and wastes and can impose liability on property owners or operators for the clean-up of certain hazardous substances released on a property and any associated damage to natural resources without regard to whether the release was legal or whether it was caused by the property owner or operator. The presence of hazardous substances on our properties may adversely affect occupancy and our ability to develop or sell or borrow against those properties. In addition to potential liability for clean-up costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Various laws also impose liability for the clean-up of contamination at any facility (e.g., a landfill) to which we have sent hazardous substances for treatment or disposal, without regard to whether the materials were transported, treated and disposed in accordance with law.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Our properties may be subject to other risks relating to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future for which we may not have budgeted and could result in fines being levied against us. The occurrence of any of these events could have an adverse impact on our cash flows and ability to make distributions to stockholders.

Under the Americans with Disabilities Act, or ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties is not in compliance with the ADA or other legislation, then we would be required to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount of the cost of compliance with ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations and cash flow and/or ability to satisfy our debt service obligations and to pay dividends to our stockholders could be adversely affected.

Our charter documents and applicable law may hinder any attempt to acquire us, which could discourage takeover attempts and prevent our stockholders from receiving a premium over the market price of our stock.

Provisions of our articles of incorporation and bylaws could inhibit changes in control.

A change of control of our company could benefit stockholders by providing them with a premium over the then-prevailing market price of our stock. However, provisions contained in our articles of incorporation and

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bylaws may delay or prevent a change in control of our company. These provisions, discussed more fully below, are:

- staggered board of directors;
- ownership limitations;
- the board of director's ability to issue additional common stock and preferred stock without stockholder approval; and
- stockholder rights plan.

Our board of directors is staggered into three separate classes.

The board of directors of our company is divided into three classes. The terms of the class I, class II and class III directors expire in 2010, 2011 and 2012, respectively. Our staggered board may deter changes in control because of the increased time period necessary for a third party to acquire control of the board.

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We have a stock ownership limit.

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals at any time during the last half of any taxable year. For this purpose, stock may be "owned" directly, as well as indirectly under certain constructive ownership rules, including, for example, rules that attribute stock held by one family member to another family member. In part, to avoid violating this rule regarding stock ownership limitations and maintain our REIT qualification, our articles of incorporation prohibit ownership by any single stockholder of more than 9.0% in value or number of shares of our common stock. Limitations on the ownership of preferred stock may also be imposed by us.

The board of directors has the discretion to raise or waive this limitation on ownership for any stockholder if deemed to be in our best interest. To obtain a waiver, a stockholder must present the board and our tax counsel with evidence that ownership in excess of this limit will not affect our present or future REIT status.

Absent any exemption or waiver, stock acquired or held in excess of the limit on ownership will be transferred to a trust for the exclusive benefit of a designated charitable beneficiary, and the stockholder's rights to distributions and to vote would terminate. The stockholder would be entitled to receive, from the proceeds of any subsequent sale of the shares transferred to the charitable trust, the lesser of: the price paid for the stock or, if the owner did not pay for the stock, the market price of the stock on the date of the event causing the stock to be transferred to the charitable trust; and the amount realized from the sale.

This limitation on ownership of stock could delay or prevent a change in control.

We have a stockholder rights plan.

We adopted a stockholder rights plan which provides, among other things, that when specified events occur, our stockholders will be entitled to purchase from us a newly created series of junior preferred shares, subject to our ownership limit described above. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

Debt may not be assumable.

We have approximately $2.3 billion in unsecured corporate debt. This debt may be unassumable by a potential purchaser and may be subject to significant prepayment penalties.

Maryland takeover statutes may prevent a change of control of our company, which could depress our stock price.

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, stock exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's outstanding shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

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A person is not an interested stockholder under the statute if the board of directors approves in advance the transaction by which he otherwise would have become an interested stockholder.

After the five-year prohibition, any business combination between the Maryland Corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation, voting together as a single group; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer, including potential acquisitions that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

In addition, Maryland law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" will have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror, by officers of the target corporation or by directors who are employees of the corporation, under the Maryland Control Share Acquisition Act. "Control shares" means voting shares of stock that, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. A "control share acquisition" means the acquisition of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

We have opted out of these provisions of the Maryland General Corporation Law, or the MGCL, with respect to business combinations and control share acquisitions by resolution of our board of directors and a provision in our bylaws, respectively. However, in the future, our board of directors may reverse its decision by resolution and elect to opt in to the MGCL's business combination provisions, or amend our bylaws and elect to opt in to the MGCL's control share provisions.

Additionally, Title 8, Subtitle 3 of the MGCL permits our board of directors, without stockholder approval and regardless of what is provided in our charter or bylaws, to implement takeover defenses, some of which we do not have. Such takeover defenses, if implemented, may have the effect of inhibiting a third party from making us an acquisition proposal or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide our stockholders with an opportunity to realize a premium over the then-current market price.

Future issuances of common stock, preferred stock and convertible debt could dilute existing stockholders' interests.

Our articles of incorporation authorize our board of directors to issue additional shares of common stock, preferred stock and convertible debt without stockholder approval. Any such issuance could dilute our existing stockholders' interests. Also, any future series of preferred stock may have voting provisions that could delay or prevent a change of control.

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Changes in market conditions could adversely affect the market price of our common stock.

As with other publicly traded equity securities, the value of our common stock depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our common stock are the following:

- the extent of your interest in us;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance; and
- general stock and bond market conditions.

The market value of our common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, our common stock may trade at prices that are higher or lower than our net asset value per share of common stock. If our future earnings or cash dividends are less than expected, it is likely that the market price of our common stock will diminish.

Market interest rates may have an effect on the value of our common stock.

If market interest rates go up, prospective purchasers of shares of our common stock may expect a higher distribution rate on our common stock. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to go down.

There are potential conflicts of interest between us and Mr. Green.

There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and his family in our initial public offering. Mr. Green serves as the chairman of our board of directors and is an executive officer. As part of our formation, Mr. Green contributed appreciated property, with a net book value of $73.5 million, to the operating partnership in exchange for units of limited partnership interest in the operating partnership. He did not recognize any taxable gain as a result of the contribution. The operating partnership, however, took a tax basis in the contributed property equal to that of the contributing unitholder. The fair market value of the property contributed by him exceeded his tax basis by approximately $34.0 million at the time of contribution. The difference between fair market value and tax basis at the time of contribution represents a built-in gain. If we sell a property in a transaction in which a taxable gain is recognized, for tax purposes the built-in gain would be allocated solely to him and not to us. As a result, Mr. Green has a conflict of interest if the sale of a property, which he contributed, is in our best interest but not his.

There is a potential conflict of interest relating to the refinancing of indebtedness specifically allocated to Mr. Green. Mr. Green would recognize gain if he were to receive a distribution of cash from the operating partnership in an amount that exceeds his tax basis in his partnership units. His tax basis includes his share of debt, including mortgage indebtedness, owed by our operating partnership. If our operating partnership were to retire such debt, then he would experience a decrease in his share of liabilities, which, for tax purposes, would be treated as a distribution of cash to him. To the extent the deemed distribution of cash exceeded his tax basis, he would recognize gain.

Limitations on our ability to sell or reduce the indebtedness on specific mortgaged properties could adversely affect the value of the stock.

On May 15, 2002, we acquired the property located at 1515 Broadway, New York, New York. Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to us, we have agreed not to take certain action that would adversely affect the limited partners' tax positions

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before December 31, 2011. We also acquired the property located at 220 East 42nd Street, New York, New York on February 13, 2003. We have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition for a period of seven years after the acquisition. We also acquired the property located at 625 Madison Avenue, New York, New York, on October 19, 2004 and have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition, for a period of seven years after the acquisition.

In connection with future acquisitions of interests in properties, we may agree to similar restrictions on our ability to sell or refinance the acquired properties with similar potential adverse consequences.

We face potential conflicts of interest.

Members of management may have a conflict of interest over whether to enforce terms of agreements with entities with which senior management, directly or indirectly, has an affiliation.

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. Our company and our tenants accounted for approximately 23.7% of Alliance's 2009 estimated total revenue. The contracts pursuant to which these services are provided are not the result of arm's length negotiations and, therefore, there can be no assurance that the terms and conditions are not less favorable than those which could be obtained from third parties providing comparable services. In addition, to the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with the individual involved.

Members of management may have a conflict of interest over whether to enforce terms of senior management's employment and noncompetition agreements.

Stephen Green, Marc Holliday, Gregory F. Hughes, Andrew Levine and Andrew Mathias entered into employment and noncompetition agreements with us pursuant to which they have agreed not to actively engage in the acquisition, development or operation of office real estate in the New York City metropolitan area. For the most part, these restrictions apply to the executive both during his employment and for a period of time thereafter. Each executive is also prohibited from otherwise disrupting or interfering with our business through the solicitation of our employees or clients or otherwise. To the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with the individual involved. Additionally, the non-competition provisions of these agreements despite being limited in scope and duration, could be difficult to enforce, or may be subject to limited enforcement, should litigation arise over them in the future. Mr. Green has interests in two properties in Manhattan, which are exempt from the non-competition provisions of his employment and non-competition agreement.

Our failure to qualify as a REIT would be costly.

We believe we have operated in a manner to qualify as a REIT for federal income tax purposes and intend to continue to so operate. Many of these requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of factual matters and circumstances. These matters, some of which may not be totally within our control, can affect our qualification as a REIT. For example, to qualify as a REIT, at least 95% of our gross income must come from designated sources that are listed in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income excluding capital gains. The fact that we hold our assets through the operating partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service, which we refer to as the IRS, might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS grants us relief under specific statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. If we failed to qualify as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to stockholders. This would likely have a significant adverse effect on the value of our securities. In addition, the REIT tax laws would no longer require us to make any distributions to stockholders.

We may change the dividend policy for our common stock in the future.

Recent Internal Revenue Service revenue procedures allow us to satisfy the REIT income distribution requirements with respect to our 2009, 2010 and 2011 taxable years by distributing up to 90% of our dividends for any such year on our common stock in shares of our common stock in lieu of paying dividends entirely in cash, so long as we follow a process allowing our stockholders to elect cash or stock subject to a cap that we impose on the maximum amount of cash that will be paid. Although we reserve the right to utilize this procedure in the future, we did not utilize it for 2009 and we currently have no intent to do so in the future. In the event that we pay a portion of a dividend in shares of our common stock, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such stockholders might have to pay the tax using cash from other sources. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales could put downward pressure on the market price of our common stock.

Our board of directors will continue to evaluate our distribution policy on a quarterly basis as they monitor the capital markets and the impact of the economy on our operations. The decision to authorize and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors in light of conditions then existing, including the Company's earnings, financial condition, capital requirements, debt maturities, the availability of capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors.

Previously enacted tax legislation reduces tax rates for dividends paid by non-REIT corporations.

Under certain previously enacted tax legislation, the maximum tax rate on dividends to individuals has generally been reduced to 15% (from January 1, 2003 through December 31, 2010). The reduction in rates on dividends is generally not applicable to dividends paid by a REIT except in limited circumstances that we do not contemplate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the favorable treatment of regular corporate dividends could cause investors who are individuals to consider stock of non-REIT corporations that pay dividends as relatively more attractive than stocks of REITs. It is not possible to determine whether such a change in perceived relative value has occurred or what the effect, if any, this legislation has had or will have in the future on the market price of our stock.

We are dependent on external sources of capital.

Because of distribution requirements imposed on us to qualify as a REIT, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. In addition, we anticipate having to raise money in the public equity and debt markets with some regularity and our ability to do so will depend upon the general conditions prevailing in these markets. At any time conditions may exist which effectively prevent us, and REITs in general, from accessing these markets. Moreover, additional equity offerings may result in substantial dilution of our stockholders' interests, and additional debt financing may substantially increase our leverage. Due to the current financial crisis and the lack of liquidity in the market, such capital may not be available.

We face significant competition for tenants.

The leasing of real estate is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the facility to be leased. We directly compete with all lessors and developers of similar space in the areas in which our properties are located. Demand for retail space has been impacted by the recent bankruptcy of a number of retail companies and a general trend toward consolidation in the retail industry, which could adversely affect the ability of our company to attract and retain tenants.

Our commercial office properties are concentrated in highly developed areas of midtown Manhattan and certain Suburban central business districts, or CBD's. Manhattan is the largest office market in the United States. The number of competitive office properties in Manhattan and CBD's in which our Suburban properties are located (which may be newer or better located than our properties) could have a material adverse effect on our ability to lease office space at our properties, and on the effective rents we are able to charge.

Loss of our key personnel could harm our operations.

We are dependent on the efforts of Stephen L. Green, the chairman of our board of directors and an executive officer, Marc Holliday, our chief executive officer, Andrew Mathias, our president and chief investment officer and Gregory F. Hughes, our chief operating officer and chief financial officer. These officers have employment agreements which expire in December 2010, January 2013, December 2010, and June 2010, respectively. A loss of the services of any of these individuals could adversely affect our operations.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a Disaster Recovery Plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

Compliance with changing regulation applicable to corporate governance and public disclosure may result in additional expenses, affect our operations and affect our reputation.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new SEC regulations and New York Stock Exchange rules, can create uncertainty for public companies. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with

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Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment has required the commitment of significant financial and managerial resources. In addition, it has become more difficult and more expensive for us to obtain director and officer liability insurance. We expect these efforts to require the continued commitment of significant resources. Further, our directors, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Forward-Looking Statements May Prove Inaccurate

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-looking Information" for additional disclosure regarding forward-looking statements.

ITEM 1B.   UNRESOLVED STAFF COMMENTS

As of December 31, 2009, we did not have any unresolved comments with the staff of the SEC.

ITEM 2.   PROPERTIES

The Portfolio

General

As of December 31, 2009, we owned or held interests in 21 consolidated and eight unconsolidated commercial office properties encompassing approximately 13.8 million rentable square feet and approximately 9.4 million rentable square feet, respectively, located primarily in midtown Manhattan. Certain of these properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. As of December 31, 2009, our portfolio also included ownership interests in 25 consolidated and six unconsolidated commercial office properties located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, or the Suburban assets, encompassing approximately 3.9 million rentable square feet and approximately 2.9 million rentable square feet, respectively. As of December 31, 2009, our portfolio also included eight consolidated and unconsolidated retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests.

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The following table sets forth certain information with respect to each of the Manhattan and Suburban office and retail properties in the portfolio as of December 31, 2009:

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Rent ($'s)(1)	Percentage of Portfolio Annualized Rent (%)(2)	Number of Tenants	Annualized Rent Per Leased Square Foot ($)(3)	Annualized Net Effective Rent Per Leased Square Foot ($)(4)
CONSOLIDATED PROPERTIES										
"Same Store"(14)										
1 Madison Avenue	1960/2002	Park Avenue South	1,176,900	4	99.8	61,730,016	6	2	52.58	52.35
19 West 44th Street	1916	Midtown	292,000	1	96.9	13,637,496	1	58	48.06	39.74
220 East 42nd Street	1929	Grand Central	1,135,000	4	94.8	46,342,926	4	31	43.55	35.75
28 West 44th Street	1919/2003	Midtown	359,000	1	91.4	15,423,588	1	67	45.24	38.70
317 Madison Avenue	1920/2004	Grand Central	450,000	1	85.1	20,137,644	2	82	47.47	39.20
331 Madison Avenue	1923	Grand Central	114,900		100.0	4,988,640		19	43.93	42.14
420 Lexington Ave (Graybar)(5)	1927/1999	Grand Central	1,188,000	4	94.1	64,642,860	6	222	48.91	40.63
461 Fifth Avenue(6)	1988	Midtown	200,000	1	98.8	15,546,294	2	18	76.47	67.80
485 Lexington Avenue	1956/2006	Grand Central	921,000	3	96.8	49,402,296	5	21	55.47	46.57
555 West 57th Street(7)	1971	Midtown West	941,000	3	98.9	31,898,280	3	13	32.66	23.55
609 Fifth Avenue	1925/1990	Rockefeller Center	160,000	1	97.5	13,685,064	1	15	87.32	83.29
625 Madison Avenue	1956/2002	Plaza District	563,000	2	99.8	42,482,688	4	25	76.27	65.79
673 First Avenue(7)	1928/1990	Grand Central	422,000	1	99.7	17,315,340	2	9	38.66	38.57
711 Third Avenue(7)(8)	1955	Grand Central	524,000	2	89.1	24,082,392	2	16	47.74	38.61
750 Third Avenue	1958/2006	Grand Central	780,000	3	95.2	38,310,288	4	28	50.73	47.59
120 West 45th Street	1998	Midtown	440,000	1	97.6	25,425,672	2	25	57.49	53.91
810 Seventh Avenue	1970	Times Square	692,000	2	88.8	38,393,772	4	36	61.17	53.84

919 Third Avenue	1970	Grand Central	1,454,000	5	99.9	82,829,652	4	15	57.07	50.81
1185 Avenue of the Americas	1969	Rockefeller Center	1,062,000	4	98.9	71,165,940	6	20	66.41	61.24
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	89.2	29,870,676	3	42	58.81	54.22
Subtotal / Weighted Average			**13,436,800**	**45**	**96.0**	**707,311,524**	**64**	**764**		
Adjustments										
333 West 34th Street	1954/2000	Penn Station	345,400	1	41.5	7,039,884	1	1	48.78	48.78
Subtotal / Weighted Average			**345,400**	**1**	**41.5**	**7,039,884**	**1**	**1**		
Total / Weighted Average Consolidated Properties[9]			**13,782,200**	**46**	**94.6**	**714,351,408**	**65**	**765**		
UNCONSOLIDATED PROPERTIES										
"Same Store"										
100 Park Avenue	1950/1980 49.9%	Grand Central	834,000	3	84.3	44,265,264	2	34	60.86	57.55
521 Fifth Avenue	1929/2000 50.1%	Grand Central	460,000	1	81.5	18,063,492	1	43	47.80	42.69
800 Third Avenue	1972 42.95%	Grand Central	526,000	2	96.1	30,569,460	1	24	59.13	44.37
1221 Avenue of the Americas	1971/1997 45%	Rockefeller Center	2,550,000	8	94.3	158,157,804	7	20	66.27	53.14
1515 Broadway	1972 55%[7]	Times Square	1,750,000	6	98.0	92,526,480	6	10	55.02	43.81
388 & 390 Greenwich Street	1986-1990 50.6%[13]	Downtown	2,635,000	9	100.0	102,945,936	5	1	39.07	39.07
1745 Broadway	2003 32.3%[13]	Midtown	674,000	2	100.0	36,558,780	1	1	56.72	56.72
			9,429,000	31	**95.6**	**483,087,216**	**23**	**133**		
Total / Weighted Average Unconsolidated Properties[10]										
Manhattan Grand Total / Weighted Average			**23,211,200**	**77**	**95.0**	**1,197,438,624**		**898**		
Manhattan Grand Total SLG share of Annualized Rent										
Manhattan Same Store Occupancy % Combined			**22,865,800**	**99**	**95.8**	**916,466,796**	**88**			
Suburban Properties										
CONSOLIDATED PROPERTIES										
Adjustments										
1100 King Street 1-6 International Drive	1983-1986	Rye Brook, Westchester	540,000	2	88.2	14,037,096	2	31	29.06	25.52

