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SL GREEN REALTY CORP

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

☐ **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 (State or other jurisdiction of incorporation or organization)	**13-3956775** (I.R.S. Employer Identification No.)

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

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

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 ☒ NO ☐

Indicate 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 ☒ NO ☐

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The number of shares outstanding of the registrant's common stock, $0.01 par value, was 78,260,832 as of October 31, 2010.

SL GREEN REALTY CORP.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

SL Green Realty Corp.
Condensed Consolidated Balance Sheets
(Amounts in thousands, except per share data)

	September 30, 2010 (Unaudited)	December 31, 2009
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ 1,459,690	$ 1,379,052
Building and improvements	5,838,978	5,585,584
Building leasehold and improvements	1,288,798	1,280,256
Property under capital lease	12,208	12,208
	8,599,674	8,257,100
Less: accumulated depreciation	(871,910)	(738,422)
	7,727,764	7,518,678
Assets held for sale	—	992
Cash and cash equivalents	270,803	343,715
Restricted cash	153,667	94,495
Investment in marketable securities	72,090	58,785
Tenant and other receivables, net of allowance of $14,402 and $14,271 in 2010 and 2009, respectively	29,470	22,483
Related party receivables	7,088	8,570
Deferred rents receivable, net of allowance of $24,785 and $24,347 in 2010 and 2009, respectively	190,481	166,981
Structured finance investments, net of discount of $40,822 and $46,802 and allowance of $87,768 and $93,844 in 2010 and 2009, respectively	907,936	784,620
Investments in unconsolidated joint ventures	777,556	1,058,369
Deferred costs, net	156,502	139,257
Other assets	294,518	290,632
Total assets	$ 10,587,875	$ 10,487,577
Liabilities		
Mortgage notes and other loans payable	$ 2,896,946	$ 2,595,552
Revolving credit facility	800,000	1,374,076
Senior unsecured notes	831,261	823,060
Accrued interest payable and other liabilities	21,357	34,734
Accounts payable and accrued expenses	144,814	125,982
Deferred revenue/gains	320,712	349,669
Capitalized lease obligation	17,028	16,883
Deferred land leases payable	18,204	18,013
Dividend and distributions payable	14,203	12,006
Security deposits	38,019	39,855
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	5,202,544	5,489,830
Commitments and contingencies	—	—
Noncontrolling interests in operating partnership	79,117	84,618
Equity		
SL Green stockholders' equity:		
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 11,700 and 6,300 issued and outstanding at September 30, 2010 and December 31, 2009, respectively	274,000	151,981
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 4,000 issued and outstanding at September 30, 2010 and December 31, 2009, respectively	96,321	96,321
Common stock, $0.01 par value 160,000 shares authorized and 81,621 and 80,875 issued and outstanding at September 30, 2010 and December 31, 2009, respectively (including 3,369 and 3,360 shares at September 30, 2010 and December 31, 2009, held in Treasury, respectively)	816	809
Additional paid-in-capital	3,570,752	3,525,901
Treasury stock at cost	(303,222)	(302,705)
Accumulated other comprehensive loss	(30,936)	(33,538)
Retained earnings	1,180,667	949,669
Total SL Green stockholders' equity	4,788,398	4,388,438
Noncontrolling interests in other partnerships	517,816	524,691
Total equity	5,306,214	4,913,129

Total liabilities and equity	**$ 10,587,875**	$ 10,487,577

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues				
Rental revenue, net	$ 199,347	$ 189,454	$ 591,664	$ 571,094
Escalation and reimbursement	31,491	29,061	91,344	92,595
Preferred equity and investment income	84,377	16,266	125,543	48,697
Other income	8,065	10,988	25,450	40,421
Total revenues	323,280	245,769	834,001	752,807
Expenses				
Operating expenses (including approximately $3,391 and $9,572 (2010) and $3,316 and $11,042 (2009) paid to affiliates)	59,320	54,315	170,998	159,809
Real estate taxes	36,534	34,220	112,259	106,344
Ground rent	7,860	7,912	23,360	24,004
Interest expense, net of interest income	57,225	65,366	172,353	182,105
Amortization of deferred financing costs	2,802	3,069	7,110	5,981
Depreciation and amortization	56,932	56,364	169,668	164,477
Loan loss and other investment reserves, net of recoveries	1,338	16,100	12,323	123,677
Transaction related costs	3,254	—	8,416	—
Marketing, general and administrative	18,474	18,869	55,251	54,736
Total expenses	243,739	256,215	731,738	821,133
Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures, noncontrolling interests and discontinued operations	79,541	(10,446)	102,263	(68,326)
Equity in net income from unconsolidated joint ventures	7,544	16,585	32,925	46,486
Equity in net gain on sale of interest in unconsolidated joint ventures/ real estate	520	—	127,289	6,848
Gain (loss) on equity investment in marketable securities	—	52	(285)	(629)
Gain (loss) on early extinguishment of debt	(511)	8,368	(1,900)	85,401
Income from continuing operations	87,094	14,559	260,292	69,780
Net income from discontinued operations	1,987	1,863	5,420	4,180
Gain (loss) on sale of discontinued operations	35,485	(11,829)	35,485	(5,257)
Net income	124,566	4,593	301,197	68,703
Net (income) loss attributable to noncontrolling interests in the operating partnership	(1,786)	214	(4,544)	(1,488)
Net income attributable to noncontrolling interests in other partnerships	(3,735)	(2,358)	(10,831)	(9,518)
Net income attributable to SL Green	119,045	2,449	285,822	57,697
Preferred stock dividends	(7,545)	(4,969)	(22,205)	(14,906)
Net income (loss) attributable to SL Green common stockholders	$ 111,500	$ (2,520)	$ 263,617	$ 42,791
Amounts attributable to SL Green common stockholders:				
Income from continuing operations	$ 74,087	$ 7,158	$ 98,272	$ 37,213
Discontinued operations	1,957	1,807	5,328	4,040
Gain (loss) on sale of discontinued operations	34,944	(11,485)	34,884	(5,080)
Gain on sale of unconsolidated joint ventures/ real estate	512	—	125,133	6,618
Net (loss)	$ 111,500	$ (2,520)	$ 263,617	$ 42,791
Basic earnings per share:				
Net income from continuing operations before gain on sale and discontinued operations	$ 0.95	$ 0.09	$ 1.26	$ 0.56
Net income from discontinued operations	0.03	0.03	0.07	0.06
Gain (loss) on sale of discontinued operations	0.44	(0.15)	0.45	(0.08)
Gain on sale of unconsolidated joint ventures/ real estate	0.01	—	1.60	0.10
Net income (loss) attributable to SL Green common stockholders	$ 1.43	$ (0.03)	$ 3.38	$ 0.64
Diluted earnings per share:				
Net income from continuing operations before gain on sale and discontinued operations	$ 0.94	$ 0.09	$ 1.24	$ 0.56
Net income from discontinued operations	0.03	0.03	0.07	0.06
Gain (loss) on sale of discontinued operations	0.44	(0.15)	0.45	(0.08)
Gain on sale of unconsolidated joint ventures/ real estate	0.01	—	1.60	0.10
Net income (loss) attributable to SL Green common stockholders	$ 1.42	$ (0.03)	$ 3.36	$ 0.64