520 White Plains Road	1979	Tarrytown, Westchester	180,000	1	93.2	4,377,708		10	26.80	23.01
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	1	67.0	2,378,244		13	23.72	19.02
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	1	86.4	5,811,336	1	7	29.72	27.31
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	1	93.5	6,817,812	1	9	30.34	28.57
500 Summit Lake Drive	1986	Valhalla, Westchester	228,000	1	56.4	4,874,304	1	4	26.03	23.31
140 Grand Street	1991	White Plains, Westchester	130,100		96.6	3,852,641	1	12	34.76	27.82
360 Hamilton Avenue	2000	White Plains, Westchester	384,000	1	100.0	13,367,208	2	14	35.70	31.80
Westchester, NY Subtotal			**2,135,100**	8	**86.5**	**55,516,349**	**7**	**100**		
1-6 Landmark Square	1973/1984	Stamford, Connecticut	826,000	3	81.2	19,320,240	2	101	29.80	26.20
300 Main Street	2002	Stamford, Connecticut	130,000		92.8	2,047,257		21	16.89	14.30
680 Washington Boulevard	1989	Stamford, Connecticut	133,000		84.5	2,798,460		5	38.62	33.26
750 Washington Boulevard	1989	Stamford, Connecticut	192,000	1	97.4	6,718,020		8	37.07	34.63
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400		54.3	2,191,980		18	30.34	27.51
1055 Washington Boulevard	1987	Stamford, Connecticut	182,000	1	87.2	5,469,228	1	20	33.79	32.92
500 West Putnam Avenue	1973	Greenwich, Connecticut	121,500		83.2	3,824,844		10	37.96	34.07
Connecticut Subtotal			**1,727,900**	**5**	**82.7**	**42,370,029**	**3**	**183**		
Total / Weighted Average Consolidated Properties(11)			**3,863,000**	**13**	**84.8**	**97,886,378**	**10**	**283**		

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Suburban Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Rent ($'s)[1]	Percentage of Portfolio Annualized Rent (%)[2]	Number of Tenants	Annualized Rent Per Leased Square Foot ($)[3]	Annualized Net Effective Rent Per Leased Square Foot ($)[4]
UNCONSOLIDATED PROPERTIES										
Adjustments										
The Meadows 50%	1981	Rutherford, New Jersey	582,100	2	84.9	12,235,224		53	26.67	23.47
16 Court Street 35%	1928	Brooklyn, New York	317,600	1	84.1	9,205,620		64	40.37	37.04
Jericho Plaza 20.26%	1980	Jericho, New York	640,000	2	92.8	21,476,964		35	35.76	32.81
One Court Square 30%[13]	1987	Long Island City, New York	1,402,000	5	100.0	51,363,840	1	1	36.65	36.65
Total / Weighted Average Unconsolidated Properties[12]			**2,941,700**	**10**	**93.7**	**94,281,648**	**2**	**153**		
Grand Total / Weighted Average			**30,015,900**	**100**	**93.4**	**$ 1,389,606,650**		**1,334**		
Grand Total SLG share of Annualized Rent						**$ 1,035,731,257**	**100**			
125 Chubb Way	2008	Lyndhurst, NJ	278,000	36	10.7	642,012	1	1		
141 Fifth Avenue 50%	1879	Flat Iron	21,500	3	100.0	2,586,084	4	4	136.59	128.12
150 Grand Street	1962/2001	White Plains	85,000	11	7.7	122,316	1	3	20.86	20.86
1551-1555 Broadway 10%	2009	Times Square	25,600	3	100.0	15,587,268	5	1	608.88	599.10
1604 Broadway 63%	1912/2001	Times Square	29,876	4	23.7	2,006,592	4	2	283.94	280.49
180-182 Broadway 50%	1902	Cast Iron/Soho	70,580	9	49.0	856,548	1	8	24.77	24.77
21-25 West 34th Street 50%	2009	Herald Square/Penn Station	30,100	4	100.0	5,839,284	11	1	194.00	193.33
27-29 West 34th Street 50%	2009	Herald Square/Penn Station	15,600	2	100.0	3,858,600	7	2	247.14	174.18
379 West Broadway 45%	1853/1987	Cast Iron/Soho	62,006	8	100.0	3,585,468	5	5	57.82	61.54
717 Fifth Avenue 32.75%	1958/2000	Midtown/Plaza District	119,550	15	75.8	19,311,540	22	7	196.01	173.71
7 Landmark Square	2007	Stamford, Connecticut	36,800	5	10.8	273,336	1	1	68.68	68.68
2 Herald Square 55%		Herald Square/Penn Station	N/A	N/A	N/A	9,000,000	17	1		
885 Third Avenue 55%		Midtown/Plaza District	N/A	N/A	N/A	11,095,000	21	1		
Total / Weighted Average Retail/Development Properties			**774,612**	**100**	**N/A**	**$ 74,764,048**	**100**	37		

(1) Annualized Rent represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010 are approximately $4.3 million for our consolidated properties and $1.6 million for our unconsolidated properties.

(2) Includes our share of unconsolidated joint venture annualized rent calculated on a consistent basis.

(3)

Annualized Rent Per Leased Square Foot represents Annualized Rent, as described in footnote (1) above, presented on a per leased square foot basis.

(4)
Annual Net Effective Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by us, the remaining lease payments under the lease from the acquisition date divided by the number of months remaining under the lease multiplied by 12 and (b) for leases entered into after an interest in the relevant property was first acquired by us, all lease payments under the lease divided by the number of months in the lease multiplied by 12, and, in the case of both (a) and (b), minus tenant improvement costs and leasing commissions, if any, paid or payable by us and presented on a per leased square foot basis. Annual Net Effective Rent Per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Rent Per Leased Square Foot.

(5)
We hold an operating sublease interest in the land and improvements.

(6)
We hold a leasehold interest in this property.

(7)
Includes a parking garage.

(8)
We hold a leasehold mortgage interest, a net sub-leasehold interest and a co-tenancy interest in this property.

(9)
Includes approximately 12.5 million square feet of rentable office space, 1.0 million square feet of rentable retail space and 0.3 million square feet of garage space.

(10)
Includes approximately 8.8 million square feet of rentable office space, 0.5 million square feet of rentable retail space and 0.1 million square feet of garage space.

(11)
Includes approximately 3.6 million square feet of rentable office space and 0.3 million square feet of rentable retail space.

(12)
Includes approximately 2.9 million square feet of rentable office space.

(13)
The rent per square foot is presented on a triple-net basis.

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Historical Occupancy. We have historically achieved consistently higher occupancy rates in our Manhattan portfolio in comparison to the overall Midtown markets, as shown over the last five years in the following table:

	Percent of Manhattan Portfolio Leased(1)	Occupancy Rate of Class A Office Properties In The Midtown Markets(2)(3)	Occupancy Rate of Class B Office Properties in the Midtown Markets(2)(3)
December 31, 2009	95.0%	86.8%	90.3%
December 31, 2008	96.7%	90.8%	92.1%
December 31, 2007	96.6%	94.1%	93.5%
December 31, 2006	97.0%	95.7%	93.7%
December 31, 2005	96.7%	94.4%	92.5%

(1) Includes space for leases that were executed as of the relevant date in our wholly-owned and joint venture properties in Manhattan owned by us as of that date.

(2) Includes vacant space available for direct lease and sublease. Source: Cushman & Wakefield.

(3) The term "Class B" is generally used in the Manhattan office market to describe office properties that are more than 25 years old but that are in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan. Class B office properties can be distinguished from Class A properties in that Class A properties are generally newer properties with higher finishes and obtain the highest rental rates within their markets.

Lease Expirations

Leases in our Manhattan portfolio, as at many other Manhattan office properties, typically have an initial term of seven to fifteen years, compared to typical lease terms of five to ten years in other large U.S. office markets. For the five years ending December 31, 2014, the average annual rollover at our Manhattan consolidated and unconsolidated properties is approximately 1.0 million square feet and 0.4 million square feet, respectively, representing an average annual expiration rate of 7.1% and 4.4%, respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

The following tables set forth a schedule of the annual lease expirations at our Manhattan consolidated and unconsolidated properties, respectively, with respect to leases in place as of December 31, 2009 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Manhattan Consolidated Properties Year of Lease Expiration	**Number of Expiring Leases**	**Square Footage of Expiring Leases**	**Percentage of Total Leased Square Feet (%)**	**Annualized Rent of Expiring Leases(1)**	**Annualized Rent Per Leased Square Foot of Expiring Leases(2)**
2010(3)	149	945,416	7.02%	$ 44,342,880	$ 46.90
2011	114	733,541	5.45	39,972,372	54.49
2012	118	1,039,039	7.72	47,332,836	45.55
2013	99	1,188,902	8.83	62,373,948	52.46
2014	65	853,786	6.34	44,634,468	52.28
2015	53	632,190	4.70	31,151,880	49.28
2016	41	967,980	7.19	52,378,392	54.11
2017	58	1,772,799	13.17	92,766,186	52.33
2018	25	485,335	3.61	38,517,972	79.36
2019 & thereafter	79	4,839,934	35.97	260,880,474	53.90
Total/weighted average	801	13,458,922	100.00%	$ 714,351,408	$ 53.08

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such

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date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010, are approximately $3.7 million for the properties.

(2) Annualized Rent Per Leased Square Foot of Expiring Leases represents Annualized Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Includes 123,109 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

Manhattan Unconsolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases[1]	Annualized Rent Per Leased Square Foot of Expiring Leases[2]
2010[3]	27	573,342	6.39%	$ 34,318,524	$ 59.86
2011	10	162,837	1.82	7,801,848	47.91
2012	18	116,688	1.30	6,318,792	54.15
2013	10	870,622	9.71	55,178,628	63.38
2014	15	231,767	2.58	20,574,264	88.77
2015	17	1,514,969	16.89	80,351,364	53.04
2016	8	225,681	2.52	17,165,004	76.06
2017	4	62,391	0.70	3,714,084	59.53
2018	16	1,309,110	14.59	86,400,708	66.00
2019 & thereafter	20	1,267,641	14.13	68,318,064	53.89
Sub-Total/weighted average	145	6,335,048	70.63	380,141,280	$ 60.01
	2(4)	2,634,670	29.37	102,945,936	
Total	147	8,969,718	100.00%	$ 483,087,216	

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010 are approximately $0.7 million for the joint venture properties.

(2) Annualized Rent Per Leased Square Foot of Expiring Leases represents Annualized Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Includes 14,364 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

(4) Represents Citigroup's 13-year net lease at 388-390 Greenwich Street. The current net rent is $39.07 per square foot with annual CPI escalation.

Leases in our Suburban portfolio, as at many other suburban office properties, typically have an initial term of five to ten years. For the five years ending December 31, 2014, the average annual rollover at our Suburban consolidated and unconsolidated properties is approximately 0.4 million square feet and 0.2 million square feet, respectively, representing an average annual expiration rate of 13.9% and 6.7% respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

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The following tables set forth a schedule of the annual lease expirations at our Suburban consolidated and unconsolidated properties, respectively, with respect to leases in place as of December 31, 2009 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Suburban Consolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases[1]	Annualized Rent Per Leased Square Foot of Expiring Leases[2]
2010[3]	76	545,576	17.06%	$ 14,839,128	$ 27.20
2011	64	751,402	23.50	22,629,552	30.12
2012	30	229,811	7.19	7,555,308	32.88
2013	35	422,885	13.23	14,367,657	33.98
2014	25	265,633	8.31	8,033,064	30.24
2015	19	256,852	8.03	8,370,485	32.59
2016	19	377,841	11.82	10,872,864	28.78
2017	6	54,165	1.69	1,693,380	31.26
2018	8	132,595	4.15	4,172,676	31.47
2019 & thereafter	12	160,704	5.02	5,352,264	33.31
Total/weighted average	294	3,197,464	100.00%	$ 97,886,378	$ 30.61

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010, are approximately $0.7 million for the properties.

(2) Annualized Rent Per Leased Square Foot of Expiring Leases represents Annualized Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Includes 99,236 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

Suburban Unconsolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases[1]	Annualized Rent Per Leased Square Foot of Expiring Leases[2]
2010[3]	32	185,342	6.90%	$ 5,884,860	$ 31.75
2011	24	114,021	4.24	3,733,200	32.74
2012	22	243,045	9.04	8,638,764	35.54
2013	19	89,565	3.33	2,776,644	31.00
2014	23	269,769	10.03	9,362,544	34.71
2015	8	40,881	1.52	1,267,896	31.01
2016	7	90,926	3.38	2,796,480	30.76
2017	6	55,793	2.07	2,284,536	40.95
2018	4	61,523	2.29	2,158,512	35.08
2019 & thereafter	14	1,538,198	57.20	55,378,212	36.00
Total/weighted average	159	2,689,063	100.00%	$ 94,281,648	$ 35.06

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010, are approximately $0.9 million for the joint venture properties.

(2) Annualized Rent Per Leased Square Foot of Expiring Leases represents Annualized Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Includes 28,385 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

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Tenant Diversification

At December 31, 2009, our portfolio was leased to approximately 1,334 tenants, which are engaged in a variety of businesses, including professional services, financial services, media, apparel, business services and government/non-profit. The following table sets forth information regarding the leases with respect to the 30 largest tenants in our portfolio, based on the amount of square footage leased by our tenants as of December 31, 2009:

Tenant[(1)]	Properties	Remaining Lease Term in Months[(2)]	Total Leased Square Feet	Percentage of Aggregate Portfolio Leased Square Feet (%)	Percentage of Aggregate Portfolio Annualized Rent (%)
Citigroup, N.A.	388 & 390 Greenwich Street, 485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue, 750 Washington Blvd & Court Square	132	4,451,237	12.5%	8.2%
Viacom International Inc.	1515 Broadway	125	1,287,610	5.2%	4.7%
Credit Suisse Securities (USA), Inc.	1 Madison Avenue	132	1,115,207	4.4%	5.8%
Morgan Stanley & Co., Inc.	1221 Avenue of the Americas, 2 Jericho Plaza & 4 Landmark Square	108	661,644	3.5%	2.1%
Random House, Inc.	1745 Broadway	102	644,598	2.6%	1.1%
Debevoise & Plimpton, LLP	919 Third Avenue	144	586,528	2.6%	1.8%
Omnicom Group, Inc.	220 East 42nd Street & 420 Lexington Avenue	88	496,876	1.4%	1.9%
Societe Generale	1221 Avenue of the Americas	45	486,663	2.1%	1.3%
The McGraw Hill Companies, Inc.	1221 Avenue of the Americas	123	420,329	1.7%	1.0%
Advance Magazine Group	750 Third Avenue & 485 Lexington Avenue	134	342,720	1.0%	1.3%
Verizon	120 West 45th Street, 1100 King Street Bldgs 1&2, 1 Landmark Square, 2 Landmark Square & 500 Summit Lake Drive	24	315,390	0.7%	0.9%
C.B.S. Broadcasting, Inc.	555 West 57th Street	93	286,037	0.8%	1.0%
Polo Ralph Lauren Corporation	625 Madison Avenue	120	269,269	1.1%	1.5%
Schulte, Roth & Zabel LLP	919 Third Avenue	138	263,186	1.1%	0.7%
New York Presbyterian Hospital	28 West 44th Street, 555 West 57th Street & 673 First Avenue	140	262,448	0.7%	0.9%
The Travelers Indemnity Company	485 Lexington Avenue & 2 Jericho Plaza	80	250,857	0.9%	1.1%
The City University of NY-CUNY	555 West 57th Street & 28 West 44th Street	75	229,044	0.6%	0.8%
BMW of Manhattan	555 West 57th Street	31	227,782	0.4%	0.5%
Vivendi Universal US Holdings	800 Third Avenue	2	227,605	0.8%	0.5%
Sonnenschein, Nath & Rosenthal	1221 Avenue of the Americas	97	191,825	1.0%	0.6%
D.E. Shaw and Company L.P.	120 West 45th Street	87	187,484	0.8%	1.1%
Amerada Hess Corp.	1185 Avenue of the Americas	216	182,529	0.8%	1.1%
Fuji Color Processing Inc.	200 Summit Lake Drive	39	165,880	0.4%	0.5%
King & Spalding	1185 Avenue of the Americas	190	159,858	0.7%	0.9%
National Hockey League	1185 Avenue of the Americas	155	148,216	0.8%	1.1%
New York Hospitals Center/ Mount Sinai	625 Madison Avenue & 673 First Avenue	141	146,917	0.5%	0.6%
Banque National De Paris	919 Third Avenue	79	145,834	0.6%	0.4%
The Segal Company	333 West 34th Street	182	144,307	0.5%	0.7%
Draft Worldwide	919 Third Avenue	47	141,260	0.6%	0.4%
News America Incorporated	1185 Avenue of the Americas	131	138,294	0.8%	1.1%
Total Weighted Average[(3)]			14,612,434	51.5%	45.8%

(1) This list is not intended to be representative of our tenants as a whole.

(2) Lease term from December 31, 2009 until the date of the last expiring lease for tenants with multiple leases.

(3) Weighted average calculation based on total rentable square footage leased by each tenant.

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Environmental Matters

We engaged independent environmental consulting firms to perform Phase I environmental site assessments on our portfolio, in order to assess existing environmental conditions. All of the Phase I assessments met the ASTM Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, an historical record review, a review of regulatory agency data bases and records, and interviews with on-site personnel, with the purpose of identifying potential environmental concerns associated with real estate. These environmental site assessments did not reveal any known environmental liability that we believe will have a material adverse effect on our results of operations or financial condition.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2009, we were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the fourth quarter ended December 31, 2009.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock began trading on the New York Stock Exchange, or the NYSE, on August 15, 1997 under the symbol "SLG." On February 3, 2010, the reported closing sale price per share of common stock on the NYSE was $47.76 and there were approximately 389 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions paid by us with respect to the periods indicated.

	2009			2008		
Quarter Ended	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
March 31	$ 25.83	$ 8.69	$ 0.375	$ 98.77	$ 76.78	$ 0.7875
June 30	$ 26.70	$ 10.68	$ 0.100	$ 100.74	$ 82.55	$ 0.7875
September 30	$ 46.81	$ 18.66	$ 0.100	$ 92.23	$ 63.65	$ 0.7875
December 31	$ 52.74	$ 37.72	$ 0.100	$ 62.74	$ 11.36	$ 0.3750

If dividends are declared in a quarter, those dividends will be paid during the subsequent quarter. We expect to continue our policy of distributing our taxable income through regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements and financial condition. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations Dividends" for additional information regarding our dividends.

UNITS

At December 31, 2009, there were 1,684,283 units of limited partnership interest of the operating partnership outstanding. These units received distributions per unit in the same manner as dividends per share were distributed to common stockholders.

ISSUER PURCHASES OF EQUITY SECURITIES

None.

SALE OF UNREGISTERED AND REGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

During the years ended December 31, 2009, 2008 and 2007, we issued 652,194, none and 343,412 shares of common stock, respectively, to holders of units of limited partnership in the operating partnership upon the redemption of such units pursuant to the partnership agreement of the operating partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(2) thereof for transactions not involving a public offering. The units were converted into an equal number of shares of common stock.

We issued 211,342, 128,956 and 435,583 shares of our common stock in 2009, 2008 and 2007, respectively, for deferred stock-based compensation in connection with employment contracts and other compensation-related grants.

See Notes 14 and 16 to the Consolidated Financial Statements in Item 8 for a description of our stock option plan and other compensation arrangements.

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The following table summarizes information, as of December 31, 2009, relating to our equity compensation plans pursuant to which shares of our common stock or other equity securities may be granted from time to time.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders[1]	1,324,221	$ 56.74	2,553,265[2]
Equity compensation plans not approved by security holders			
Total	1,324,221	$ 56.74	2,553,265

(1) Includes information related to our 2005 Amended and Restated Stock Option and Incentive Plan and Amended 1997 Stock Option and Incentive Plan, as amended.

(2) Balance is after reserving for shares to be issued under our 2005 Long-Term Outperformance Compensation Program.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and should be read in conjunction with our Financial Statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K.

In connection with this Annual Report on Form 10-K, we are restating our historical audited consolidated financial statements as a result of classifying certain properties as held for sale. As a result, we have reported revenue and expenses from these properties as discontinued operations for each period presented in our Annual Report on Form 10-K. These reclassifications had no effect on our reported net income or funds from operations.

We are also providing updated summary selected financial information, which is included below reflecting the prior period reclassification as discontinued operations of the property classified as held for sale during 2009.

	Year Ended December 31,				
Operating Data	**2009**	**2008**	**2007**	**2006**	**2005**
(In thousands, except per share data)					
Total revenue	$ 1,010,659	$ 1,079,422	$ 974,830	$ 451,022	$ 339,799
Operating expenses	217,559	228,191	207,978	102,548	77,541
Real estate taxes	141,723	126,304	120,972	62,915	45,935
Ground rent	31,826	31,494	32,389	20,150	19,250
Interest expense, net of interest income	236,300	291,536	256,941	89,394	71,752
Amortization of deferred finance costs	7,947	6,433	15,893	4,424	4,461
Depreciation and amortization	226,545	216,583	174,257	62,523	46,670
Loan loss and other investment reserves	150,510	115,882			
Marketing, general and administration	73,992	104,583	93,045	57,850	36,826
Total expenses	1,086,402	1,121,006	901,475	399,804	302,435
Equity in net income of unconsolidated joint ventures	62,878	59,961	46,765	40,780	49,349
Income (loss) before gains on sale	(12,865)	18,377	120,120	91,998	86,713
Gain on early extinguishment of debt	86,006	77,465			
Loss on equity investment in marketable securities	(396)	(147,489)			
Gain on sale of properties/partial interests	6,691	103,056	31,509	3,451	11,550
Income from continuing operations	79,436	51,409	151,629	95,449	98,263
Discontinued operations	(7,771)	352,639	531,068	141,909	67,309
Net income	71,665	404,048	682,697	237,358	165,572
Net income attributable to noncontrolling interest in operating partnership	(1,221)	(14,561)	(26,084)	(11,429)	(8,222)
Net income attributable to noncontrolling interests in other partnerships	(12,900)	(8,677)	(10,383)	(5,210)	69
Net income attributable to SL Green	57,544	380,810	646,230	220,719	157,419
Preferred dividends	(19,875)	(19,875)	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	$ 37,669	$ 360,935	$ 626,355	$ 200,844	$ 137,544
Net income per common share Basic	$ 0.54	$ 6.22	$ 10.66	$ 4.50	$ 3.29
Net income per common share Diluted	$ 0.54	$ 6.20	$ 10.54	$ 4.38	$ 3.20
Cash dividends declared per common share	$ 0.6750	$ 2.7375	$ 2.89	$ 2.50	$ 2.22

Basic weighted average common shares outstanding	69,735	57,996	58,742	44,593	41,793
Diluted weighted average common shares and common share equivalents outstanding	72,044	60,598	61,885	48,495	45,504

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Balance Sheet Data	2009	2008	As of December 31, 2007	2006	2005
			(In thousands)		
Commercial real estate, before accumulated depreciation	$ 8,257,100	$ 8,201,789	$ 8,622,496	$ 3,055,159	$ 2,222,922
Total assets	10,487,577	10,984,353	11,430,078	4,632,227	3,309,777
Mortgage notes payable, revolving credit facility, term loans, unsecured notes and trust preferred securities	4,892,688	5,581,559	5,658,149	1,815,379	1,542,252
Noncontrolling interests in operating partnership	84,618	87,330	81,615	71,731	74,049
Equity	4,913,129	4,481,960	4,524,600	2,451,045	1,484,453

Other Data	2009	2008	Year Ended December 31, 2007	2006	2005
			(In thousands)		
Funds from operations available to common stockholders[1]	$ 318,817	$ 344,856	$ 343,186	$ 223,634	$ 189,513
Funds from operations available to all stockholders[1]	318,817	344,856	343,186	223,634	189,513
Net cash provided by operating activities	275,211	296,011	406,705	225,644	138,398
Net cash (used in) provided by investment activities	(345,379)	396,219	(2,334,337)	(786,912)	(465,674)
Net cash (used in) provided by financing activities	(313,006)	(11,305)	1,856,418	654,342	315,585

(1) Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002 defines FFO as net income (loss) (computed in accordance with generally accepted accounting principles, or GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITS, particularly those that own and operate commercial office properties. We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

A reconciliation of FFO to net income computed in accordance with GAAP is provided under the heading of "Management's Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

SL Green Realty Corp., or the company, a Maryland corporation, and SL Green Operating Partnership, L.P., or the operating partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. We are a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. Unless the context requires otherwise, all references to "we," "our" and "us" means the company and all entities owned or controlled by the company, including the operating partnership.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in Item 8 of this Annual Report on Form 10-K.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P. or ROP. We paid approximately $6.0 billion, inclusive of debt assumed and transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson's former executive management, or the Buyer, for a total consideration of approximately $2.0 billion.

The commercial real estate market is now in its third year of severe constraints on lending activity, resulting in continued illiquidity and reduced asset values.

Beginning in the third quarter of 2007, the sub-prime residential lending and single family housing markets in the U.S. began to experience significant default rates, declining real estate values and increasing backlog of housing supply. As a result of the poor credit performance in the residential markets, other lending markets experienced higher volatility and decreased liquidity. The residential sector capital markets issues quickly spread into the asset-backed commercial real estate, corporate and other credit and equity markets. Substantially reduced mortgage loan originations and securitizations continued through 2008 and 2009, and caused more generalized credit market dislocations and a significant contraction in available credit. As a result, most commercial real estate owners, operators, investors and lenders continue to find it extremely difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt. In the few instances in which debt is available, it is at a cost much higher than in the recent past.

Credit spreads on commercial mortgages (i.e., the interest rate spread over given benchmarks such as LIBOR or U.S. Treasury securities) are significantly influenced by: (a) supply and demand for such mortgage loans; (b) perceived risk of the underlying real estate collateral cash flow; and (c) capital markets execution for the sale or financing of such commercial mortgage assets. In the case of (a), the number of potential lenders in the marketplace and the amount of funds they are willing to devote to commercial mortgage assets will impact credit spreads. As liquidity increases, spreads on equivalent commercial mortgage loans will decrease. Conversely, a lack of liquidity will result in credit spreads increasing. During periods of volatility, such as the markets are currently experiencing, the number of lenders participating in the market may change at an accelerated pace.

For existing loans, when credit spreads widen, the fair value of these existing loans decreases. If a lender were to originate a similar loan today, such loan would carry a greater credit spread than the existing loan. Even though a loan may be performing in accordance with its loan agreement and the underlying collateral has not changed, the fair value of the loan may be negatively impacted by the incremental interest foregone from the widened

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credit spread. Accordingly, when a lender wishes to sell or finance the loan, the reduced value of the loan will impact the total proceeds that the lender will receive.

The recent credit crisis has put many borrowers, including some borrowers in our structured finance investment portfolio, under increasing amounts of financial and capital distress. For the year ended December 31, 2009, we recorded a gross provision for loan losses and charge offs of approximately $146.5 million. Much of it related to non-New York City structured finance investments.

At the same time, we recognized that the market's distress was creating attractive new strategic investment opportunities for those with the capital available to take new debt positions. Such opportunities sometimes involved investing in debt at attractive discounts which offered the ability to control and benefit from restructuring efforts and potentially even take equity ownership under attractive terms. We made new structured finance investments totaling $254.3 million in 2009. Our structured finance portfolio included a position in the debt backed by 100 Church Street in Manhattan, New York City, which we subsequently converted to full operational control and then full ownership in 2010.

During the past two years, the New York City real estate market saw an increase in the direct vacancy rate, as well as an increase in the amount of sublease space on the market, which largely subsided by late 2009. When the market absorbs sublease space, rents usually stabilize and occupancy begins to improve. We expect that total vacancy in Manhattan has now reached, or is close to reaching, its inflection point and will improve in 2010, although probably very slowly at first. Along with rent stabilization and slow recovery, we anticipate a gradual reduction in the need to provide a long free rent period and large tenant improvement allowances used to attract tenants.

Property sales continue to lag, as noted above. New York City sales activity in 2009 decreased by approximately $16.9 billion when compared to 2008, as total volume only reached approximately $3.5 billion. We believe that this is primarily due to a lack of financing for purchasers. However, we have been able to access capital for refinancing purposes which we believe primarily results from the asset quality of our portfolio and our ability to create and preserve asset value.

Leasing activity for Manhattan, a borough of New York City, totaled approximately 16.3 million square feet compared to approximately 19.1 million square feet in 2008. Of the total 2009 leasing activity in Manhattan, the Midtown submarket accounted for approximately 11.3 million square feet, or 69.1%. Midtown's overall vacancy increased from 8.5% at December 31, 2008 to 12.0% at December 31, 2009, after reaching as high as 13.4% in October 2009.

Overall asking rents for direct space in Midtown decreased from $72.08 at year-end 2008 to $57.32 at year-end 2009, a decrease of 20.5%. The decrease in rents has been driven by increased vacancy resulting from the financial crisis. Management believes that rental rates will begin to moderate and concession packages will decline during 2010 as vacancy shrinks.

During 2009, minimal new office space was added to the Midtown office inventory. In a supply-constrained market, there is only 2.0 million square feet under construction in Midtown as of year-end and which becomes available in the next two years, only 7.3% of which is pre-leased.

We saw significant fluctuations in short-term interest rates, although they still remain low compared to historical levels. The 30-day LIBOR rate ended 2009 at 0.23%, a 21 basis point decrease from the end of 2008. Ten-year US Treasuries ended 2009 at 3.83%, a 162 basis point increase from the end of 2008.

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Our activities for 2009 included:

- Acquired two sub-leasehold positions at 420 Lexington Avenue for approximately $15.9 million;
- Sold two properties for an aggregate gross sales price of approximately $135.7 million generating losses to us of approximately $7.1 million;
- Signed 217 office leases totaling 2.1 million square feet during 2009 while increasing the cash rents paid by new tenants on previously occupied space by 14.8% and decreasing cash rents by 2.4% over the most recent cash rent paid by the previous tenants for the same space for the Manhattan and Suburban properties, respectively;
- Sold 19,550,000 shares of our common stock, generating net proceeds of approximately $387.1 million;
- Repurchased approximately $564.6 million of our convertible bonds, realizing gains on early extinguishment of debt of approximately $86.0 million;
- Originated or acquired approximately $184.3 million of new structured finance investments, net of redemptions and recorded approximately $146.5 million in loan loss reserves and charge offs; and
- Closed on approximately $1.0 billion of mortgage financings.

As of December 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	21	13,782,200	94.6%
	Unconsolidated properties	8	9,429,000	95.6%
Suburban	Consolidated properties	25	3,863,000	84.8%
	Unconsolidated properties	6	2,941,700	93.7%
		60	30,015,900	93.4%

(1) The weighted average occupancy represents the total leased square feet divided by total available rentable square feet.

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

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Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties and discounted for unconsolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred and is determined to be other than temporary, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the value of any of our consolidated rental properties or equity investments in rental properties was impaired at December 31, 2009 and 2008.

A variety of costs are incurred in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

We allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above-, below-, and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years and from one to 14 years, respectively. The values of the above- and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income over the remaining term of the associated lease, which range from one to 14 years. The value associated with in-place leases are amortized over the expected term of the associated lease, which range from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence, but do not control these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures which are VIEs and where we are considered to be the primary beneficiary, even though we do not control the entity. In all these joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the balance sheet is net of such allowance.

Interest income on structured finance investments is recognized over the life of the investment using the effective interest method and recognized on the accrual basis. Fees received in connection with loan commitments are deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Anticipated exit fees, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield. Fees on commitments that expire unused are recognized at expiration.

Income recognition is generally suspended for structured finance investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required rent payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required.

Reserve for Possible Credit Losses

The expense for possible credit losses in connection with structured finance investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses by loan. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $54.6 million and $14.2 million in loan loss reserves and charge offs during the years ended December 31, 2009 and 2008, respectively, on investments being held to maturity.

Structured finance investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the loan will be reclassified at its net carrying value to structured finance investments held to maturity. During the quarter ended September 30, 2009, we reclassified loans with a net carrying value of approximately $56.7 million from held for sale to held to maturity. For these reclassified loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the loan. As of December 31, 2009, one loan with a net carrying value of approximately $1.0 million had been designated as held for sale. We recorded a mark-to-market adjustment of approximately $69.1 million against our held for sale investment during the year ended December 31, 2009.

Derivative Instruments

In the normal course of business, we use a variety of derivative instruments to manage, or hedge, interest rate risk. We require that hedging derivative instruments be effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

To determine the fair values of derivative instruments, we use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

Results of Operations

Comparison of the year ended December 31, 2009 to the year ended December 31, 2008

The following comparison for the year ended December 31, 2009, or 2009, to the year ended December 31, 2008, or 2008, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2008 and at December 31, 2009 and total 45 of our 60 consolidated and unconsolidated properties, representing approximately 74% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2008 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale are excluded from the following discussion.

Rental Revenues (in millions)	2009	2008	$ Change	% Change
Rental revenue	$ 773.2	$ 774.0	$ (0.8)	(0.1)%
Escalation and reimbursement revenue	124.5	123.0	1.5	1.2
Total	$ 897.7	$ 897.0	$ 0.7	0.1%
Same-Store Properties	$ 884.7	$ 865.8	$ 18.9	2.2%
Acquisitions	7.0	25.7	(18.7)	(72.8)
Other	6.0	5.5	0.5	9.1
Total	$ 897.7	$ 897.0	$ 0.7	0.1%

Occupancy in the Same-Store Properties was 93.2% at December 31, 2009 and 95.3% at December 31, 2008. The decrease in the Acquisitions is primarily due to certain properties being deconsolidated in 2008, and therefore, not included in the 2009 consolidated results.

At December 31, 2009, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 4.9% and 4.5% higher, respectively, than the existing in-place fully escalated rents. Approximately 9.0% of the space leased at our consolidated properties expires during 2010.

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The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties ($1.3 million) and the Acquisitions and Other ($0.2 million). The increase in recoveries at the Same-Store Properties was primarily due to increases in real estate tax escalations ($10.1 million). This was partially offset by reductions in operating expense escalations ($7.0 million) and electric reimbursements ($1.8 million).

During the year ended December 31, 2009, we signed or commenced 140 leases in the Manhattan portfolio totaling 1,366,625 square feet, of which 113 leases and 1,301,358 square feet represented office leases. Average starting Manhattan office rents of $44.85 per rentable square foot on the 1,301,358 square feet of leases signed or commenced during the year ended December 31, 2009 represented a 14.8% increase over the previously fully escalated rents. The average lease term was 8.5 years and average tenant concessions were 3.6 months of free rent with a tenant improvement allowance of $33.36 per rentable square foot.

Investment and Other Income (in millions)	**2009**	**2008**	**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$ 62.9	$ 60.0	$ 2.9	4.8%
Investment and preferred equity income	65.6	110.9	(45.3)	(40.9)
Other income	47.4	71.5	(24.1)	(33.7)
Total	$ 175.9	$ 242.4	$ (66.5)	(27.4)%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions from 1515 Broadway ($8.5 million), 16 Court Street ($1.3 million), 521 Fifth Avenue ($1.6 million), 100 Park Avenue ($1.4 million), 1 Madison Avenue ($0.8 million), Mack-Green ($2.8 million), 1221 Avenue of the Americas ($4.3 million) and 1604 Broadway ($1.3 million). This was partially offset by lower net income contributions primarily from our investments in Gramercy ($13.6 million), 388 Greenwich Street ($3.1 million), 1250 Broadway ($2.6 million) and 717 Fifth Avenue ($1.7 million). Occupancy at our joint venture properties was 95.1% at December 31, 2009 and 95.0% at December 31, 2008. At December 31, 2009, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 10.4% and 0.3% higher, respectively, than then existing in-place fully escalated rents. Approximately 6.5% of the space leased at our joint venture properties expires during 2010.