Dividends per share	**$ 0.10**	$ 0.10	**$ 0.30**	$ 0.575
Basic weighted average common shares outstanding	**78,227**	76,832	**78,034**	67,196
Diluted weighted average common shares and common share equivalents outstanding	**79,781**	79,168	**79,722**	69,580

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 Loss	Retained Earnings	Noncontrolling Interests	Total	Comprehensive Income
Balance at December 31, 2009	**$151,981**	**$96,321**	**77,515**	**$809**	**$3,525,901**	**$(302,705)**	**$ (33,538)**	**$ 949,669**	**$ 524,691**	**$4,913,129**	
Comprehensive Income:											
Net income								285,822	10,831	296,653	**$ 296,653**
Net unrealized loss on derivative instruments							(4,194)			(4,194)	(4,194)
SL Green's share of joint venture net unrealized loss on derivative instruments							(2,534)			(2,534)	(2,534)
Unrealized gain on marketable securities							9,330			9,330	9,330
Preferred dividends								(22,205)		(22,205)	
Redemption of units and DRIP proceeds			470	4	23,338					23,342	
Reallocation of noncontrolling interest in the operating partnership								(11,865)		(11,865)	
Deferred compensation plan & stock award, net			169	2	472	(517)				(43)	
Amortization of deferred compensation plan					18,043					18,043	
Deconsolidation of real estate investments								3,011	(9,532)	(6,521)	
Net proceeds from preferred stock offering	122,019									122,019	
Proceeds from stock options exercised			98	1	2,998					2,999	
Cash contributions from noncontrolling interests									2,782	2,782	
Cash distributions to noncontrolling interests									(10,956)	(10,956)	
Cash distribution declared ($0.30 per common share of which none represented a return of capital for federal income tax purposes)								(23,765)		(23,765)	
Balance at September 30, 2010	**$274,000**	**$96,321**	**78,252**	**$816**	**$3,570,752**	**$(303,222)**	**$ (30,936)**	**$1,180,667**	**$ 517,816**	**$5,306,214**	**$ 299,255**

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

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating Activities		
Net income	**$ 301,197**	$ 68,703
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**178,404**	172,996
(Gain) loss on sale of discontinued operations	**(35,485)**	5,257
Equity in net income from unconsolidated joint ventures	**(32,925)**	(46,486)
Equity in net gain on sale of unconsolidated joint venture interests/ real estate	**(127,289)**	(6,848)
Distributions of cumulative earnings from unconsolidated joint ventures	**19,423**	28,890
Loan loss and other investment reserves	**12,323**	123,677
Loss on equity investment in marketable securities	**285**	629
(Gain) loss on early extinguishment of debt	**1,900**	(85,401)
Deferred rents receivable	**(30,472)**	(19,132)
Other non-cash adjustments	**(12,607)**	1,163
Changes in operating assets and liabilities:		
Restricted cash — operations	**(5,717)**	19,878
Tenant and other receivables	**(3,352)**	6,210
Related party receivables	**1,609**	(909)
Deferred lease costs	**(27,331)**	(15,497)
Other assets	**(1,404)**	(27,601)
Accounts payable, accrued expenses and other liabilities	**10,272**	(6,441)
Deferred revenue and land leases payable	**5,218**	(4,276)
Net cash provided by operating activities	**254,049**	214,812
Investing Activities		
Acquisitions of real estate property	**(183,750)**	(8,340)
Additions to land, buildings and improvements	**(55,389)**	(62,815)
Escrowed cash — capital improvements/acquisition deposits	**(5,979)**	(5,837)
Investments in unconsolidated joint ventures	**(83,355)**	(14,522)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**15,160**	26,631
Net proceeds from disposition of real estate/ partial interest in property	**623,121**	27,946
Other investments	**(7,811)**	(41,082)
Structured finance and other investments net of repayments/participations	**(127,007)**	40,606
Net cash provided by (used in) investing activities	**174,990**	(37,413)
Financing Activities		
Proceeds from mortgage notes and other loans payable	**166,892**	186,399
Repayments of mortgage notes and other loans payable	**(133,887)**	(159,824)
Proceeds from revolving credit facility and senior unsecured notes	**303,306**	30,433
Repayments of revolving credit facility and senior unsecured notes	**(873,940)**	(626,207)
Proceeds from stock options exercised and DRIP issuance	**14,245**	278
Net proceeds from sale of preferred/common stock	**122,019**	387,230
Deferred compensation - treasury stock	**(517)**	—
Distributions to noncontrolling interests in other partnerships	**(10,952)**	(14,030)
Contributions from noncontrolling interests in other partnerships	**2,782**	—
Redemption of noncontrolling interests in operating partnership	**(11,096)**	—
Distributions to noncontrolling interests in operating partnership	**(387)**	(1,985)
Dividends paid on common and preferred stock	**(43,607)**	(65,574)
Deferred loan costs and capitalized lease obligation	**(36,809)**	(6,936)
Net cash used in financing activities	**(501,951)**	(270,216)
Net decrease in cash and cash equivalents	**(72,912)**	(92,817)
Cash and cash equivalents at beginning of period	**343,715**	726,889
Cash and cash equivalents at end of period	**$ 270,803**	$ 634,072

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

SL Green Realty Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
September 30, 2010

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. All of the management, leasing and construction services with respect to the properties wholly-owned by us are conducted through SL Green Management LLC which is 100% owned by our operating partnership. 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 September 30, 2010, noncontrolling investors held, in the aggregate, a 1.6% limited partnership interest in the operating partnership. We refer to this as the noncontrolling interests in the operating partnership. See Note 13.