Investment and preferred equity income decreased during 2009 when compared to the prior year. The weighted average investment balance outstanding and weighted average yields were $652.9 million and 8.4%, respectively, for 2009 compared to $816.9 million and 10.5%, respectively, for 2008. The decrease was primarily due to the sale of structured finance investments as well as certain loans being placed on non-accrual status in 2009.

The decrease in other income was primarily due to reduced fee income earned by GKK Manager, a former affiliate of ours and the former external manager of Gramercy ($5.1 million). In addition, in 2008, we earned an incentive distribution upon the sale of 1250 Broadway ($25.0 million) as well as an advisory fee paid to us in connection with Gramercy closing its acquisition of AFR (approximately $6.6 million). This was partially offset by the recognition in 2009 of an incentive fee ($4.8 million) upon the final resolution of our original Bellemead investment and other fee income ($11.0 million).

Property Operating Expenses (in millions)	**2009**	**2008**	**$ Change**	**% Change**
Operating expenses	$ 217.6	$ 228.2	$ (10.6)	(4.7)%
Real estate taxes	141.7	126.3	15.4	12.2
Ground rent	31.8	31.5	0.3	1.0
Total	$ 391.1	$ 386.0	$ 5.1	1.3%
Same-Store Properties	$ 373.1	$ 367.5	$ 5.6	1.5%
Acquisitions	3.6	2.9	0.7	24.1
Other	14.4	15.6	(1.2)	(7.7)
Total	$ 391.1	$ 386.0	$ 5.1	1.3%

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Same-Store Properties operating expenses decreased approximately $9.2 million. There were decreases in repairs and maintenance ($2.9 million), insurance costs ($0.8 million), utilities ($6.6 million) and various other costs ($0.7 million). This was partially offset by an increase in payroll costs ($1.0 million) and ground rent ($0.8 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($14.8 million) due to higher assessed property values and increased rates.

Other Expenses (in millions)	2009	2008	$ Change	% Change
Interest expense, net of interest income	$ 244.2	$ 298.0	$ (53.8)	(18.1)%
Depreciation and amortization expense	226.5	216.6	9.9	4.6
Loan loss reserves	150.5	115.9	34.6	29.9
Marketing, general and administrative expense	74.0	104.6	(30.6)	(29.3)
Total	$ 695.2	$ 735.1	$ (39.9)	(5.4)%

The decrease in interest expense was primarily attributable to lower LIBOR rates in 2009 compared to 2008 as well as the early repurchase of certain of our outstanding senior unsecured notes. The weighted average interest rate decreased from 5.24% for the year ended December 31, 2008 to 4.30% for the year ended December 31, 2009. As a result of the note repurchases and repayments, the weighted average debt balance decreased from $5.7 billion during the year ended December 31, 2008 compared to $5.1 billion during the year ended December 31, 2009.

In 2009, we repurchased approximately $564.6 million of our convertible bonds, realizing gains on early extinguishment of debt of approximately $86.0 million.

The increase in loan loss reserves was primarily due to the realized loss on the sale of a structured finance investment (approximately $38.4 million) in 2009 as well as additional reserves recorded on loans being held to maturity as well as held for sale.

Marketing, general and administrative expenses represented 7.3% of total revenues in 2009 compared to 9.7% in 2008. The decrease is primarily due to reduced stock-based compensation costs in 2009.

Comparison of the year ended December 31, 2008 to the year ended December 31, 2007

The following comparison for the year ended December 31, 2008, or 2008, to the year ended December 31, 2007, or 2007, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2007 and at December 31, 2008 and total 40 of our 49 consolidated properties, inclusive of the Reckson assets (January 2007), representing approximately 69.2% of our share of annualized rental revenue, and the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2007, namely, 300 Main Street, 399 Knollwood (all January 2007), 333 West 34th Street, 331 Madison Avenue and 48 East 43rd Street (April), 1010 Washington Avenue, CT, and 500 West Putnam Avenue, CT (June), and 180 Broadway and One Madison Avenue (August) and (iii) "Other," which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. There were no acquisitions of commercial office properties in 2008. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2008	2007	$ Change	% Change
Rental revenue	$ 774.0	$ 662.5	$ 111.5	16.8%
Escalation and reimbursement revenue	123.0	109.0	14.0	12.8
Total	$ 897.0	$ 771.5	$ 125.5	16.3%
Same-Store Properties	$ 765.3	$ 691.4	$ 73.9	10.7%
Acquisitions	126.1	74.2	51.9	70.0
Other	5.6	5.9	(0.3)	(5.1)
Total	$ 897.0	$ 771.5	$ 125.5	16.3%

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Occupancy in the Same-Store Properties increased from 95.0% at December 30, 2007 to 95.2% at December 31, 2008. The increase in the Acquisitions is primarily due to owning these properties for a period during the year in 2008 compared to a partial period or not being included in 2007. This includes the Reckson properties.

At December 31, 2008, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 20.2% and 14.4% higher, respectively, than then existing in-place fully escalated rents. Approximately 8.1% of the space leased at our consolidated properties was scheduled to expire during 2009.

The increase in escalation and reimbursement revenue was due to the recoveries at the Acquisitions ($0.9 million) and the Same-Store Properties ($13.4 million). The increase in recoveries at the Same-Store Properties was primarily due to operating expense escalations ($9.0 million) and electric reimbursement ($3.7 million) and was primarily offset by decreases in real estate tax recoveries ($0.7 million).

Investment and Other Income (in millions)	**2008**	**2007**	**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$ 60.0	$ 46.8	$ 13.2	28.2%
Investment and preferred equity income	110.9	82.7	28.2	34.1
Other income	71.5	120.7	(49.2)	(40.8)
Total	$ 242.4	$ 250.2	$ (7.8)	(3.1)%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions from 388 Greenwich Street ($6.4 million), 1515 Broadway ($11.4 million), 1250 Broadway ($1.7 million), 521 Fifth Avenue ($1.5 million), 2 Herald Square ($1.9 million), One Madison Avenue ($1.0 million), Mack-Green ($1.9 million), 800 Third Avenue ($1.3 million) and 885 Third Avenue ($3.7 million). This was partially offset by lower net income contributions primarily from our investments in 100 Park which was under redevelopment ($3.3 million), Gramercy ($9.9 million) and 16 Court Street ($1.0 million). Occupancy at our joint venture properties decreased from 95.2% in 2007 to 95.0% in 2008. At December 31, 2009, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 25.0% and 6.7% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.8% of the space leased at our joint venture properties expires during 2009.

Investment and preferred equity income increased during the current period. The weighted average investment balance outstanding and weighted average yield were $816.9 million and 10.5%, respectively, for 2008 compared to $717.1 million and 10.3%, respectively, for 2007. During 2008, we sold approximately $99.7 million of structured finance investments and realized net gains of approximately $9.3 million. We also settled the Reckson Strategic Venture Partners investment which resulted in a gain of approximately $6.9 million. No structured finance investments were sold in 2007.

The decrease in other income was primarily due to an incentive distribution earned in 2007 upon the sale of One Park Avenue (approximately $77.2 million) and One Madison Clocktower (approximately $5.1 million) as well as a decrease in fee income earned by GKK Manager LLC, a former affiliate of ours and the former external manager of Gramercy (approximately $3.1 million). This was partially offset by an incentive distribution earned in 2008 upon the sale of 1250 Broadway ($25.0 million) and an advisory fee earned by us in connection with Gramercy closing its acquisition of AFR ($6.6 million). The reduction in fee income from GKK Manager LLC, was primarily due to us waiving our rights to receive incentive fees and CDO Management fees beginning in July

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2008. In addition, in 2008 we returned approximately $5.1 million of incentive fees to Gramercy pursuant to a written agreement.

Property Operating Expenses (in millions)	2008	2007	$ Change	% Change
Operating expenses	$ 228.2	$ 208.0	$ 20.2	9.7%
Real estate taxes	126.3	121.0	5.3	4.4
Ground rent	31.5	32.4	(0.9)	(2.8)
Total	$ 386.0	$ 361.4	$ 24.6	6.8%
Same-Store Properties	$ 348.5	$ 325.1	$ 23.4	7.2%
Acquisitions	22.0	18.8	3.2	17.0
Other	15.5	17.5	(2.0)	(11.4)
Total	$ 386.0	$ 361.4	$ 24.6	6.8%

Same-Store Properties operating expenses increased approximately $18.7 million. There were increases in payroll expenses ($3.8 million), contract maintenance and repairs and maintenance ($2.1 million), utilities ($8.4 million), insurance ($1.0 million), ground rent expense ($0.3 million) and other miscellaneous expenses ($3.1 million), respectively.

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($4.7 million) due to higher assessed property values and the Acquisitions ($0.8 million).

Other Expenses (in millions)	2008	2007	$ Change	% Change
Interest expense, net of interest income	$ 298.0	$ 272.8	$ 25.2	9.2%
Depreciation and amortization expense	216.6	174.3	42.3	24.3
Loan loss and other investment reserves	115.9		115.9	100.0
Marketing, general and administrative expense	104.6	93.0	11.6	12.5
Total	$ 735.1	$ 540.1	$ 195.0	36.1%

The increase in interest expense was primarily attributable draw downs on our 2007 unsecured revolving credit facility which were done in response to uncertainty in the financial sector. The weighted average interest rate decreased from 5.66% for the year ended December 31, 2007 to 5.24% for the year ended December 31, 2008. As a result of the new investment activity in 2007 and drawing down on our 2007 unsecured revolving credit facility in 2008, the weighted average debt balance increased from $4.7 billion as of December 31, 2007 to $5.7 billion as of December 31, 2008.

In 2008, we recorded approximately $98.9 million in loan loss reserves primarily against our non-New York City structured finance investments. During the fourth quarter of 2008, we entered into an agreement with Gramercy which, among other matters, obligated Gramercy and us to use commercially reasonable efforts to obtain the consents of certain lenders of Gramercy and its subsidiaries to a potential internalization. The internalization occurred in April 2009. We also expensed our approximately $14.9 million investment in GKK Manager LLC.

Marketing, general and administrative expenses, or MG&A, represented 10.8% of total revenues in 2008 compared to 10.3% in 2007. During the fourth quarter, we and certain of our employees agreed to cancel, without compensation, certain employee stock options as well as a portion of our 2006 long-term outperformance plan. These cancellations resulted in a non-cash charge of approximately $18.0 million. MG&A for 2008 includes personnel hired by GKK Manager LLC in connection with the AFR acquisition which added approximately $4.3 million to MG&A. MG&A for 2008 also includes a non-recurring expense of approximately $2.0 million for costs incurred in connection with the pursuit of redevelopment projects.

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Due to market conditions, we recognized a loss on our investment in Gramercy of approximately $147.5 million. In addition, we repurchased approximately $262.6 million of our convertible bonds in 2008 and realized approximately $88.5 million of gains due to the early extinguishment of debt.

Liquidity and Capital Resources

We are currently experiencing a global economic downturn and credit crunch. As a result, many financial industry participants, including commercial real estate owners, operators, investors and lenders continue to find it extremely difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt. When debt is available, it is generally at a cost much higher than in the recent past.

We currently expect that our principal sources of working capital and funds for acquisition and redevelopment of properties, tenant improvements and leasing costs and for structured finance investments will include:

(1) Cash flow from operations;

(2) Cash on hand;

(3) Borrowings under our 2007 unsecured revolving credit facility;

(4) Other forms of secured or unsecured financing;

(5) Net proceeds from divestitures of properties and redemptions, participations and dispositions of structured finance investments; and

(6) Proceeds from common or preferred equity or debt offerings by us or our operating partnership (including issuances of limited partnership units in our operating partnership and trust preferred securities).

Cash flow from operations is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates achieved on our leases, the collectability of rent and operating escalations and recoveries from our tenants and the level of operating and other costs. Additionally, we believe that our joint venture investment programs will also continue to serve as a source of capital.

Our combined aggregate principal maturities of our property mortgages, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2009 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 28,557	$ 269,185	$ 149,975	$ 454,396	$ 30,052	$ 1,663,387	$ 2,595,552
Corporate obligations	114,821	123,607	1,533,981		150,000	374,727	2,297,136
Joint venture debt-our share	115,130	206,951	60,759	6,684	334,499	1,124,699	1,848,722
Total	$ 258,508	$ 599,743	$ 1,744,715	$ 461,080	$ 514,551	$ 3,162,813	$ 6,741,410

As of December 31, 2009, we had approximately $402.5 million of cash on hand, inclusive of approximately $58.8 million of marketable securities. In May 2009, we reduced the dividend on our common stock from an annualized rate of $1.50 per share to $0.40 per share. In addition, we expect to generate positive cash flow from operations for the foreseeable future. We also have the ability to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us. Management believes that these sources of liquidity if we are able to access them, along with potential refinancing opportunities for secured debt and continued repurchases of our senior unsecured notes at discounted prices, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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We also have investments in several real estate joint ventures with various partners who we consider to be financially stable and who have the ability to fund a capital call when needed. Most of our joint ventures are financed with non-recourse debt. We believe that property level cash flows along with unfunded committed indebtedness and proceeds from the refinancing of outstanding secured indebtedness will be sufficient to fund the capital needs of our joint venture properties.

We continue to monitor closely the financial viability of our largest tenant, Citigroup, which accounted for approximately 8.2% of our annualized rent as of December 31, 2009, paying particular attention to the potentially negative effects of its capital position and reductions in its headcount on its tenancy in our portfolio. During 2008 and 2009, Citigroup benefited from substantial U.S. government financial investments, including (i) raising capital through the sale of Citigroup non-voting perpetual, cumulative preferred stock and warrants to purchase common stock issued to the U.S. Department of the Treasury, (ii) entering into a loss-sharing agreement with various U.S. government entities covering certain of Citigroup assets, and (iii) issuing senior unsecured debt guaranteed by the Federal Deposit Insurance Corporation. Most significantly, in December 2009 Citigroup issued approximately $17 billion of common stock and approximately $3.5 billion of tangible equity units representing the largest public equity offering in U.S. capital markets history. The proceeds from this offering were then used to repay the $20 billion Citigroup received from the U.S. government under the Troubled Assets Relief Program, or TARP, and served to significantly improve Citigroup's TIER 1 capital ratio.

We believe that these actions by Citigroup and the U.S. government have served to bolster Citigroup's viability as a tenant and significantly mitigated its short term capital needs. In addition, while Citigroup has reduced its overall employee base, it has relocated personnel from other New York City properties not owned by us into the two properties where we have the largest exposure to Citigroup, 388-390 Greenwich Street, Manhattan and One Court Square in Queens. Both of these properties are held in joint ventures, however, thereby reducing our exposure to Citigroup from what it would have been had we been the sole owner of these properties.

Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in "Item 8. Financial Statements" and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Cash and cash equivalents were $343.7 million and $726.9 million at December 31, 2009 and December 31, 2008, respectively, representing a decrease of $383.2 million. The increase was a result of the following increases and decreases in cash flows (in thousands):

	Year ended December 31,		
	2009	**2008**	**Increase (Decrease)**
Net cash provided by operating activities	$ 275,211	$ 296,011	$ (20,800)
Net cash (used in) provided by investing activities	$ (345,379)	$ 396,219	$ (741,598)
Net cash (used in) provided by financing activities	$ (313,006)	$ (11,305)	$ (301,701)

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2009, our portfolio was 93.4% occupied. Our structured finance and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2009, when compared to the year ended December 31, 2008, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	$ 51,692
Capital expenditures and capitalized interest	41,404
Escrow cash-capital improvements/acquisition deposits	(16,694)
Joint venture investments	(61,940)
Distributions from joint ventures	(419,390)
Proceeds from sales of real estate	(178,836)
Structured finance and other investments	(157,834)

We generally fund our investment activity through free cash flow, property-level financing, our 2007 unsecured revolving credit facility, term loans, senior unsecured notes, construction loans and, from time to time, we issue common or preferred stock. During the year ended December 31, 2009, when compared to the year ended December 31, 2008, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$ (1,602,715)
Repayments under our debt obligations	644,340
Proceeds from issuance of common stock	387,138
Repurchases of common stock	151,986
Noncontrolling interests, contributions in excess of distributions	(4,934)
Other financing activities	(6,564)
Dividends and distributions paid	129,048

Capitalization

As of December 31, 2009, we had 77,514,292 shares of common stock, 1,684,283 units of limited partnership interest in our operating partnership, 6,300,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock and 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, outstanding.

In May 2009, we sold 19,550,000 shares of our common stock. The net proceeds from this offering (approximately $387.1 million) was primarily used to repurchase unsecured debt and for other corporate purposes.

In March 2007, our board of directors approved a stock repurchase plan under which we could buy up to $300.0 million shares of our common stock. This plan expired on December 31, 2008. As of December 31, 2008, we purchased and settled approximately $300.0 million, or 3.3 million shares of our common stock, at an average price of $90.49 per share.