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are subsidiaries of our operating partnership.

As of September 30, 2010, 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	22	15,141,945	91.0%
	Unconsolidated properties	8	7,182,515	94.1%
Suburban	Consolidated properties	25	3,863,000	81.8%
	Unconsolidated properties	6	2,941,700	93.8%
		61	29,129,160	90.9%

(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 366,312 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage four office properties owned by third parties and affiliated companies encompassing approximately 1.3 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 has 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.

SL Green Realty Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
September 30, 2010

Basis of Quarterly Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2010 operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2009.

The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as structured finance investments. See Note 5 and Note 6. All significant intercompany balances and transactions have been eliminated.

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. Adoption of this guidance on January 1, 2010 did not have a material impact on 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 and modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and noncontrolling interests.

We assess the accounting treatment for each joint venture and structured finance investment. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIE's, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we or our partner approves, among other things, the annual budget, receives a detailed monthly reporting package from us, meets 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 that result in shared power of the activities that most significantly impact the performance of our joint venture. 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. We have no VIE's for which we are the primary beneficiary.

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 and 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. In addition, we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected cash flows. We do not believe that the value of any of our consolidated or unconsolidated real estate properties or investments in unconsolidated joint ventures was impaired at September 30, 2010 and December 31, 2009, respectively.

SL Green Realty Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
September 30, 2010

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 generally range from one to 14 years. The value associated with in-place leases are amortized over the expected term of the associated lease, which generally 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.

We recognized an increase of approximately $6.1 million, $18.9 million, $6.1 million and $16.6 million in rental revenue for the three and nine months ended September 30, 2010 and 2009, respectively, for the amortization of aggregate below-market leases 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 assumed of approximately $0.3 million, $1.2 million, $0.3 million and $2.4 million for the three and nine months ended September 30, 2010 and 2009, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) (amounts in thousands):

	September 30, 2010	December 31, 2009
Identified intangible assets (included in other assets):		
Gross amount	**$ 257,413**	$ 236,594
Accumulated amortization	**(121,982)**	(98,090)
Net	**$ 135,431**	$ 138,504
Identified intangible liabilities (included in deferred revenue):		
Gross amount	**$ 487,750**	$ 480,770
Accumulated amortization	**(205,016)**	(164,073)
Net	**$ 282,734**	$ 316,697

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 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 up to their credit component. Included in accumulated other comprehensive loss at September 30, 2010 is approximately $5.6 million in net unrealized gains related to marketable securities.

At September 30, 2010, we held the following marketable securities (in thousands):

Level 1 — Equity marketable securities	$ 9,398
Level 2 — Bonds	62,692
Total marketable securities available-for-sale	$ 72,090

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Fair Value Measurements

The methodologies used for valuing financial 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.

- 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.
- 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 and nonrecurring basis. The classifications are based on the lowest level of input that is significant to the fair value measurement.

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 $5.0 million, $15.0 million, none and $54.6 million in loan loss reserves during the three and nine months ended September 30, 2010 and 2009, respectively, on investments being held to maturity and none, $1.0 million, $16.1 million and $69.1 million on investments held for sale during the three and nine months ended September 30, 2010 and 2009, respectively. We also recorded approximately $3.7 million in recoveries during the three and nine months ended September 30, 2010 in connection with the sale of a loan.

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. 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.

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 a 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 TRSs' generate income, resulting in Federal income tax liability for these entities. Our TRSs' recorded approximately $0.9 million and $0.7 million in Federal, state and local tax expense during the nine months ended September 30, 2010 and 2009, respectively. We made estimated tax payments of $0.3 million and $0.8 million during the nine months ended September 30, 2010 and 2009, respectively.

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Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 12.

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 during the nine months ended September 30, 2010 and 2009, respectively.

	2010	2009
Dividend yield	**2.00%**	5.79%
Expected life of option	**5.9 years**	5 years
Risk-free interest rate	**2.84%**	1.55%
Expected stock price volatility	**50.47%**	55.07%

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, as well as units of limited partnership, 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 located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. Other than one tenant who accounts for approximately 8.1% of our annualized rent, no other tenant in our portfolio accounts for more than 6.0% of our annualized rent, including our share of joint venture annualized rent at September 30, 2010. Approximately 7%, 6%, 7% and 6% of our annualized rent, including our share of joint venture annualized rent, was attributable to 1515 Broadway, 420 Lexington Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively, for the quarter ended September 30, 2010. Three investments each accounted for more than 10.0% of the revenue earned on structured finance investments during the three months ended September 30, 2010.

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.

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Accounting Standards Updates

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. 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. Adoption of this guidance on January 1, 2010 did not have a material impact on our consolidated financial statements.

In July 2010, the FASB issued updated guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses which will require a greater level of information disclosed about the credit quality of loans and allowance for loan losses, as well as additional information related to credit quality indicators, past due information, and information related to loans modified in trouble debt restructuring. This guidance is effective for the fourth quarter of 2010 and as it only amends existing disclosure requirements we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In March 2010, the FASB issued updated guidance on embedded credit derivatives for contracts containing an embedded credit derivative feature related to the transfer of credit risk that is not solely in the form of subordination. This guidance is effective for the third quarter of 2010, though early adoption is permitted. Adoption of this guidance in the third quarter of 2010 did not have a material effect on our consolidated financial statements.

In January 2010, the FASB issued updated guidance on fair value measurements and disclosures, which requires disclosure of details of significant asset or liability transfers in and out of Level 1 and Level 2 measurements within the fair value hierarchy and inclusion of gross purchases, sales, issuances, and settlements in the rollforward of assets and liabilities valued using Level 3 inputs within the fair value hierarchy. The guidance also clarifies and expands existing disclosure requirements related to the disaggregation of fair value disclosures and inputs used in arriving at fair values for assets and liabilities using Level 2 and Level 3 inputs within the fair value hierarchy. These disclosure requirements were effective for interim and annual reporting periods beginning after December 15, 2009. The gross presentation of the Level 3 rollforward is required for interim and annual reporting periods beginning after December 15, 2010.