Rights Plan

We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our common stockholders will be entitled to purchase from us a newly created series of junior preferred shares, subject to our ownership limit described below. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a purchase announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

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Dividend Reinvestment and Stock Purchase Plan

We filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which was declared effective in March 2009. We registered 2,000,000 shares of common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the years ended December 31, 2009 and 2008, we issued approximately 180 and 4,300 shares of our common stock and received approximately $5,000 and $0.3 million of proceeds from dividend reinvestments and/or stock purchases under the DRIP, respectively. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base share price of $30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess total return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2005. In April 2007, the Compensation Committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. The fair value of the award on the date of grant was determined to be $3.2 million. This fair value is expensed over the term of the restricted stock award. Forty percent of the value of the award was amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of $0.1 million, $0.2 million and $0.4 million related to this plan was recorded during the years ended December 31, 2009, 2008 and 2007, respectively.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan would share in a "performance pool" if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeded a cumulative total return to stockholders of 30% during the measurement period over a base share price of $68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30 consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30 day period. Each participant's award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark was achieved. Individual awards would be made in the form of partnership units, or LTIP Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the

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distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. On June 14, 2006, the compensation committee of our board of directors determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in our operating partnership that, subject to certain conditions, are convertible into shares of the Company's common stock or cash, at our election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period. We recorded approximately $2.3 million, $3.9 million and $2.1 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan will share in a "performance pool" if our total return to stockholders for the period from August 1, 2006 through July 31, 2009 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of $106.39 per share. The size of the pool will be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum award of $60 million. The maximum award will be reduced by the amount of any unallocated or forfeited awards. In the event the potential performance pool reaches the maximum award before July 31, 2009 and remains at that level or higher for 30 consecutive days, the performance period will end early and the pool will be formed on the last day of such 30 day period. Each participant's award under the 2006 Outperformance Plan will be designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant's participation agreement. Individual awards will be made in the form of partnership units, or LTIP Units, that, subject to vesting and the satisfaction of other conditions, are exchangeable for a per unit value equal to the then trading price of one share of our common stock. This value is payable in cash or, at our election, in shares of common stock. LTIP Units will be granted prior to the determination of the performance pool; however, they will only vest upon satisfaction of performance and time vesting thresholds under the 2006 Outperformance Plan, and will not be entitled to distributions until after the performance pool is established. Distributions on LTIP Units will equal the dividends paid on our common stock on a per unit basis. The 2006 Outperformance Plan provides that if the pool is established, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions will be paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units that are a part of the performance pool, whether vested or unvested. Although the amount of earned awards under the 2006 Outperformance Plan (i.e. the number of LTIP Units earned) will be determined when the performance pool is established, not all of the awards will vest at that time. Instead, one-third of the awards will vest on July 31, 2009 and each of the first two anniversaries thereafter based on continued employment.

In the event of a change in control of our company on or after August 1, 2007 but before July 31, 2009, the performance pool will be calculated assuming the performance period ended on July 31, 2009 and the total return

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continued at the same annualized rate from the date of the change in control to July 31, 2009 as was achieved from August 1, 2006 to the date of the change in control; provided that the performance pool may not exceed 200% of what it would have been if it was calculated using the total return from August 1, 2006 to the date of the change in control and a pro rated benchmark. In either case, the performance pool will be formed as described above if the adjusted benchmark target is achieved and all earned awards will be fully vested upon the change in control. If a change in control occurs after the performance period has ended, all unvested awards issued under our 2006 Outperformance Plan will become fully vested upon the change in control.

The cost of the 2006 Outperformance Plan (approximately $16.4 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period. We recorded approximately $0.4 million, $12.2 million and $2.5 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan. This charge of approximately $9.2 million is included in the compensation expense above. The performance criteria under the 2006 Outperformance Plan were not met. This plan expired with no value in 2009.

SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients may earn, in the aggregate, from approximately $15 million up to approximately $75 million of LTIP Units in our operating partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance has been achieved, approximately $25 million of awards may be earned at any time after the beginning of the second year and an additional approximately $25 million of awards may be earned at any time after the beginning of the third year. The amount of awards earned will range from approximately $15 million if our aggregate stock price appreciation during the performance period is 25% to the maximum amount of approximately $75 million if our aggregate stock price appreciation during the performance period is 50% or greater. No awards will be earned if our aggregate stock price appreciation is less than 25%. After the awards are earned, they will remain subject to vesting, with 50% of any LTIP Units earned vesting on January 1, 2013 and an additional 25% vesting on each of January 1, 2014 and 2015 based, in each case, on continued employment through the vesting date. We will not pay distributions on any LTIP Units until they are earned, at which time we will pay all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period. The compensation committee and its advisors are in the process of finalizing the documentation of the 2010 Long-Term Compensation Plan. We recorded compensation expense of approximately $0.6 million in 2009 related to this plan.

Deferred Stock Compensation Plan for Directors

Under our Independent Director's Deferral Program, which commenced July 2004, our non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees and meeting fees. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The phantom stock units are convertible into an equal number of shares of common stock upon such directors' termination of service from the board of directors or a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of our common stock on the applicable dividend record date for the respective quarter. Each participating non-employee director's account is also credited for an equivalent amount of phantom stock units based on the dividend rate for each quarter.

During the year ended December 31, 2009, approximately 26,000 phantom stock units were earned. As of December 31, 2009, there were approximately 48,410 phantom stock units outstanding.

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Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock will be offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2009, approximately 36,313 shares of our common stock had been issued under the ESPP.

Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 6,000,000 shares, or the Fungible Pool Limit, may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At December 31, 2009, approximately 3.0 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 4.2 million shares if all shares available under the 2005 Plan were issued as five-year options.

Market Capitalization

At December 31, 2009, borrowings under our mortgage loans, 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities (including our share of joint venture debt of approximately $1.8 billion) represented 61.4% of our combined market capitalization of approximately $11.0 billion (based on a common stock price of $50.24 per share, the closing price of our common stock on the New York Stock Exchange on December 31, 2009). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our operating partnership, and our share of joint venture debt.

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Indebtedness

The table below summarizes our consolidated mortgage debt, 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2009 and 2008, respectively (dollars in thousands).

	December 31,	
Debt Summary:	**2009**	**2008**
Balance		
Fixed rate	**$ 3,256,081**	$ 3,918,454
Variable rate hedged	**60,000**	60,000
Total fixed rate	**3,316,081**	3,978,454
Variable rate	**1,110,391**	1,427,677
Variable rate supporting variable rate assets	**466,216**	175,428
Total variable rate	**1,576,607**	1,603,105
Total	**$ 4,892,688**	$ 5,581,559
Percent of Total Debt:		
Total fixed rate	**67.8%**	71.3%
Variable rate	**32.2%**	28.7%
Total	**100.0%**	100.0%
Effective Interest Rate for the Year:		
Fixed rate	**5.60%**	5.37%
Variable rate	**1.45%**	4.05%
Effective interest rate	**4.30%**	5.24%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.23% and 0.44% at December 31, 2009 and 2008, respectively). Our consolidated debt at December 31, 2009 had a weighted average term to maturity of approximately 4.9 years.

Certain of our structured finance investments, with a carrying value of approximately $466.2 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2009.

Mortgage Financing

As of December 31, 2009, our total mortgage debt (excluding our share of joint venture debt of approximately $1.8 billion) consisted of approximately $2.3 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.98% and approximately $262.5 million of variable rate debt with an effective weighted average interest rate of approximately 2.22%.

Corporate Indebtedness

2007 Unsecured Revolving Credit Facility

We have a $1.5 billion unsecured revolving credit facility, or the 2007 unsecured revolving credit facility. The 2007 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR which, based on our leverage ratio is currently 90 basis points. This facility matures in June 2011 and has a one-year as-of-right extension option. The 2007 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2007 unsecured revolving credit facility had approximately $1.37 billion outstanding at December 31, 2009. Availability under the

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2007 unsecured revolving credit facility was further reduced at December 31, 2009 by the issuance of approximately $27.1 million in letters of credit. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

In August 2009, we amended our 2007 unsecured revolving credit facility to provide us with the ability to acquire a portion of the loans outstanding under our 2007 unsecured revolving credit facility. In August 2009, a subsidiary of ours repurchased approximately $48.0 million of the total commitment, and we realized gains on early extinguishment of debt of approximately $7.1 million.

Term Loans

In December 2007, we closed on a $276.7 million ten-year term loan which carried an effective fixed interest rate of 5.19%. This loan was secured by our interest in 388 and 390 Greenwich Street. This secured term loan, which was scheduled to mature in December 2017, was repaid and terminated in May 2008.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2009 (in thousands):

Issuance	Accreted Balance	Coupon Rate(5)	Term (in Years)	Maturity
January 22, 2004(1)(2)	$ 123,607	5.15%	7	January 15, 2011
August 13, 2004(1)	150,000	5.875%	10	August 15, 2014
March 31, 2006(1)	274,727	6.00%	10	March 31, 2016
June 27, 2005(1)(3)	114,821	4.00%	20	June 15, 2025
March 26, 2007(4)	159,905	3.00%	20	March 30, 2027
	$ 823,060			

(1) Assumed as part of the Reckson Merger.

(2) During the year ended December 31, 2009, we repurchased approximately $26.4 million of these notes and realized net gains on early extinguishment of debt of approximately $2.5 million.

(3) Exchangeable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491. During the year ended December 31, 2009, we repurchased approximately $69.1 million of these notes and realized net gains on early extinguishment of debt of approximately $1.0 million.

(4) In March 2007, we issued $750.0 million of these convertible notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our operating partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the year ended December 31, 2009, we repurchased approximately $421.1 million of these bonds and realized net gains on early extinguishment of debt of approximately $75.4 million.

(5) Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.

In March 2009, the $200.0 million, 7.75% unsecured notes, assumed as part of the Reckson Merger, matured and were redeemed at par.

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On April 27, 2007, the $50.0 million 6.0% unsecured notes scheduled to mature in June 2007 and the $150.0 million 7.20% unsecured notes scheduled to mature in August 2007, assumed as part of the Reckson Merger, were redeemed.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued $100.0 million of Trust Preferred Securities, which are reflected on the balance sheet at December 31, 2007 as Junior Subordinate Deferrable Interest Debentures. The proceeds were used to repay our unsecured revolving credit facility. The $100.0 million of junior subordinate deferrable interest debentures have a 30-year term ending July 2035. They bear interest at a fixed rate of 5.61% for the first 10 years ending July 2015. Thereafter, the rate will float at three month LIBOR plus 1.25%. The securities are redeemable at par beginning in July 2010.

Restrictive Covenants

The terms of our 2007 unsecured revolving credit facility and senior unsecured notes include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations.

The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations for such period, subject to certain other adjustments. As of December 31, 2009 and 2008, we were in compliance with all such covenants.

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2009 and 2008, would increase our annual interest cost by approximately $15.2 million and $15.3 million and would increase our share of joint venture annual interest cost by approximately $6.4 million and $7.4 million, respectively.

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized immediately in earnings.

Approximately $3.3 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of December 31, 2009 ranged from LIBOR plus 75 basis points to LIBOR plus 400 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and notes payable, 2007 unsecured revolving credit facility, senior unsecured notes (net of discounts), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense, and our obligations under our capital and ground leases, as of December 31, 2009 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 28,557	$ 269,185	$ 149,975	$ 454,396	$ 30,052	$ 1,663,387	$ 2,595,552
Revolving Credit Facility			1,374,076				1,374,076
Trust Preferred Securities						100,000	100,000
Senior Unsecured Notes	114,821	123,607	159,905		150,000	274,727	823,060
Capital lease	1,451	1,555	1,555	1,555	1,555	45,649	53,320
Ground leases	31,053	28,929	28,179	28,179	28,179	580,600	725,119
Estimated interest expense	211,080	185,262	158,456	142,484	126,509	308,931	1,132,722
Joint venture debt	115,130	206,951	60,759	6,684	334,499	1,124,699	1,848,722
Total	$ 502,092	$ 815,489	$ 1,932,905	$ 633,298	$ 670,794	$ 4,097,993	$ 8,652,571

Off-Balance Sheet Arrangements

We have a number of off-balance sheet investments, including joint ventures and structured finance investments. These investments all have varying ownership structures. Substantially all of our joint venture arrangements are accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control over the operating and financial decisions of these joint venture arrangements. Our off-balance sheet arrangements are discussed in Note 5, "Structured Finance Investments" and Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying financial statements. Additional information about the debt of our unconsolidated joint ventures is included in "Contractual Obligations" above.

Capital Expenditures

We estimate that for the year ending December 31, 2010, we will incur, approximately $107.9 million of capital expenditures which are net of loan reserves, (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties which are net of loan reserves, will be approximately $31.6 million. We expect to fund these capital expenditures with operating cash flow, property level financings and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect our capital needs will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

We expect to pay dividends to our stockholders based on the distributions we receive from the operating partnership primarily from property revenues net of operating expenses or, if necessary, from working capital or borrowings.

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of $0.40 per share, we would pay approximately $31.0 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable. We reduced our annual dividend from $3.15 in 2008 in order to conserve liquidity.

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Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. First Quality also provides additional services directly to tenants on a separately negotiated basis. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corp. has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to tenants above the base services specified in their lease agreements. The Service Corp. received approximately $1.6 million, $1.4 million and $0.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. First Quality leases 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We received approximately $75,000 in rent from Alliance in 2007. We sold this property in March 2007. We paid Alliance approximately $14.9 million, $15.1 million and $14.8 million for three years ended December 31, 2009, respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is $35,516 per year. From February 2007 through December 2008, Nancy Peck and Company leased 507 square feet of space at 420 Lexington Avenue pursuant to a lease which provided for annual rental payments of approximately $15,210. Prior to February 2007, Nancy Peck and Company leased 2,013 square feet of space at 420 Lexington Avenue, pursuant to a lease that expired on June 30, 2005 and which provided for annual rental payments of approximately $66,000. The rent due pursuant to that lease was offset against a consulting fee of $11,025 per month an affiliate paid to her pursuant to a consulting agreement, which was canceled in July 2006.

Management Fees

S.L. Green Management Corp. receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately $351,700 in 2009, $353,500 in 2008 and $297,100 in 2007.

Brokerage Services

Cushman & Wakefield Sonnenblick-Goldman, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the refinancing of 420 Lexington Avenue. In 2007, we paid approximately $2.0 million to Sonnenblick in connection with the financings obtained for 388-390 Greenwich Street, 16 Court Street, 485 Lexington Avenue and 1604 Broadway.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 13, "Related Party Transactions" in the accompanying financial statements. Management has evaluated its investment in Gramercy in accordance with notice 2008-234 issued by the joint SEC Office of the Chief Accountant and the FASB Staff which provided further guidance on fair value accounting. Management evaluated (1) the length of time and the extent to which the market value of our investment in Gramercy has been less than cost, (2) the financial condition and near-term prospects of Gramercy, the issuer, and (3) the intent and ability of SL Green, the holder, to retain its investment

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for a period of time sufficient enough to allow for anticipated recovery. Based on this evaluation, we recognized a loss on our investment in Gramercy of approximately $147.5 million in the fourth quarter of 2008.

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $450.0 million for acts of terrorism. This policy expires in December 31, 2010. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2010. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2010.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont was formed in an effort to, among other reasons; stabilize to some extent the fluctuations of insurance market conditions. Belmont is licensed in New York to write Terrorism,

NBCR (nuclear, biological, chemical, and radiological), General Liability, Environmental Liability and D&O coverage.

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective September 1, 2009, Belmont increased its terrorism coverage from $250 million to $400 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio.

General Liability: Belmont insures a deductible on the general liability insurance with a $150,000 deductible per occurrence and a $2.2 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $150,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.2 million. Belmont has retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.

Environmental Liability: Belmont insures a deductible of $1 million per occurrence on a $30 million environmental liability policy covering the entire portfolio.

As long as we own Belmont, we are responsible for its liquidity and capital resources, and the accounts of Belmont are part of our consolidated financial statements. If we experience a loss and Belmont is required to pay under its insurance policy, we would ultimately record the loss to the extent of Belmont's required payment. Therefore, insurance coverage provided by Belmont should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance.

TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of foreign and domestic terrorism. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases and our 2007 unsecured revolving credit facility, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing $1.0 billion of "all-risk" property insurance, including terrorism coverage, and a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of "all-risk" property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388 and 390 Greenwich Street, where we participate with SITQ, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

Funds from Operations

Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002 defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles, or GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties.

We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

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FFO for the years ended December 31, 2009, 2008 and 2007 are as follows (in thousands):

	Year Ended December 31,		
	2009	**2008**	**2007**
Net income attributable to SL Green common stockholders	**$ 37,669**	$ 360,935	$ 626,355
Add:			
Depreciation and amortization	**226,545**	216,583	174,593
Discontinued operations depreciation adjustment	**708**	6,656	12,456
Unconsolidated joint ventures depreciation and noncontrolling interests adjustment	**39,964**	42,559	27,538
Net income attributable to noncontrolling interests	**14,121**	23,238	36,467
Loss on equity investment in marketable securities	**396**	147,489	
Less:			
Gain (loss) on sale of discontinued operations	**(6,841)**	348,573	501,812
Gain on sale of joint venture property/ partial interest	**6,691**	103,056	31,509
Depreciation on non-rental real estate assets	**736**	975	902
Funds from Operations available to common stockholders	**318,817**	344,856	343,186
Dividends on convertible preferred shares			
Funds from Operations available to all stockholders	**$ 318,817**	$ 344,856	$ 343,186
Cash flows provided by operating activities	**$ 275,211**	$ 296,011	$ 406,705
Cash flows (used in) provided by investing activities	**$ (345,379)**	$ 396,219	$ (2,334,337)
Cash flows (used in) provided by financing activities	**$ (313,006)**	$ (11,305)	$ 1,856,418

Inflation

Substantially all of the office leases provide for separate real estate tax and operating expense escalations as well as operating expense recoveries based on increases in the Consumer Price Index or other measures such as porters' wage. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

Accounting Standards Updates

The Accounting Standards Updates are discussed in Note 2, "Significant Accounting Policies Accounting Standards Updates" in the accompanying financial statements.

Forward-Looking Information

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements relate to, without limitation, our future capital expenditures, dividends and acquisitions (including the amount and nature thereof) and other development trends of the real estate industry and the Manhattan, Westchester County, Connecticut, Long Island and New Jersey office markets, business strategies, and the expansion and growth of our operations. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Act and Section 21E of the Exchange Act. Such statements are subject to a number of assumptions, risks and uncertainties which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or the negative of these words, or other similar words or terms. Readers are cautioned not to place undue reliance on these forward-looking statements. Among the factors about which we have made assumptions are:

- general economic or business (particularly real estate) conditions, either nationally or in the New York Metro area being less favorable than expected if the credit crisis continues;
- reduced demand for office space;
- risks of real estate acquisitions;
- risks of structured finance investments and borrowers;
- availability and creditworthiness of prospective tenants and borrowers;
- tenant bankruptcies;
- adverse changes in the real estate markets, including increasing vacancy, increasing availability of sublease space, decreasing rental revenue and increasing insurance costs;
- availability, terms and deployment of capital (debt and equity);
- unanticipated increases in financing and other costs, including a rise in interest rates;
- our ability to comply with financial covenants in our debt instruments;
- declining real estate valuations and impairment charges;
- market interest rates could adversely affect the market price of our common stock, as well as our performance and cash flows;
- our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes, our operating partnership's ability to satisfy the rules in order for it to qualify as a partnership for federal income tax purposes, the ability of certain of our subsidiaries to qualify as REITs and certain of our subsidiaries to qualify as taxable REIT subsidiaries for federal income tax purposes and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;
- accounting principles and policies and guidelines applicable to REITs;

- competition with other companies;
- availability of and our ability to attract and retain qualified personnel;
- the continuing threat of terrorist attacks on the national, regional and local economies including, in particular, the New York City area and our tenants;
- legislative or regulatory changes adversely affecting REITs and the real estate business; and
- environmental, regulatory and/or safety requirements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect the Company's business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations Market Rate Risk" for additional information regarding our exposure to interest rate fluctuations.

The table below presents principal cash flows based upon maturity dates of our debt obligations and structured finance investments and the related weighted-average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2009 (in thousands):

	Long-Term Debt				Structured Finance Investments	
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**	**Amount**	**Weighted Yield**
2010	$ 141,905	5.91%	$ 1,473	1.24%	$ 413,733	7.72%
2011	368,680	5.90%	24,112	1.23%	7,000	11.71%
2012	251,672	5.88%	1,432,286	2.29%	56,020	8.87%
2013	335,660	5.90%	118,736	2.29%	23,455	13.50%
2014	180,052	5.94%		%	41,791	12.22%
Thereafter	2,038,112	5.96%		%	243,613	8.03%
Total	**$ 3,316,081**	**5.96%**	**$ 1,576,607**	**1.33%**	**$ 785,612(1)**	**8.80%**
Fair Value	$ 2,917,553		$ 1,463,825			

(1) Our structured finance investments had an estimated fair value ranging between $471.8 million and $707.2 million at December 31, 2009.

The table below presents the gross principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of December 31, 2009 (in thousands):

	Long Term Debt			
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**
2010	$ 29,410	4.49%	$ 85,720	2.94%
2011	405	4.46%	206,546	3.31%
2012	12,870	4.45%	47,889	2.88%
2013	1,182	4.45%	5,502	3.03%
2014	97,334	4.42%	237,166	3.03%
Thereafter	1,108,698	3.88%	16,000	1.39%
Total	**$ 1,249,899**	**4.31%**	**$ 598,823**	**3.00%**
Fair Value	$ 1,002,071		$ 588,574	

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The table below lists all of our derivative instruments, which are hedging variable rate debt, including joint ventures, and their related fair value as of December 31, 2009 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	Credit facility	LIBOR	$ 60,000	4.364%	1/2007	5/2010	$ (844)
Interest Rate Swap	Anticipated debt	10-Year Treasury	105,000	4.910%	12/2009	12/2019	(8,271)
Interest Rate Swap	Anticipated debt	10-Year Treasury	100,000	4.705%	12/2009	12/2019	(6,186)
Interest Rate Cap	Mortgage	LIBOR	128,000	6.000%	2/2009	2/2010	
Interest Rate Cap	Mortgage	LIBOR	128,000	6.000%	2/2010	2/2011	5
Total Consolidated Hedges			$ 393,000				$ (15,296)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps were out of the money and had a value of $4,100 at December 31, 2009. One of our joint ventures had a LIBOR swap in place on a national amount of $560.0 million. This hedge, which matures in December 2017, had a fair value obligation of approximately $17.1 million at December 31, 2009.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Schedules

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of SL Green Realty Corp.:

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company retrospectively changed its method of accounting for its convertible debt instruments with the adoption of the guidance originally issued in FSP APB 14-1 "Accounting for Convertible Debt Instruments that maybe settled in cash upon conversion (including Partial Cash Settlement)" (codified primarily in FASB ASC Topic 470-20, "Debt with Conversion and Other Options") effective January 1, 2009. The Company retrospectively changed its presentation of non-controlling interests with the adoption of the guidance originally issued in SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (codified in FASB ASC Topic 810-10, "Consolidation") effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 16, 2010

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SL Green Realty Corp.

Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	December 31, 2009	December 31, 2008
Assets		
Commercial real estate properties, at cost:		
Land and land interests	**$ 1,379,052**	$ 1,386,090
Building and improvements	**5,585,584**	5,544,019
Building leasehold and improvements	**1,280,256**	1,259,472
Property under capital lease	**12,208**	12,208
	8,257,100	8,201,789
Less: accumulated depreciation	**(738,422)**	(546,545)
	7,518,678	7,655,244
Assets held for sale	**992**	184,035
Cash and cash equivalents	**343,715**	726,889
Restricted cash	**94,495**	105,954
Investment in marketable securities	**58,785**	9,570
Tenant and other receivables, net of allowance of $14,271 and $16,898 in 2009 and 2008, respectively	**22,483**	30,882
Related party receivables	**8,570**	7,676
Deferred rents receivable, net of allowance of $24,347 and $19,648 in 2009 and 2008, respectively	**166,981**	145,561
Structured finance investments, net of discount of $46,802 and $18,764 and allowance of $93,844 and $45,766 in 2009 and 2008, respectively	**784,620**	679,814
Investments in unconsolidated joint ventures	**1,058,369**	975,483
Deferred costs, net	**139,257**	133,052
Other assets	**290,632**	330,193
Total assets	**$ 10,487,577**	$ 10,984,353
Liabilities		
Mortgage notes payable	**$ 2,595,552**	$ 2,591,358
Revolving credit facility	**1,374,076**	1,389,067
Senior unsecured notes	**823,060**	1,501,134
Accrued interest payable and other liabilities	**34,734**	70,692
Accounts payable and accrued expenses	**125,982**	133,100
Deferred revenue/gain	**349,669**	427,936
Capitalized lease obligation	**16,883**	16,704
Deferred land leases payable	**18,013**	17,650
Dividend and distributions payable	**12,006**	26,327
Security deposits	**39,855**	34,561
Liabilities related to assets held for sale		106,534
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	**100,000**	100,000
Total liabilities	**5,489,830**	6,415,063
Commitments and Contingencies		

Noncontrolling interests in operating partnership	**84,618**	87,330
Equity		
SL Green stockholders equity:		
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 6,300 issued and outstanding at December 31, 2009 and 2008, respectively	**151,981**	151,981
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 4,000 issued and outstanding at December 31, 2009 and 2008, respectively	**96,321**	96,321
Common stock, $0.01 par value 160,000 shares authorized and 80,875 and 60,404 issued and outstanding at December 31, 2009 and 2008, respectively (including 3,360 shares at both December 31, 2009 and 2008 held in Treasury, respectively)	**809**	604
Additional paid-in-capital	**3,525,901**	3,079,159
Treasury stock at cost	**(302,705)**	(302,705)
Accumulated other comprehensive loss	**(33,538)**	(54,747)
Retained earnings	**949,669**	979,939
Total SL Green stockholders' equity	**4,388,438**	3,950,552
Noncontrolling interests in other partnerships	**524,691**	531,408
Total equity	**4,913,129**	4,481,960
Total liabilities and equity	**$ 10,487,577**	$ 10,984,353

The accompanying notes are an integral part of these financial statements.

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SL Green Realty Corp.

Consolidated Statements of Income

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2009	**2008**	**2007**
Revenues			
Rental revenue, net	**$ 773,216**	$ 773,960	$ 662,481
Escalation and reimbursement	**124,455**	123,038	108,954
Preferred equity and investment income	**65,609**	110,919	82,692
Other income	**47,379**	71,505	120,703
Total revenues	**1,010,659**	1,079,422	974,830
Expenses			
Operating expenses including $14,882 (2009), $15,104 (2008) and $14,820 (2007) to affiliates	**217,559**	228,191	207,978
Real estate taxes	**141,723**	126,304	120,972
Ground rent	**31,826**	31,494	32,389
Interest expense, net of interest income	**236,300**	291,536	256,941
Amortization of deferred financing costs	**7,947**	6,433	15,893
Depreciation and amortization	**226,545**	216,583	174,257
Loan loss and other investment reserves	**150,510**	115,882	
Marketing, general and administrative	**73,992**	104,583	93,045
Total expenses	**1,086,402**	1,121,006	901,475
Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures, gain on sale, noncontrolling interest and discontinued operations	**(75,743)**	(41,584)	73,355
Equity in net income from unconsolidated joint ventures	**62,878**	59,961	46,765
Income (loss) from continuing operations before gains, noncontrolling interest and discontinued operations	**(12,865)**	18,377	120,120
Equity in net gain on sale of interest in unconsolidated joint venture	**6,691**	103,056	31,509
Loss on equity investment in marketable securities	**(396)**	(147,489)	
	86,006	77,465	

Gain on early extinguishment of debt			
Income from continuing operations	**79,436**	51,409	151,629
Net (loss) income from discontinued operations	**(930)**	4,066	29,256
Gain (loss) on sale of discontinued operations	**(6,841)**	348,573	501,812
Net income	**71,665**	404,048	682,697
Net income attributable to noncontrolling interests in the operating partnership	**(1,221)**	(14,561)	(26,084)
Net income attributable to noncontrolling interests in other partnerships	**(12,900)**	(8,677)	(10,383)
Net income attributable to SL Green	**57,544**	380,810	646,230
Preferred stock dividends	**(19,875)**	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	**$ 37,669**	$ 360,935	$ 626,355
Amounts attributable to SL Green common stockholders:			
Income (loss) from continuing operations	**$ 38,716**	$ (77,085)	$ 86,269
Discontinued operations	**(901)**	3,908	28,087
Gain (loss) on sale of discontinued operations	**(6,630)**	335,055	481,750
Gain (loss) on sale of unconsolidated joint ventures/ real estate	**6,484**	99,057	30,249
Net income	**$ 37,669**	$ 360,935	$ 626,355
Basic earnings per share:			
Net income (loss) from continuing operations before gain on sale and discontinued operations	**$ 0.56**	$ (1.33)	$ 1.47
Net (loss) income from discontinued operations, net of noncontrolling interest	**(0.01)**	0.07	0.47
Gain (loss) on sale of discontinued operations, net of noncontrolling interest	**(0.10)**	5.77	8.20
Gain on sale of joint venture property/ partial interest	**0.09**	1.71	0.52
Net income attributable to SL Green common stockholders	**$ 0.54**	$ 6.22	$ 10.66
Diluted earnings per share:			
	$ 0.56	$ (1.32)	$ 1.45

Net income (loss) from continuing operations before gain on sale and discontinued operations						
Net (loss) income from discontinued operations		**(0.01)**		0.07		0.47
Gain (loss) on sale of discontinued operations		**(0.10)**		5.75		8.11
Gain on sale of joint venture property/ partial interest		**0.09**		1.70		0.51
Net income attributable to SL Green common stockholders	**$**	**0.54**	$	6.20	$	10.54
Basic weighted average common shares outstanding		**69,735**		57,996		58,742
Diluted weighted average common shares and common share equivalents outstanding		**72,044**		60,598		61,885

The accompanying notes are an integral part of these financial statements.

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SL Green Realty Corp.
Condensed Consolidated Statement of Equity
(Unaudited, and amounts in thousands, except per share data)

	SL Green Realty Corp. Stockholders										
	Series C Preferred Stock	Series D Preferred Stock	Common Stock Shares	Common Stock Par Value	Additional Paid-In-Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total	Comprehensive Income
Balance at December 31, 2006	$ 151,981	$ 96,321	49,840	$ 498	$ 1,809,893	$	$ 13,971	$ 322,219	$ 56,162	$ 2,451,045	$ 225,865
Comprehensive Income:											
Net income								646,230	17,105	663,335	$ 663,335
Net unrealized loss on derivative instruments							(9,226)			(9,226)	(9,226)
SL Green's share of joint venture net unrealized loss on derivative instruments											(788)
Preferred dividends								(19,875)		(19,875)	
Redemption of units and DRIP proceeds			451	5	24,436					24,441	
Deferred compensation plan & stock award, net			418	4	650					654	
Amortization of deferred compensation plan					35,907					35,907	
Proceeds from stock options exercised			349	4	12,913					12,917	
Common stock issued in connection with Reckson Merger			9,013	90	1,048,088					1,048,178	
Treasury stock-at cost			(1,312)			(150,719)				(150,719)	
Cumulative effect of accounting charge					79,703					79,703	
Contributions from noncontrolling interests									582,878	582,878	
Distributions to noncontrolling interests									(33,730)	(33,730)	
Deconsolidation of noncontrolling									9,985	9,985	

interests											
Cash distribution declared ($2.89 per common share, none of which represented a return of capital for federal income tax purposes)								(170,893)		(170,893)	
Balance at December 31, 2007	$ 151,981	$ 96,321	58,759	$ 601	$ 3,011,590	$ (150,719)	$ 4,745	$ 777,681	$ 632,400	$ 4,524,600	$ 653,321
Comprehensive Income:											
Net income								380,810	12,505	393,315	$ 393,315
Net unrealized loss on derivative instruments							(31,120)			(31,120)	(31,120)
SL Green's share of joint venture net unrealized loss on derivative instruments							(28,372)			(28,372)	(28,372)
Preferred dividends								(19,875)		(19,875)	
Redemption of units and DRIP proceeds			4		312					312	
Deferred compensation plan & stock award, net			133	1	583					584	
Amortization of deferred compensation plan					59,616					59,616	
Proceeds from stock options exercised			196	2	7,058					7,060	
Treasury stock-at cost			(2,048)			(151,986)				(151,986)	
Contributions from noncontrolling interests									21,771	21,771	
Distributions to noncontrolling interests									(52,031)	(52,031)	
Deconsolidation of noncontrolling interests									(83,237)	(83,237)	
Cash distribution declared ($2.7375 per common share none of which represented a return of capital for federal income tax								(158,677)		(158,677)	

purposes)

Balance at December 31, 2008	**$ 151,981**	**$ 96,321**	**57,044**	**$ 604**	**$ 3,079,159**	**$ (302,705)**	**$ (54,747)**	**$ 979,939**	**$ 531,408**	**$ 4,481,960**	**$ 333,823**
Comprehensive Income:											
Net income								**57,544**	**12,900**	**70,444**	**$ 70,444**
Net unrealized gain on derivative instruments							**20,359**			**20,359**	**20,359**
SL Green's share of joint venture net unrealized loss on derivative instruments							**(233)**			**(233)**	**(233)**
Unrealized gain on investments							**1,083**			**1,083**	**1,083**
Preferred dividends								**(19,875)**		**(19,875)**	
Redemption of units and DRIP proceeds			**653**	**7**	**28,560**					**28,567**	
Reallocation of noncontrolling interest in the operating partnership								**(23,217)**		**(23,217)**	
Deferred compensation plan & stock award, net			**246**	**2**	**581**					**583**	
Amortization of deferred compensation plan					**30,040**					**30,040**	
Net proceeds from common stock offering			**19,550**	**196**	**386,942**					**387,138**	
Proceeds from stock options exercised			**22**		**619**					**619**	
Distributions to noncontrolling interests									**(19,617)**	**(19,617)**	
Cash distribution declared ($0.675 per common share none of which represented a return of capital for federal income tax purposes)								**(44,722)**		**(44,722)**	
Balance at December 31, 2009	**$ 151,981**	**$ 96,321**	**77,515**	**$ 809**	**$ 3,525,901**	**$ (302,705)**	**$ (33,538)**	**$ 949,669**	**$ 524,691**	**$ 4,913,129**	**$ 91,653**

The accompanying notes are an integral part of these financial statements.

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SL Green Realty Corp.

Consolidated Statements Of Cash Flows

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2009	**2008**	**2007**
Operating Activities			
Net income	**$ 71,664**	$ 407,877	$ 682,697
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**235,200**	229,510	204,831
(Gain) loss on sale of discontinued operations	**6,841**	(348,573)	(501,812)
Equity from net income from unconsolidated joint ventures	**(62,878)**	(59,961)	(46,765)
Distributions of cumulative earnings of unconsolidated joint ventures	**40,677**	67,136	45,856
Equity in net gain on sale of unconsolidated joint venture/partial interest	**(6,691)**	(103,056)	(31,509)
Loan loss and other investment reserves	**150,510**	115,882	
Loss on equity investment in marketable securities	**396**	147,489	
Gain on early extinguishment of debt	**(86,006)**	(77,465)	
Deferred rents receivable	**(26,267)**	(38,866)	(51,863)
Other non-cash adjustments	**(2,533)**	34,673	51,953
Changes in operating assets and liabilities:			
Restricted cash operations	**16,219**	(13,283)	(15,444)
Tenant and other receivables	**11,026**	11,553	(17,362)
Related party receivables	**(894)**	5,505	(6,238)
Deferred lease costs	**(21,202)**	(39,709)	(32,933)
Other assets	**(28,863)**	(3,594)	37,179
Accounts payable, accrued expenses and other liabilities	**(14,761)**	(49,295)	83,314
Deferred revenue and land lease payable	**(7,227)**	10,188	4,801
Net cash provided by operating activities	**275,211**	296,011	406,705
Investing Activities			
Acquisitions of real estate property	**(16,059)**	(67,751)	(4,188,318)
Proceeds from Asset Sale			1,964,914
Additions to land, buildings and improvements	**(90,971)**	(132,375)	(93,762)
Escrowed cash capital improvements/acquisitions deposits	**(5,318)**	11,376	149,337
Investments in unconsolidated joint ventures	**(107,716)**	(45,776)	(823,043)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**38,846**	458,236	82,449
Net proceeds from disposition of real estate/partial interest in property	**27,946**	206,782	1,021,716
Other investments	**(47,719)**	8,168	(96,955)
Structured finance and other investments net of repayments/participations	**(144,388)**	(42,441)	(350,675)
Net cash provided by (used in) investing activities	**(345,379)**	396,219	(2,334,337)
Financing Activities			
Proceeds from mortgage notes payable	**192,399**	161,577	809,914
Repayments of mortgage notes payable	**(169,688)**	(26,233)	(124,339)
Proceeds from revolving credit facility, term loan and senior unsecured notes	**30,433**	1,663,970	3,834,339
Repayments of revolving credit facility, term loan and senior unsecured notes	**(646,317)**	(1,434,112)	(2,837,813)
Proceeds from stock options exercised	**619**	7,372	12,917
Net proceeds from sale of common stock	**387,138**		
Purchases of Treasury Stock		(151,986)	(150,719)
Distributions to noncontrolling interests in other partnerships	**(19,617)**	(54,566)	(16,497)
Contributions from noncontrolling interests in other partnerships		39,883	548,305
Distributions to noncontrolling interests in operating partnership	**(2,170)**	(6,405)	(6,970)
Dividends paid on common and preferred stock	**(78,321)**	(203,134)	(181,315)
Deferred loan costs and capitalized lease obligation	**(7,482)**	(7,671)	(31,404)
Net cash (used in) provided by financing activities	**(313,006)**	(11,305)	1,856,418

Net increase (decrease) in cash and cash equivalents		**(383,174)**		680,925		(71,214)
Cash and cash equivalents at beginning of period		**726,889**		45,964		117,178
Cash and cash equivalents at end of period	**$**	**343,715**	$	726,889	$	45,964
Supplemental cash flow disclosures						
Interest paid	**$**	**257,393**	$	305,022	$	309,752
Income taxes paid	**$**	**818**	$	906	$	1,644

In December 2009, 2008 and 2007, the Company declared quarterly distributions per share of $0.10, $0.375 and $0.7875, respectively. These distributions were paid in January 2010, 2009 and 2008, respectively.