3. Property Acquisitions

In January 2010, we became the sole owner of 100 Church Street, a 1.05 million square-foot office tower located in downtown Manhattan, following the successful foreclosure of the senior mezzanine loan at the property. Our initial investment totaled $40.9 million which was comprised of a 50% interest in the senior mezzanine loan and two other mezzanine loans at 100 Church Street, which we acquired from Gramercy in the summer of 2007. At closing of the foreclosure, we funded an additional $15.0 million of capital into the project as part of our agreement with Wachovia Bank, N.A. to extend and restructure the existing financing. Gramercy declined to fund its share of this capital and instead transferred its interests in the investment to us at closing, subject to certain future contingent payments to Gramercy. The restructured $139.7 million mortgage carries an interest rate of 350 basis points over the 30-day LIBOR. The restructured mortgage matures in January 2013 and has a one-year extension option.

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The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the completion of the foreclosure of 100 Church Street (in thousands):

Land	$ 32,494
Building	86,806
Acquired above-market leases	118
Acquired in-place leases	17,380
Restricted cash	53,735
Assets acquired	190,533
Mortgage note payable	139,672
Acquired below-market leases	8,025
Other liabilities, net of other assets	1,674
Liabilities assumed	149,371
Net assets	$ 41,162

In August 2010, we acquired 125 Park Avenue, a Manhattan office tower for $330 million. In connection with the acquisition, we assumed $146.25 million of in-place financing. The 5.748% interest-only loan matures in October 2014. We have not yet obtained all the information necessary to finalize our estimates to complete the purchase price allocations. The purchase price allocations will be finalized once we receive the outstanding information which we expect to occur during the fourth quarter of 2010.

4. Property Dispositions and Assets Held for Sale

In September 2010, we sold the property located at 19 West 44 th Street in Manhattan for $123.2 million and realized a gain on the sale of approximately $35.5 million. The sale generated approximately $114.6 million of proceeds for the Company.

At September 30, 2010, discontinued operations included the results of operations of real estate assets under contract or sold prior to that date. This included 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), 399 Knollwood Road, Westchester, which was sold in August 2009 and 19 West 44 th Street, which was sold in September 2010.

The following table summarizes income from discontinued operations and the related realized gain (loss) on sale of discontinued operations for the three and nine months ended September 30, 2010 and 2009, respectively (in thousands).

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenues				
Rental revenue	$ 2,785	$ 3,645	$ 8,774	$ 11,792
Escalation and reimbursement revenues	836	902	2,412	2,657
Other income	361	(1)	429	6,528
Total revenues	3,982	4,546	11,615	20,977
Operating expense	1,081	1,123	2,791	3,625
Real estate taxes	509	688	1,778	2,264
Interest expense, net of interest income	—	204	—	1,071
Marketing, general and administrative	—	—	—	7,299
Depreciation and amortization	405	668	1,626	2,538
Total expenses	1,995	2,683	6,195	16,797
Income from discontinued operations	1,987	1,863	5,420	4,180
Gain (loss) on sale of discontinued operations	35,485	(11,829)	35,485	(5,257)
Income (loss) from discontinued operations	$ 37,472	$ (9,966)	$ 40,905	$ (1,077)

5. Structured Finance Investments

During the nine months ended September 30, 2010 and 2009, our structured finance and preferred equity investments (net of discounts), including investments classified as held-for-sale, increased approximately $437.7 million and $61.0 million, respectively, due to originations, purchases, accretion of discounts and paid-in-kind interest. We recorded approximately $315.3 million and $193.5 million in repayments, participations, sales, foreclosures and loan loss reserves during those periods, respectively, which offset the increases in structured finance investments.

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As of September 30, 2010 and December 31, 2009, we held the following structured finance investments, excluding preferred equity investments, with an aggregate weighted average current yield of approximately 7.1% (in thousands):

Loan Type	Gross Investment	Senior Financing	2010 Principal Outstanding	2009 Principal Outstanding	Initial Maturity Date
Other Loan(1)	$ 3,500	$ 15,000	**$ 3,500**	$ 3,500	September 2021
Mezzanine Loan(1)	60,000	205,000	**59,069**	58,760	February 2016
Mortgage/ Mezzanine Loan(1)	50,000	174,329	**46,346**	25,000	May 2016
Mezzanine Loan(1)	35,000	165,000	**39,669**	39,125	October 2016
Mezzanine Loan(1)(3)(9)(10)(11)	75,000	4,273,051	**70,092**	70,092	December 2016
Other Loan(1)(5)(9)(11)	—	—	**—**	5,350	—
Whole Loan(2)(3)(9)(17)	—	—	**—**	9,636	—
Mezzanine Loan(1)(2)(4)(9)(11)	25,000	309,985	**27,422**	26,605	January 2013
Mezzanine Loan(1)	16,000	90,000	**15,697**	15,697	August 2017
Mezzanine Loan(3)(13)	—	—	**—**	40,938	—
Other Loan(1)	1,000	—	**1,000**	1,000	December 2010
Junior Participation(1)(6)(9)(11)	14,189	—	**9,938**	9,938	April 2008
Mezzanine Loan(1)(11) (12)	67,000	1,139,000	**84,062**	84,636	March 2017
Mezzanine Loan(14)	—	—	**—**	35,908	—
Mezzanine Loan(3)(9)(11)	22,644	—	**—**	—	—
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 2012
Junior Participation(9)(11)	9,948	48,198	**5,866**	5,866	December 2010
Junior Participation(8)(9)	50,000	2,192,522	**47,509**	47,691	April 2011
Mortgage/ Mezzanine Loan(2)(16)	146,164	285,000	**137,222**	104,431	July 2012
Whole Loan(1)(3)	9,375	—	**9,918**	9,902	February 2015
Junior Participation	35,041	210,000	**41,113**	30,548	January 2012
Mortgage/mezzanine loan(15)	—	—	**—**	167,717	—
Whole loan(1)	11,150	—	**11,150**	—	November 2013
Junior Participation(18)	9,113	70,800	**9,113**	—	October 2011
Mezzanine Loan(1)	201,375	755,000	**201,375**	—	June 2016
Mezzanine Loan(1)	15,000	75,000	**15,000**	—	July 2013
Mortgage(19)	86,339	—	**86,339**	—	June 2012
Loan loss reserve(9)	—	—	**(105,783)**	(101,866)	—
	$ 965,838	$ 10,122,135	**$ 837,492**	$ 712,349	

(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. We were foreclosed out of this loan in September 2010.
(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 2012.
(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 or that reserves will be adequate over time to protect against potential future losses. This includes a $1.0 million and $69.1 million mark-to-market adjustment against our held for sale investment during the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.
(10) This investment which was classified as held for sale at June 30, 2010 and December 31, 2009 was sold in August 2010.
(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 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 in August 2009. We foreclosed on this property in January 2010.
(14) We acquired Gramercy's interest in this investment in July 2009 for approximately $16.0 million. This investment was sold in February 2010.
(15) In connection with the sale in September 2010, of 510 Madison Avenue by the owner, the first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. In connection with the repayment of the loans, we recognized additional income of approximately $64.8 million. The income was recorded in preferred equity and investment income on the accompanying statement of income.
(16) Gramercy holds a pari passu interest in the mezzanine loan.
(17) This loan was repaid in August 2010.
(18) The maturity date for this loan was extended for one year to October 2011.

(19) We hold an 88% interest in the consolidated joint venture that acquired this loan.

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Preferred Equity Investments

As of September 30, 2010 and December 31, 2009, we held the following preferred equity investments, with an aggregate weighted average current yield of approximately 9.1% (in thousands):

Type	Gross Investment	Senior Financing	2010 Amount Outstanding	2009 Amount Outstanding	Initial Mandatory Redemption
Preferred equity(1)(3)(5)(8)	$ —	$ —	**$ —**	$ 15,000	—
Preferred equity(1)(2)(6)(7)	51,000	208,181	**44,972**	41,791	February 2014
Preferred equity(3)(5)	34,120	88,000	**31,178**	31,178	March 2010
Preferred equity(3)(4)	44,733	984,708	**46,372**	46,372	August 2012
Loan loss reserve(3)	—	—	**(52,078)**	(61,078)	—
	$ 129,853	$ 1,280,889	**$ 70,444**	$ 73,263	

(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.
(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 September 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.
(8) We recovered approximately $3.7 million from the sale of this loan which had previously been fully reserved.

The following table is a rollforward of our total allowance for loan loss reserves at September 30, 2010 and December 31, 2009 (in thousands):

	2010	2009
Balance at beginning of year	$ 93,844	$ 98,916
Expensed	15,985	145,855
Recoveries	(3,662)	—
Charge-offs	(18,399)	(150,927)
Balance at end of period	$ 87,768	$ 93,844

At September 30, 2010 and December 31, 2009, 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 City Investment Fund, or CIF, SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ, Canada Pension Plan Investment Board, or CPPIB, 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 Capital Corp. (NYSE: GKK), or Gramercy, as well as private investors. As we do not control these joint ventures, we account for them under the equity method of accounting.

In May 2010, Green Hill Acquisition LLC, a wholly owned subsidiary of ours, sold its 45% beneficial interest in the property known as 1221 Avenue of the Americas, located in Manhattan, to a wholly owned subsidiary of CPPIB, for total consideration of $577.4 million, of which approximately $95.9 million represented payment for existing reserves and the assumption of our pro-rata share of in-place financing. The sale generated proceeds to us of approximately $500.9 million. We recognized a gain of approximately $126.8 million on the sale of our interest.

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The table below provides general information on each of our joint ventures as of September 30, 2010 (in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price(1)
1515 Broadway(2)	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	Sutton	50.00%	50.00%	30	07/05	$ 22,400
800 Third Avenue(3)	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	Onyx/Sutton	45.00%	63.00%	30	11/05	$ 4,400
1745 Broadway(4)	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(5)	Gramercy	55.00%	55.00%	354	04/07	$ 225,000
885 Third Avenue(6)	Gramercy	55.00%	55.00%	607	07/07	$ 317,000
16 Court Street	CIF	35.00%	35.00%	318	07/07	$ 107,500
The Meadows(7)	Onyx	50.00%	50.00%	582	09/07	$ 111,500
388 and 390 Greenwich Street(8)	SITQ	50.60%	50.60%	2,600	12/07	$ 1,575,000
27-29 West 34th Street	Sutton	50.00%	50.00%	41	01/06	$ 30,000
1551-1555 Broadway	Sutton	10.00%	10.00%	26	07/05	$ 80,100
717 Fifth Avenue	Sutton/Nakash	32.75%	32.75%	120	09/06	$ 251,900
141 Fifth Avenue(9)	Sutton/Rapport	45.00%	45.00%	22	09/05	$ 13,250
180/182 Broadway and 63 Nassau Street	Sutton	50.00%	50.00%	71	02/08	$ 43,600
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	05/10	$ 193,000

(1) Acquisition price represents the actual or implied purchase price for the joint venture.
(2) Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to the joint venture, the joint venture has agreed not to adversely affect the limited partners' tax positions before December 2011. One tenant, whose leases primarily end in 2015, represents approximately 77.9% of this joint venture's annualized rent at September 30, 2010.
(3) We invested approximately $109.5 million in this asset through the origination of a loan secured by up to 47% of the interests in the property's ownership, with an option to convert the loan to an equity interest. Certain existing members had the right to re-acquire approximately 4% of the property's equity. These interests were re-acquired in December 2008 and reduced our interest to 42.95%
(4) We have the ability to syndicate our interest down to 14.79%.
(5) We, along with Gramercy, together as tenants-in-common, acquired a fee interest in 2 Herald Square. The fee interest is subject to a long-term operating lease.
(6) We, along with Gramercy, together as tenants-in-common, acquired a fee and leasehold interest in 885 Third Avenue. The fee and leasehold interests are subject to a long-term operating lease.
(7) We, along with Onyx, acquired the remaining 50% interest on a pro-rata basis in September 2009.
(8) The property is subject to a 13-year triple-net lease arrangement with a single tenant. The lease commenced in 2007.
(9) The deconsolidation of this joint venture in 2010, resulted in an adjustment to retained earnings of approximately $3.0 million and to the noncontrolling interests in other partnerships of approximately $9.5 million.