The accompanying notes are an integral part of these financial statements.

SL Green Realty Corp.

Notes to Consolidated Financial Statements

December 31, 2009

1. Organization and Basis of Presentation

SL Green Realty Corp., also referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., or the operating partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The operating partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to reduce or avoid the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the operating partnership.

Substantially all of our assets are held by, and our operations are conducted through, the operating partnership. The Company is the sole managing general partner of the operating partnership. As of December 31, 2009, minority investors held, in the aggregate, a 2.1% limited partnership interest in the operating partnership.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. We paid approximately $6.0 billion, inclusive of debt assumed and transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson's former executive management for a total consideration of approximately $2.0 billion.

As of December 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	21	13,782,200	94.6%
	Unconsolidated properties	8	9,429,000	95.6%
Suburban	Consolidated properties	25	3,863,000	84.8%
	Unconsolidated properties	6	2,941,700	93.7%
		60	30,015,900	93.4%

(1) The weighted average occupancy represents the total leased square feet divided by total available square feet.

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

1. Organization and Basis of Presentation (Continued)

manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

Partnership Agreement

In accordance with the partnership agreement of the operating partnership, or the operating partnership agreement, we allocate all distributions and profits and losses in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the operating partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the operating partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to avoid any Federal income or excise tax at the Company level. Under the operating partnership agreement, each limited partner will have the right to redeem units of limited partnership interests for cash, or if we so elect, shares of our common stock on a one-for-one basis.

2. Significant Accounting Policies

In June 2009, the Financial Accounting Standards Board, or FASB, issued guidance regarding the Accounting Codification and the Hierarchy of Generally Accepted Accounting Principles. This guidance establishes the FASB Accounting Standards Codification, or the Codification, as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP, and states that all guidance contained in the Codification carries equal level of authority. Rules and interpretive releases of the Securities and Exchange Commissions, or SEC, under federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification does not change GAAP, however it does change the way in which it is to be researched and referenced. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We have implemented the Codification in this annual report.

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us or entities which are variable interest entities in which we are the primary beneficiary. See Note 5, Note 6 and Note 7. Entities which we do not control and entities which are variable interest entities, but where we are not the primary beneficiary are accounted for under the equity method. We have two variable interest entities for which we are considered to be the primary beneficiary as a result of loans we made to our joint venture partner to fund his equity in the joint venture. The interest that we do not own is included in "Noncontrolling Interest in Other Partnerships" on the balance sheet. All significant intercompany balances and transactions have been eliminated.

Effective January 1, 2009, we revised the presentation of noncontrolling interests in our consolidated financial statements. A noncontrolling interest in a consolidated subsidiary is defined as "the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent". Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet. In addition, the presentation of

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

net income was modified by requiring earnings and other comprehensive income to be attributed to controlling and noncontrolling interests. Below are the steps we have taken as a result of the implementation of this standard:

- We have reclassified the noncontrolling interests of other consolidated partnerships from the mezzanine section of our balance sheet to equity. This reclassification totaled approximately $531.4 million as of December 31, 2008.

- Noncontrolling interests of our operating partnership will continue to be classified in the mezzanine section of the balance sheet as these redeemable OP Units do not meet the requirements for equity classification. The redemption feature requires the delivery of cash or shares of stock. See Note 15.

- Net income attributable to noncontrolling interests of our operating partnership and of other consolidated partnerships is no longer included in the determination of net income. We reclassified prior year amounts to reflect this requirement. The adoption of this standard had no effect on our earnings per share.

- We adjust the noncontrolling interests of our operating partnership each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption value. Net income is allocated to the noncontrolling partners of our operating partnership based on their weighted average ownership percentage during the period.

When accounting for our joint venture investments we apply the accounting standards which note that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's business and thereby preclude the general partner from exercising unilateral control over the partnership.

If we retain an interest in the buyer and provide certain guarantees we account for such transaction as a profit-sharing arrangement. For transactions treated as profit-sharing arrangements, we record a profit-sharing obligation for the amount of equity contributed by the other partner and continue to keep the property and related accounts recorded on our books. Any debt assumed by the buyer would continue to be recorded on our books. The results of operations of the property, net of expenses other than depreciation (net operating income), are allocated to the other partner for its percentage interest and reflected as "co-venture expense" in our consolidated financial statements. In future periods, a sale is recorded and profit is recognized when the remaining maximum exposure to loss is reduced below the amount of gain deferred.

Investment in Commercial Real Estate Properties

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the redevelopment of rental properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Once an asset is held for sale, depreciation expense is no longer recorded and the historic results are reclassified as discontinued operations. See Note 4.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Category	Term
Building (fee ownership)	40 years
Building improvements	shorter of remaining life of the building or useful life
Building (leasehold interest)	lesser of 40 years or remaining term of the lease
Property under capital lease	remaining lease term
Furniture and fixtures	four to seven years
Tenant improvements	shorter of remaining term of the lease or useful life

Depreciation expense (including amortization of the capital lease asset) amounted to approximately $210.4 million, $202.9 million and $164.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties and discounted for unconsolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred and is considered to be other than temporary, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the value of any of our consolidated rental properties or equity investments in rental properties was impaired at December 31, 2009 and 2008, respectively.

A variety of costs are incurred in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

Results of operations of properties acquired are included in the Statement of Income from the date of acquisition.

We allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above-, below- and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years and from one to 14 years, respectively. The values of the above- and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income over the remaining term of the associated lease, which range from one to 14 years. The value associated with in-place leases are amortized over the expected term of the associated lease, which range from one to 14 years. If a tenant vacates its space prior to

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

We recognized an increase of approximately $24.0 million, $25.3 million and $4.5 million in rental revenue for the years ended December 31, 2009, 2008 and 2007, respectively, for the amortization of aggregate below-market rents in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above-market rate mortgages of approximately $2.7 million, $6.9 million and $6.1 for the years ended December 31, 2009, 2008 and 2007, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2009 (in thousands):

	December 31, 2009	December 31, 2008
Identified intangible assets (included in other assets):		
Gross amount	$ 236,594	$ 236,594
Accumulated amortization	(98,090)	(60,074)
Net	$ 138,504	$ 176,520
Identified intangible liabilities (included in deferred revenue):		
Gross amount	$ 480,770	$ 480,770
Accumulated amortization	(164,073)	(101,585)
Net	$ 316,697	$ 379,185

The estimated annual amortization of acquired below-market leases, net of acquired above-market leases (a component of rental revenue), for each of the five succeeding years is as follows (in thousands):

2010	$ 18,068
2011	18,082
2012	16,413
2013	14,329
2014	10,904

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

The estimated annual amortization of all other identifiable assets (a component of depreciation and amortization expense) including tenant improvements for each of the five succeeding years is as follows:

2010	$ 6,529
2011	5,311
2012	4,521
2013	3,895
2014	3,411

Cash and Cash Equivalents

We consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Investment in Marketable Securities

We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value, based on Level 2 information pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings. At December 31, 2009, we held approximately $58.8 million of marketable securities which were designated as available-for-sale. We recorded a net unrealized gain of approximately $1.1 million in accumulated other comprehensive loss during the year ended December 31, 2009.

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence, but do not control these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures which are VIEs and where we are considered to be the primary beneficiary, even though we do not control the entity. In all these joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us. See Note 6.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash primarily consists of security deposits held on behalf of our tenants, interest reserves, as well as capital improvement and real estate tax escrows required under certain loan agreements.

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. A portion of their compensation, approximating $7.9 million, $8.3 million and $7.0 million for the years ended December 31, 2009, 2008 and 2007, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal and other third party costs associated with obtaining commitments for financing which result in a closing of such financing. These costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financial transactions, which do not close, are expensed in the period in which it is determined that the financing will not close.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the balance sheet is net of such allowance.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations.

Electricity is most often supplied by the landlord either on a sub-metered basis, or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) typically are provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided outside normal business hours.

These escalations are based on actual expenses incurred in the prior calendar year. If the expenses in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

We record a gain on sale of real estate when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and we have no substantial economic involvement with the buyer.

Interest income on structured finance investments is recognized over the life of the investment using the effective interest method and recognized on the accrual basis. Fees received in connection with loan commitments are deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Anticipated exit fees, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield. Fees on commitments that expire unused are recognized at expiration.

Income recognition is generally suspended for structured finance investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Asset management fees are recognized on a straight-line basis over the term of the asset management agreement.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required rent payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required.

Reserve for Possible Credit Losses

The expense for possible credit losses in connection with structured finance investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses by loan. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $54.6 million and $14.2 million in loan loss reserves and charge offs during the year ended December 31, 2009 and 2008, respectively, on investments being held to maturity.

Structured finance investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the loan will be reclassified at its net carrying value to structured finance investments held to maturity. During the quarter ended September 30, 2009, we reclassified loans with a net carrying value of approximately $56.7 million from held for sale to held to maturity. For these reclassified loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

loan. As of December 31, 2009, one loan with a net carrying value of approximately $1.0 million had been designated as held for sale. We recorded a mark-to-market adjustment of approximately $69.1 million against our held for sale investment during the year ended December 31, 2009.

Rent Expense

Rent expense is recognized on a straight-line basis over the initial term of the lease. The excess of the rent expense recognized over the amounts contractually due pursuant to the underlying lease is included in the deferred land lease payable in the accompanying balance sheets.

Income Taxes

We are taxed as a REIT under Section 856(c) of the Code. As a REIT, we generally are not subject to Federal income tax. To maintain our qualification as a REIT, we must distribute at least 90% of our REIT taxable income to our stockholders and meet certain other requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to Federal income tax on our taxable income at regular corporate rates. We may also be subject to certain state, local and franchise taxes. Under certain circumstances, Federal income and excise taxes may be due on our undistributed taxable income.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRS's generate income, resulting in Federal income tax liability for these entities. Our TRS's recorded approximately $1.0 million, $(2.0) million and $4.2 million in Federal, state and local tax (benefit)/expense in 2009, 2008 and 2007, respectively, of which $0.8 million, $0.9 million and $1.6 million, respectively, had been paid.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

Underwriting Commissions and Costs

Underwriting commissions and costs incurred in connection with our stock offerings are reflected as a reduction of additional paid-in-capital.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 14.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our plan has characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options.

Compensation cost for stock options, if any, is recognized ratably over the vesting period of the award. Our policy is to grant options with an exercise price equal to the quoted closing market price of our stock on the grant date. Awards of stock or restricted stock are expensed as compensation over the benefit period based on the fair value of the stock on the grant date.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model based on historical information with the following weighted average assumptions for grants in 2009, 2008 and 2007.

	2009	2008	2007
Dividend yield	**2.15%**	2.99%	2.10%
Expected life of option	**5 years**	5 years	5 years
Risk-free interest rate	**2.17%**	3.24%	4.63%
Expected stock price volatility	**53.08%**	25.47%	21.61%

Derivative Instruments

In the normal course of business, we use a variety of derivative instruments to manage, or hedge, interest rate risk. We require that hedging derivative instruments are effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

To determine the fair values of derivative instruments, we use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

In the normal course of business, we are exposed to the effect of interest rate changes and limit these risks by following established risk management policies and procedures including the use of derivatives. To address exposure to interest rates, derivatives are used primarily to fix the rate on debt based on floating-rate indices and manage the cost of borrowing obligations.

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

We use a variety of commonly used derivative products that are considered plain vanilla derivatives. These derivatives typically include interest rate swaps, caps, collars and floors. We expressly prohibit the use of unconventional derivative instruments and using derivative instruments for trading or speculative purposes. Further, we have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors.

We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated.

Hedges that are reported at fair value and presented on the balance sheet could be characterized as cash flow hedges or fair value hedges. Interest rate caps and collars are examples of cash flow hedges. Cash flow hedges address the risk associated with future cash flows of debt transactions. All hedges held by us are deemed to be fully effective in meeting the hedging objectives established by our corporate policy governing interest rate risk management and as such no net gains or losses were reported in earnings. The changes in fair value of hedge instruments are reflected in accumulated other comprehensive income. For derivative instruments not designated as hedging instruments, the gain or loss, resulting from the change in the estimated fair value of the derivative instruments, is recognized in current earnings during the period of change.

Fair Value Measurements

The methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 Quoted prices in active markets for identical instruments.

Level 2 Valuations based principally on other observable market parameters, including

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 Valuations based significantly on unobservable inputs.

- Level 3A Valuations based on third party indications (broker quotes or counterparty quotes) which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 2 valuations.
- Level 3B Valuations based on internal models with significant unobservable inputs.

These levels form a hierarchy. We follow this hierarchy for our financial instruments measured at fair value on a recurring basis. The classifications are based on the lowest level of input that is significant to the fair value measurement.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

Earnings Per Share

We present both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. This also includes units of limited partnership interest.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, structured finance investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our structured finance investments is primarily located in the New York Metro area. See Note 5. We perform ongoing credit evaluations of our tenants and require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in these buildings operate in various industries. Other than one tenant who accounts for approximately 8.2% of our share of annualized rent, no single tenant in our portfolio accounted for more than 5.8% of our annualized rent, including our share of joint venture annualized rent, at December 31, 2009. Approximately 10%, 9%, 8%, 8%, 6% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue, 220 East 42nd Street and 485 Lexington Avenue, respectively, for the year ended December 31, 2009. Approximately 10%, 8%, 7%, 8%, and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2008. Approximately 9%, 7%, 7%, 7% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2007. Two borrowers accounted for more than 10.0% of the revenue earned on structured finance investments at December 31, 2009. Currently 75.2% of our workforce which services substantially all of our properties is covered by three collective bargaining agreements.

Reclassification

Certain prior year balances have been reclassified to conform with the current year presentation primarily in order to eliminate discontinued operations from income from continuing operations as well as apply the revised interpretation of accounting for convertible debt investments (see below) and the presentation of noncontrolling interests.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

Accounting Standards Updates

In December 2007, the FASB amended the accounting for acquisitions specifically eliminating the step acquisition model, changing the recognition of contingent consideration from being recognized when it is probable to being recognized at the time of acquisition, disallowing the capitalization of transaction costs and delays when restructurings related to acquisitions can be recognized. The standard is effective for fiscal years beginning after December 15, 2008 and will only impact the accounting for acquisitions we make after our adoption of this standard. We adopted this standard on January 1, 2009.

In May 2008, the FASB clarified its guidance on accounting for convertible debt instruments that may be settled in cash upon conversion. The issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion is required to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. The resulting debt discount will be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. This amount (before netting) will increase in subsequent reporting periods through the first optional redemption date as the debt accretes to its par value over the same period. This amendment is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption was not permitted. Upon adoption, companies are required to retrospectively apply the requirements of the pronouncement to all periods presented. Adoption of this amendment had the following impact on our consolidated financial statements (in thousands):

	December 31, 2008 As Reported	December 31, 2008 As Restated	December 31, 2007 As Reported	December 31, 2007 As Restated
Senior unsecured notes	$ 1,535,948	$ 1,501,134	$ 2,069,938	$ 2,005,005
Total liabilities	6,449,875	6,415,063	6,888,796	6,823,863
Additional paid-in-capital	2,999,456	3,079,159	2,931,887	3,011,590
Retained earnings	1,023,071	979,939	791,861	777,681

	Year Ended December 31, 2008 As Reported	Year Ended December 31, 2008 As Restated	Year Ended December 31, 2007 As Reported	Year Ended December 31, 2007 As Restated
Interest expense	$ 281,766	$ 300,808	$ 251,537	$ 266,308
Net income attributable to SL Green common stockholders	$ 389,884	$ 360,935	$ 640,535	$ 626,355
Net income per share attributable to common stockholders basic	$ 6.72	$ 6.22	$ 10.90	$ 10.66
Net income per share attributable to common stockholders diluted	$ 6.69	$ 6.20	$ 10.78	$ 10.54

The FASB provided guidance to address whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share, or EPS, under the two-class method. We adopted this guidance on January 1, 2009. It did not have any effect on our consolidated financial statements.

In April 2009, the FASB provided additional guidance on estimating fair value when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2. Significant Accounting Policies (Continued)

asset or liability. This update also provides additional guidance on circumstances that may indicate that a transaction is not orderly. Additional disclosures about fair value measurements in annual and interim reporting periods are also required. This guidance was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our financial statements.

In March 2008, the FASB issued guidance which requires entities to provide greater transparency about (a) how and why and entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. This guidance was effective on January 1, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued guidance on accounting for transfers of financial assets. This guidance amends various components of the existing guidance governing sale accounting, including the recognition of assets obtained and liabilities assumed as a result of a transfer, and considerations of effective control by a transferor over transferred assets. In addition, this guidance removes the exemption for qualifying special purpose entities from the consolidation guidance. This guidance is effective January 1, 2010, with early adoption prohibited. While the amended guidance governing sale accounting is applied on a prospective basis, the removal of the qualifying special purpose entity exception will require us to evaluate certain entities for consolidation. While we are evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statement.