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We finance our joint ventures with non-recourse debt. The first mortgage notes payable collateralized by the respective joint venture properties and assignment of leases at September 30, 2010 and December 31, 2009, respectively, are as follows (in thousands):

Property	Maturity Date	Interest Rate(1)	2010	2009
1515 Broadway(2)	12/2014	3.50%	**$ 465,962**	$ 475,000
100 Park Avenue(3)	09/2014	6.64%	**$ 200,000**	$ 200,000
379 West Broadway	07/2011	1.96%	**$ 20,991**	$ 20,991
21 West 34th Street	12/2016	5.76%	**$ 100,000**	$ 100,000
800 Third Avenue	08/2017	6.00%	**$ 20,910**	$ 20,910
521 Fifth Avenue	04/2011	1.31%	**$ 140,000**	$ 140,000
One Court Square	09/2015	4.91%	**$ 315,000**	$ 315,000
2 Herald Square	04/2017	5.36%	**$ 191,250**	$ 191,250
1604-1610 Broadway(4)	04/2012	5.66%	**$ 27,000**	$ 27,000
1745 Broadway	01/2017	5.68%	**$ 340,000**	$ 340,000
1 and 2 Jericho Plaza	05/2017	5.65%	**$ 163,750**	$ 163,750
885 Third Avenue	07/2017	6.26%	**$ 267,650**	$ 267,650
The Meadows	09/2012	1.66%	**$ 87,613**	$ 85,478
388 and 390 Greenwich Street(5)	12/2017	5.09%	**$ 1,138,379**	$ 1,138,379
16 Court Street	10/2013	2.81%	**$ 87,035**	$ 88,573
27-29 West 34th Street	05/2011	1.96%	**$ 54,488**	$ 54,800
1551-1555 Broadway(6)	10/2011	4.32%	**$ 129,850**	$ 133,600
717 Fifth Avenue(7)	09/2011	5.25%	**$ 245,000**	$ 245,000
141 Fifth Avenue	06/2017	5.70%	**$ 25,000**	$ 25,000
180/182 Broadway and 63 Nassau Street(8)	02/2011	2.56%	**$ 23,903**	$ 22,534
600 Lexington Avenue(9)	03/2014	5.74%	**$ 49,850**	$ —

(1) Interest rate represents the effective all-in weighted average interest rate for the quarter ended September 30, 2010.
(2) In December 2009 the $625.0 million mortgage was repaid and replaced with a $475.0 million mortgage. In connection with the refinancing, the partners made an aggregate $163.9 million capital contribution to the joint venture.
(3) This loan was refinanced in September 2009, and replaced a $175.0 million construction loan which was scheduled to mature in November 2015 and which carried a fixed interest rate of 6.52%. The new loan has a committed amount of $215.0 million.
(4) This loan went into default in November 2009 due to the non-payment of debt service. The joint venture is in discussions with the special servicer to resolve this default.
(5) Comprised of a $576.0 million mortgage and a $562.4 million mezzanine loan, both of which are fixed rate loans, except for $16.0 million of the mortgage and $15.6 million of the mezzanine loan which are floating. Up to $200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us. We believe it is unlikely that we will be required to perform under this guarantee.
(6) This amortizing loan was fully funded in September 2009 at the reduced committed amount of $133.6 million.
(7) This loan has a committed amount of $285.0 million.
(8) This loan has a committed amount of $31.0 million.
(9) See Note 19.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, 1 and 2 Jericho Plaza and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately $2.6 million, $11.7 million, $2.8 million and $16.0 million for these services for the three and nine months ended September 30, 2010, and 2009, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

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Gramercy Capital Corp.

In April 2004, we formed Gramercy as a commercial real estate finance business. Gramercy qualified as a REIT for federal income tax purposes and expects to qualify for its current fiscal year.

At September 30, 2010, we held 6,219,370 shares, or approximately 12.47% of Gramercy's common stock. Our total investment of approximately $8.6 million is based on the market value of our common stock investment in Gramercy at September 30, 2010. As we no longer have any significant influence over Gramercy, we account for our investment as available-for-sale securities.

Prior to Gramercy's internalization of GKK Manager LLC, or the Manager (a former wholly-owned subsidiary of our operating partnership which was the external manger to Gramercy), which we refer to as the GKK Internalization, we were entitled to an incentive return payable through the Class B limited partner interests in Gramercy's operating partnership, equal to 25% of the amount by which funds from operations (as defined in Gramercy's amended and restated partnership agreement) plus certain accounting gains exceed the product of the weighted average stockholders' equity of Gramercy multiplied by 9.5% (divided by four to adjust for quarterly calculations). This arrangement was terminated when the GKK Internalization was completed in April 2009. Amounts payable to the Class B limited partnership interests were waived since July 1, 2008.

In connection with Gramercy's initial public offering, the Manager entered into a management agreement with Gramercy, which provided for an initial term through December 2007, and which was subsequently extended through December 2009. The management agreement was further amended in September 2007 and amended and restated in October 2008 and was subsequently terminated on April 24, 2009 in connection with the GKK Internalization. In addition, Gramercy also paid the Manager a collateral management fee. For the three and nine months ended September 30, 2009, we received an aggregate of approximately none and $6.5 million, respectively, and we received nothing under the collateral management agreement in either period. Fees payable to the Manager under the collateral management agreement were remitted to Gramercy for all periods subsequent to June 30, 2008. In 2008, we, as well as Gramercy, each formed special committees comprised solely of independent directors to consider whether the GKK Internalization and/or amendment to the management agreement would be in the best interest of each company and its respective shareholders. The GKK Internalization was completed on April 24, 2009 through the direct acquisition by Gramercy of the Manager.

On October 27, 2008, the Manager entered into a Second Amended and Restated Management Agreement (the "Second Amended Management Agreement") with Gramercy and GKK Capital LP. The Second Amended Management Agreement generally contained the same terms and conditions as the Amended and Restated Management Agreement, dated as of April 19, 2006, but provided that all management, service and similar fees relating to Gramercy's CDOs that the Manager was entitled to receive were to be remitted by the Manager to Gramercy for any period subsequent to July 1, 2008. The Second Amended Management Agreement was terminated in connection with the GKK Internalization.

In May 2005, our Compensation Committee approved long-term incentive performance awards pursuant to which certain of our officers and employees, including some of whom are our senior executive officers, were awarded a portion of the interests previously held by us in the Manager, which at the time was an affiliate of ours, as well as in the Class B limited partner interests in Gramercy's operating partnership. The vesting of these awards was dependent upon, among other things, tenure of employment and the performance of our investment in Gramercy. These awards vested in May 2008. On April 24, 2009, Gramercy acquired all the interests in the Manager and all the Class B limited partner interests from us for no consideration.

Prior to the GKK Internalization, Gramercy was obligated to reimburse the Manager for its costs incurred under an asset servicing agreement and an outsourcing agreement between the Manager and us. The outsourcing agreement provided for a fee of $2.7 million per year, increasing 3% annually over the prior year. For the three and nine months ended September 30, 2009, the Manager received an aggregate of approximately none and $1.0 million, respectively, under the outsourcing and asset servicing agreements.

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On October 27, 2008, we , Gramercy and GKK Capital LP entered into a services agreement (the "Services Agreement") pursuant to which we provided consulting and other services to Gramercy. We made certain members of management available in connection with the provision of the services until the completion of the GKK Internalization on April 24, 2009. In consideration for the consulting services, we received from Gramercy a fee of $200,000 per month. We also provided Gramercy with certain other services described in the Services Agreement for a fee of $100,000 per month in cash until April 24, 2009. The Services Agreement was terminated in connection with the GKK Internalization. Since October 27, 2008, an affiliate of ours has served as special servicer for certain assets held by Gramercy or its affiliates and assigned its duties to a subsidiary of ours.

All fees earned from Gramercy are included in Other Income in the Consolidated Statements of Income.

Effective May 2005, June 2009 and October 2009, Gramercy entered into three lease agreements with an affiliate of ours, for their corporate offices at 420 Lexington Avenue in Manhattan. The first lease is for approximately 7,300 square feet and carries a term of ten years with rents of approximately $249,000 per annum for year one increasing to $315,000 per annum in year ten. The second lease is for approximately 900 square feet pursuant to a lease which ends in April 2015, with annual rent under this lease of approximately $35,300 per annum for year one increasing to $42,800 per annum in year six. The third lease is for approximately 1,400 square feet pursuant to a lease which ends in April 2015, with annual rent under this lease of approximately $67,300 per annum for year one increasing to $80,500 per annum in year six.

Gramercy holds tenancy-in-common interests along with us in 2 Herald Square and 885 Third Avenue. See Note 5 for information on our structured finance investments in which Gramercy also holds an interest.

A consolidated affiliate of ours held an investment in Gramercy's preferred stock with a market value of approximately $0.8 million at September 30, 2010.

On October 27, 2009, Marc Holliday, our Chief Executive Officer, Andrew Mathias, our President and Chief Investment Officer and Gregory F. Hughes, our Chief Financial Officer and Chief Operating Officer resigned as Chief Executive Officer, Chief Investment Officer and Chief Credit Officer, respectively, of Gramercy. Mr. Holliday also resigned as President of Gramercy effective as of October 28, 2009. Mr. Holliday and Mr. Mathias agreed to remain as consultants to Gramercy through the earliest of (i) September 30, 2009, (ii) the termination of the Second Amended Management Agreement or (iii) the termination of their respective employment with us. This agreement was terminated in connection with the GKK Internalization.

On October 28, 2009, Gramercy announced the appointment of Roger M. Cozzi, as President and Chief Executive Officer, effective immediately. Effective as of November 13, 2009, Timothy J. O'Connor was appointed as President of Gramercy. Mr. Holliday remains a board member of Gramercy.

In 2009, we, as well as a consolidated affiliate of ours, entered into consulting agreements with Gramercy whereby Gramercy provides services required for the evaluation, acquisition, disposition and portfolio management of CMBS investments. We pay 10 basis points and our affiliate pays 25 basis points of the principal amount of all trades executed. We and our affiliate paid approximately $48,000 in aggregate fees for such services during the nine months ended September 30, 2010.

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The condensed combined balance sheets for the unconsolidated joint ventures, at September 30, 2010 and December 31, 2009, are as follows (in thousands):

	2010	2009
Assets		
Commercial real estate property, net	**$ 5,377,548**	$ 6,095,668
Other assets	**601,515**	665,065
Total assets	**$ 5,979,063**	$ 6,760,733
Liabilities and members' equity		
Mortgages payable	**$ 4,093,632**	$ 4,177,382
Other liabilities	**244,900**	276,805
Members' equity	**1,640,531**	2,306,546
Total liabilities and members' equity	**$ 5,979,063**	$ 6,760,733
Company's net investment in unconsolidated joint ventures	**$ 777,556**	$ 1,058,369

The condensed combined statements of operations for the unconsolidated joint ventures for the three and nine months ended September 30, 2010 and 2009, or partial period for acquisitions which closed during these periods, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Total revenues	**$ 132,817**	$ 329,752	**$ 456,779**	$ 991,234
Operating expenses	**21,659**	74,808	**74,015**	226,714
Real estate taxes	**13,474**	30,870	**53,371**	96,258
Interest expense, net of interest income	**51,174**	111,475	**152,061**	341,580
Depreciation and amortization	**37,874**	65,364	**120,765**	203,006
Other income/ expenses	**—**	219,611	**1,075**	463,954
Total expenses	**124,181**	502,128	**401,287**	1,331,512
Net income (loss) before gain on sale	**$ 8,636**	$ (172,376)	**$ 55,492**	$ (340,278)
Company's equity in net income of unconsolidated joint ventures	**$ 7,544**	$ 16,585	**$ 32,925**	$ 46,486

7. Deferred Costs

Deferred costs at September 30, 2010 and December 31, 2009 consisted of the following (in thousands):

	2010	2009
Deferred financing	**$ 77,375**	$ 68,181
Deferred leasing	**187,878**	163,372
	265,253	231,553
Less accumulated amortization	**(108,751)**	(92,296)
Deferred costs, net	**$ 156,502**	$ 139,257

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8. Mortgage Notes and Other Loans Payable