In June 2009, the FASB amended the guidance for determining whether an entity is a variable interest entity, or VIE, and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. This guidance is effective for the first annual reporting period that begins after November 15, 2009, with early adoption prohibited. While we are currently evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statements.

3. Property Acquisitions

2009 Acquisitions

During 2009, we acquired the sub-leasehold positions at 420 Lexington Avenue for an aggregate purchase price of approximately $15.9 million.

2008 Acquisitions

In February 2008, we, through our joint venture with Jeff Sutton, acquired the properties located at 182 Broadway and 63 Nassau Street for approximately $30.0 million in the aggregate. These properties are located adjacent to 180 Broadway which we acquired in August 2007. As part of the acquisition we also closed on a $31.0 million loan which bears interest at 225 basis points over the 30-day LIBOR. The loan has a three-year term and two one-year extensions. We drew down $21.1 million at the closing to pay the balance of the acquisition costs.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

3. Property Acquisitions (Continued)

During the second quarter of 2008, we, through a joint venture with NYSTERS, acquired various interests in the fee positions at 919 Third Avenue for approximately $32.8 million. As a result, our joint venture controls the entire fee position.

2007 Acquisitions

In January 2007, we acquired Reckson for approximately $6.0 billion, inclusive of transaction costs. Simultaneously, we sold approximately $2.0 billion of the Reckson assets to an asset purchasing venture led by certain of Reckson's former executive management. The transaction included the acquisition of 30 properties encompassing approximately 9.2 million square feet, of which five properties encompassing approximately 4.2 million square feet are located in Manhattan.

The following summarizes our allocation of the purchase price to the assets and liabilities acquired from Reckson (in thousands):

Land	$ 766,727
Building	3,724,962
Investment in joint venture	65,500
Structured finance investments	136,646
Acquired above-market leases	24,661
Other assets, net of other liabilities	30,473
Acquired in-place leases	175,686
Assets acquired	4,924,655
Acquired below-market leases	422,177
Minority interest	401,108
Liabilities acquired	823,285
Net assets acquired	$ 4,101,370

In January 2007, we acquired 300 Main Street in Stamford, Connecticut and 399 Knollwood Road in White Plains, New York for approximately $46.6 million, from affiliates of RPW Group. These commercial office buildings encompass 275,000 square feet, inclusive of 50,000 square feet of garage parking at 300 Main Street.

In April 2007, we completed the acquisition of 331 Madison Avenue and 48 East 43rd Street for a total of $73.0 million. Both 331 Madison Avenue and 48 East 43rd Street are located adjacent to 317 Madison Avenue, a property that we acquired in 2001. 331 Madison Avenue is an approximately 92,000-square foot, 14-story office building. The 22,850-square-foot 48 East 43rd Street property is a seven-story loft building that was later converted to office use.

In April 2007, we acquired the fee interest in 333 West 34th Street for approximately $183.0 million from Citigroup Global Markets Inc. The property encompasses approximately 345,000 square feet. At closing, Citigroup entered into a full building triple net lease through August 2009.

In June 2007, we, through a joint venture, acquired the second and third floors in the office tower at 717 Fifth Avenue for approximately $16.9 million.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

3. Property Acquisitions (Continued)

In June 2007, we acquired 1010 Washington Avenue, CT, a 143,400 square foot office tower. The fee interest was purchased for approximately $38.0 million.

In June 2007, we acquired an office property located at 500 West Putnam Avenue in Greenwich, Connecticut. The Greenwich property, a four-story, 121,500-square-foot office building, was purchased for approximately $56.0 million.

In August 2007, we acquired Gramercy Capital Corp. (NYSE: GKK), or Gramercy's, 45% equity interest in the joint venture that owns the 1,176,000 square foot office building located at One Madison Avenue, or One Madison, for approximately $147.2 million and the assumption of their proportionate share of the debt encumbering the property of approximately $305.3 million. We previously acquired our 55% interest in the property in April 2005.

In August 2007, we, through a joint venture with Jeff Sutton, acquired the fee interest in a building at 180 Broadway for an aggregate purchase price of $13.7 million, excluding closing costs. The building comprises approximately 24,307 square feet. We own approximately 50% of the equity in the joint venture. We loaned approximately $6.8 million to Jeff Sutton to fund a portion of his equity. This loan is secured by a pledge of Jeff Sutton's partnership interest in the joint venture. As we have been designated as the primary beneficiary of the joint venture we have consolidated the accounts of the joint venture.

4. Property Dispositions and Assets Held for Sale

In January 2009, we, along with our joint venture partner, Gramercy sold 100% of our interests in 55 Corporate Drive, NJ for $230.0 million. The property is approximately 670,000 square feet. We recognized a gain of approximately $4.6 million in connection with the sale of our 50% interest in the joint venture, which is net of a $2.0 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In August 2009, we sold the property located at 399 Knollwood Road, Westchester, for $20.7 million. The property is approximately 145,000 square feet and is encumbered by an $18.5 million mortgage. We recognized a loss on the sale of approximately $11.4 million.

In January 2008, we sold the fee interest in 440 Ninth Avenue for approximately $160.0 million, excluding closing costs. The property is approximately 339,000 square feet. We recognized a gain on sale of approximately $106.0 million.

In August 2008, we sold 80% of our interest in the joint venture that owns 1551/1555 Broadway to Jeff Sutton for approximately $17.0 million and the right to future asset management, leasing and construction fees. We recognized a gain on sale of approximately $9.5 million. As a result of this transaction, we deconsolidated this investment and account for it under the equity method of accounting. See Note 6.

In October 2008, we sold 100/120 White Plains Road, Westchester for $48.0 million, which approximated our book basis in these properties. Our share of the net sales proceeds was approximately $24.0 million.

In February 2007, we sold the fee interests in 70 West 36th Street for approximately $61.5 million, excluding closing costs. The property is approximately 151,000 square feet. We recognized a gain on sale of approximately $47.2 million.

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

4. Property Dispositions and Assets Held for Sale (Continued)

In June 2007, we sold our office condominium interest in floors six through eighteen at 110 East 42nd Street for approximately $111.5 million, excluding closing costs. The property encompasses approximately 181,000 square feet. The sale does not include approximately 112,000 square feet of developable air rights, which we retained along with the ability to transfer these rights off-site. We recognized a gain on sale of approximately $84.0 million, which is net of a $1.0 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In June 2007, we sold our condominium interests in 125 Broad Street for approximately $273.0 million, excluding closing costs. The property is approximately 525,000 square feet. We recognized a gain on sale of approximately $167.9 million, which is net of a $1.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In July 2007, we sold our property located at 292 Madison Avenue for approximately $140.0 million, excluding closing costs. The property encompasses approximately 187,000 square feet. The sale generated a gain of approximately $99.8 million, of which $15.7 million was deferred as a result of financing provided to the buyer by Gramercy, which is net of a $1.0 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In July 2007, we sold an 85% interest in 1372 Broadway, New York, to Wachovia Corporation (NYSE:WB), for approximately $284.8 million. This sale generated a gain of $254.4 million, which is net of a $1.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale. We retained a 15% interest in the property. We had the ability to earn incentive fees based on the financial performance of the property. We were accounting for this property as a profit sharing arrangement. We deferred recognition of the gain on sale due to our continuing involvement with the property and because we had an option to reacquire the property under certain limited circumstances. As the property was unencumbered at the time of sale, no debt was recorded on our books. The co-venture expense was included in operating expenses in the Consolidated Statements of Income. The equity contributed by our partner was included in Deferred Revenue on our Consolidated Balance Sheets. In July 2007, the joint venture that now owned 1372 Broadway closed on a $235.2 million, five-year, floating rate mortgage. The mortgage carried an interest rate of 125 basis points over the 30-day LIBOR. This mortgage was recorded off-balance sheet. The joint venture sold the property in October 2008. As a result of the sale, we recognized a gain on sale of approximately $238.6 million, which is net of a $3.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In November 2007, we sold our property located at 470 Park Avenue South for approximately $157.0 million. The property encompasses approximately 260,000 square feet. The sale generated a gain, net of minority interest, of approximately $114.7 million.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

4. Property Dispositions and Assets Held for Sale (Continued)

Discontinued operations included the results of operations of real estate assets under contract or sold prior to December 31, 2009. This included 125 Broad Street and 110 East 42nd Street sold in June 2007, 292 Madison Avenue, which was sold in July 2007, 470 Park Avenue South, which was sold in November 2007, 440 Ninth Avenue, which was sold in January 2008, 100/120 White Plains Road and 1372 Broadway, which were sold in October 2008, 55 Corporate Drive, NJ, which was sold in January 2009, the membership interests in GKK Manager LLC which were sold in April 2009 (see Note 6) and 399 Knollwood, CT which was sold in August 2009.

The following table summarizes income from discontinued operations (net of noncontrolling interest) and the related realized gain on sale of discontinued operations for the years ended December 31, 2009, 2008 and 2007 (in thousands).

	Year Ended December 31,		
	2009	**2008**	**2007**
Revenues			
Rental revenue	**$ 2,905**	$ 31,108	$ 67,317
Escalation and reimbursement revenues	**316**	4,239	12,378
Other income	**6,517**	24,632	32,579
Total revenues	**9,738**	59,979	112,274
Operating expense	**1,010**	7,404	20,077
Real estate taxes	**580**	5,168	11,344
Interest expense, net of interest income	**1,071**	17,946	17,040
Depreciation and amortization	**708**	6,491	13,919
Marketing, general and administrative	**7,299**	15,076	13,916
Total expenses	**10,668**	52,085	76,296
Income (loss) from discontinued operations	**(930)**	7,894	35,978
(Loss) gain on disposition of discontinued operations	**(6,841)**	348,573	501,812
Noncontrolling interest in other partnerships		(3,828)	(6,722)
Net income (loss) from discontinued operations	**$ (7,771)**	$ 352,639	$ 531,068

5. Structured Finance Investments

During the years ended December 31, 2009 and 2008, our structured finance and preferred equity investments, including investments classified as held-for-sale, (net of discounts) increased approximately $254.3 million and $238.5 million, respectively, due to originations, purchases and accretion of discounts. There were approximately $216.5 million and $295.9 million in repayments, participations, sales and loan loss reserves recorded during those periods, respectively, which offset the increases in structured finance investments.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

5. Structured Finance Investments (Continued)

As of December 31, 2009 and 2008, we held the following structured finance investments, excluding preferred equity investments, with an aggregate weighted average current yield of approximately 7.78% (in thousands):

Loan Type	Gross Investment	Senior Financing	2009 Principal Outstanding	2008 Principal Outstanding	Initial Maturity Date
Other Loan[1]	$ 3,500	$ 15,000	**$ 3,500**	$ 3,500	September 2021
Mezzanine Loan[1][2][13]				95,626	
Mezzanine Loan[1][11]	60,000	235,000	**58,760**	58,349	February 2016
Mezzanine Loan[1]	25,000	200,000	**25,000**	25,000	May 2016
Mezzanine Loan[1]	35,000	165,000	**39,125**	38,332	October 2016
Mezzanine Loan[1][3][9][10][11]	75,000	4,254,623	**70,092**	70,092	December 2016
Other Loan[1][5][9][11]	5,000		**5,350**	5,350	May 2011
Whole Loan[2][3]	9,815		**9,636**	10,126	February 2010
Mezzanine Loan[1][2][4][9]	25,000	311,215	**26,605**	27,742	January 2013
Mezzanine Loan[1]	16,000	90,000	**15,697**	15,670	August 2017
Mezzanine Loan[3][15]	41,398	221,549	**40,938**	40,171	August 2009
Other Loan[1]	1,000		**1,000**	1,000	January 2010
Other Loan				500	
Junior Participation[1][6][9][11]	14,189		**9,938**	9,938	April 2008
Mezzanine Loan[1][12]	67,000	1,139,000	**84,636**	75,856	March 2017
Mezzanine Loan[9][16][17]	23,145	365,000	**35,908**	24,961	July 2010
Mezzanine Loan[3][9][14]				46,372	
Mezzanine Loan[3][9][11][17]	22,644	7,099,849		23,847	
Junior Participation[1][9]	11,000	53,000	**11,000**	11,000	November 2011
Junior Participation[7][9]	12,000	61,250	**10,875**	10,875	June 2010
Junior Participation[9][11]	9,948	48,198	**5,866**	5,866	December 2010
Junior Participation[8]	50,000	2,230,083	**47,691**	48,709	April 2010
Mezzanine Loan[2][3]	90,000	325,000	**104,431**	92,325	July 2010
Whole Loan[1][3]	9,375		**9,902**	9,324	February 2015
Junior Participation	11,700	210,000	**30,548**		January 2012
Whole loan[18]	167,717		**167,717**		March 2010
Loan loss reserve[9]			**(101,866)**	(74,666)	
	$ 785,431	$ 17,023,767	**$ 712,349**	$ 675,865	

(1) This is a fixed rate loan.

(2) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.

(3) Gramercy holds a pari passu interest in this asset.

(4)

This loan had been in default since December 2007. We reached an agreement with the borrower to, amongst other things, extend the maturity date to January 2013.

(5)

The original loan which was scheduled to mature in February 2010 was replaced with two loans which mature in May 2011. The total principal balance remained unchanged. Approximately $10.4 million was redeemed in October 2008.

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

5. Structured Finance Investments (Continued)

(6) This loan is in default. The lender has begun foreclosure proceedings. Another participant holds a $12.2 million pari-pasu interest in this loan.

(7) This loan was extended for two years to June 2010.

(8) Gramercy is the borrower under this loan. This loan consists of mortgage and mezzanine financing.

(9) This represents specifically allocated loan loss reserves. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses. This includes a $69.1 million mark-to-market adjustment against our held for sale investment during the year ended December 31, 2009.

(10) This investment was classified as held for sale at December 31, 2009.

(11) This loan is on non-accrual status.

(12) Interest is added to the principal balance for this accrual only loan.

(13) This loan was sold in June 2009, resulting in a realized loss of approximately $38.4 million. This realized loss is included in loan loss reserves.

(14) As part of a restructuring, this mezzanine loan was converted to preferred equity in July 2009. This investment had been classified as held for sale at December 31, 2008.

(15) This loan was in default as it was not repaid upon maturity. We were designated as special servicer for this loan and took over management and leasing of the property under a forbearance agreement. We foreclosed on this property in January 2010.

(16) We acquired Gramercy's interest in this investment in July 2009 for approximately $16.0 million.

(17) This loan was classified as held for sale at June 30, 2009, but as held-to-maturity at December 31, 2009.

(18) We have a committment to fund up to an additional $75.9 million.

Preferred Equity Investments

As of December 31, 2009 and 2008 we held the following preferred equity investments (in thousands) with an aggregate weighted average current yield of approximately 8.4% (in thousands):

Type	Gross Investment	Senior Financing	2009 Amount Outstanding	2008 Amount Outstanding	Initial Mandatory Redemption
Preferred equity(1)(3)	$ 15,000	$ 2,350,000	**$ 15,000**	$ 15,000	February 2015
Preferred equity(1)(2)(3)(6)(7)	51,000	210,216	**41,791**	51,000	February 2014
Preferred equity(3)(5)	34,120	88,000	**31,178**	30,268	March 2010

Preferred equity[4]	44,733	990,635	**46,372**		August 2012
Loan loss reserve[3]			**(61,078)**	(24,250)	
	$ 144,853	$ 3,638,851	**$ 73,263**	$ 72,018	

(1) This is a fixed rate investment.

(2) Gramercy holds a mezzanine loan on the underlying asset.

(3) This represents specifically allocated loan loss reserves. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.

SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

5. Structured Finance Investments (Continued)

(4) This loan was converted from a mezzanine loan to preferred equity in July 2009.

(5) This investment is on non-accrual status.

(6) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.

(7) This investment was classified as held for sale at June 30, 2009, but as held-to-maturity at December 31, 2009. The reserve previously taken against this loan is being accreted up to the face amount through the maturity date.

The following table is a rollforward of our total loan loss reserves at December 31, 2009 and 2008 (in thousands):

	2009	2008
Balance at beginning of year	$ 98,916	$
Expensed	145,855	101,166
Charge-offs	(150,927)	(2,250)
Balance at end of period	$ 93,844	$ 98,916

At December 31, 2009, 2008 and 2007 all structured finance investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

6. Investment in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners, including The Rockefeller Group International Inc., or RGII, The City Investment Fund, or CIF, SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ, a fund managed by JP Morgan Investment Management, or JP Morgan, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, and Gramercy, as well as private investors. As we do not control these joint ventures, we account for them under the equity method of accounting.

We assess the accounting treatment for each joint venture on a stand-alone basis. This includes a review of each joint venture or partnership LLC agreement to determine which party has what rights and whether those rights are protective or participating. In situations where our minority partner approves the annual budget, receives a detailed monthly reporting package from us, meets with us on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount of space relative to the total rentable space at each property we do not consolidate the joint venture as we consider these to be substantive participation rights. Our joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

6. Investment in Unconsolidated Joint Ventures (Continued)

The table below provides general information on each joint venture as of December 31, 2009 (in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price(1)
1221 Avenue of the Americas(2)	RGII	45.00%	45.00%	2,550	12/03	$ 1,000,000
1515 Broadway(3)	SITQ	55.00%	68.45%	1,750	05/02	$ 483,500
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	$ 95,800
379 West Broadway	Sutton	45.00%	45.00%	62	12/05	$ 19,750
21 West 34th Street(4)	Sutton	50.00%	50.00%	30	07/05	$ 22,400
800 Third Avenue(5)	Private Investors	42.95%	42.95%	526	12/06	$ 285,000
521 Fifth Avenue	CIF	50.10%	50.10%	460	12/06	$ 240,000
One Court Square	JP Morgan	30.00%	30.00%	1,402	01/07	$ 533,500
1604-1610 Broadway(6)	Onyx/Sutton	45.00%	63.00%	30	11/05	$ 4,400
1745 Broadway(7)	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	04/07	$ 520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	$ 210,000
2 Herald Square(8)	Gramercy	55.00%	55.00%	354	04/07	$ 225,000
885 Third Avenue(9)	Gramercy	55.00%	55.00			