The first mortgage notes and other loans payable collateralized by the respective properties and assignment of leases at September 30, 2010 and December 31, 2009, respectively, were as follows (in thousands):

Property	Maturity Date	Interest Rate (2)	2010	2009
711 Third Avenue(1)	06/2015	4.99%	**$ 120,000**	$ 120,000
420 Lexington Avenue(1)(7)	09/2016	7.52%	**149,627**	150,561
673 First Avenue(1)	02/2013	5.67%	**30,994**	31,608
220 East 42 nd Street(1)	11/2013	5.24%	**195,813**	198,871
625 Madison Avenue(1)(8)	11/2015	7.22%	**132,955**	135,117
609 Fifth Avenue(1)	10/2013	5.85%	**96,877**	97,952
609 Partners, LLC(1)(9)	07/2014	5.00%	**35,421**	41,391
485 Lexington Avenue(1)	02/2017	5.61%	**450,000**	450,000
120 West 45 th Street(1)	02/2017	6.12%	**170,000**	170,000
919 Third Avenue(1)(3)	08/2011	6.87%	**221,305**	224,104
300 Main Street(1)	02/2017	5.75%	**11,500**	11,500
500 West Putnam(1)	01/2016	5.52%	**25,000**	25,000
141 Fifth Avenue (4)	—	—	**—**	25,000
One Madison Avenue(1)(5)	05/2020	5.91%	**643,128**	651,917
125 Park Avenue	10/2014	5.75%	**146,250**	—
Total fixed rate debt			**2,428,870**	2,333,021
180/182 Broadway(1)(4)	—	—	**—**	22,534
100 Church Street(1)	01/2013	5.00%	**139,672**	---
Landmark Square(1)(6)	02/2011	2.15%	**113,226**	116,517
28 West 44 th Street(1)	08/2013	2.51%	**122,386**	123,480
Other loan payable(10)	06/2013	3.23%	**62,792**	—
Other loan payable	06/2016	3.05%	**30,000**	—
Total floating rate debt			**468,076**	262,531
Total mortgage notes and other loans payable			**$ 2,896,946**	$ 2,595,552

(1) Held in bankruptcy remote special purpose entity.
(2) Effective interest rate for the quarter ended September 30, 2010.
(3) We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us.
(4) This investment was deconsolidated in 2010.
(5) From April 2005 until August 2007, we held a 55% partnership interest in the joint venture that owned this property. We now own 100% of the property.
(6) This loan has one remaining one-year as-of-right renewal option.
(7) The $108.1 million loan which had an original maturity date in November 2010 and carried a fixed interest rate of 8.44% was repaid in August 2009. The new loan was upsized by $6.0 million in November 2009.
(8) In July 2009, we upsized this loan by $40.0 million resulting in a blended fixed interest rate of 7.22%.
(9) This loan was paid down by $22.5 million in August 2009 and $4.0 million in March 2010.
(10) This loan bears interest at 250 basis points over the three month GBP LIBOR. This loan is denominated in British Pounds.

In September 2010, we repaid a $104.0 million loan payable which had been secured by our interest in a structured finance investment.

At September 30, 2010 and December 31, 2009 the gross book value of the assets collateralizing the mortgage notes and loans payable was approximately $4.9 billion and $4.5 billion, respectively.

Interest expense, excluding capitalized interest, was comprised of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest expense	**$ 57,704**	$ 66,236	**$ 173,704**	$ 185,654
Interest income	**(479)**	(870)	**(1,351)**	(3,549)
Interest expense, net	**$ 57,225**	$ 65,366	**$ 172,353**	$ 182,105
Interest capitalized	**$ —**	$ 38	**$ —**	$ 98

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9. 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 LIBOR, based on our leverage ratio. 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 a balance of $0.8 billion and carried a spread over LIBOR of 80 basis points at September 30, 2010. Availability under the 2007 unsecured revolving credit facility was further reduced at September 30, 2010 by the issuance of approximately $24.0 million in letters of credit. The effective all-in interest rate on the 2007 unsecured revolving credit facility was 1.12% for the three months ended September 30, 2010. 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. Such repurchases reduce our availability under the 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.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of September 30, 2010 (in thousands):

Issuance	Accreted Balance	Coupon Rate(4)	Term (in Years)	Maturity
January 22, 2004 (1)(5)	$ 84,823	5.15%	7	January 15, 2011
August 13, 2004 (1) (5)	98,578	5.875%	10	August 15, 2014
March 31, 2006 (1)	274,755	6.00%	10	March 31, 2016
March 16, 2010	250,000	7.75%	10	March 15, 2020
June 27, 2005 (1)(2)(5)	657	4.00%	20	June 15, 2025
March 26, 2007 (3)(5)	122,448	3.00%	20	March 30, 2027
	$ 831,261			

(1) Assumed as part of the Reckson Merger.

(2) Exchangeable senior debentures which are currently callable 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, 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 nine months ended September 30, 2010, we repurchased approximately $115.4 million of these bonds, inclusive of notes purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.3 million. On the date of the Merger, $13.1 million was recorded in equity and was fully amortized as of June 30, 2010.

(3) In March 2007, we issued $750.0 million of these convertible bonds. 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 was set 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 nine months ended September 30, 2010, we repurchased approximately $41.7 million of these bonds, inclusive of notes purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.5 million. On the issuance date, $66.6 million was recorded in equity. As of September 30, 2010, approximately $4.4 million remained unamortized.

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

(5) In April 2010, we completed a cash tender offer and purchased $13.0 million of the outstanding 3.000% Exchangeable Senior Notes due 2027 issued by the operating partnership, and $13.2 million of the outstanding 4.000% Exchangeable Senior Debentures due 2025, $38.8 million of the 5.150% Notes due 2011 and $50.0 million of the 5.875% Notes due 2014 issued by Reckson.

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In March 2009, the $200.0 million, 7.75% unsecured notes scheduled to mature in March 2009, assumed as part of the Reckson Merger, were redeemed at par.

Restrictive Covenants

The terms of the 2007 unsecured revolving credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may 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 and 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 September 30, 2010 and December 31, 2009, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued $100.0 million in unsecured floating rate trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of our operating partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015. Interest payments may be deferred for a period of up to eight consecutive quarters if our operating partnership exercises its right to defer such payments. The trust preferred securities are redeemable, at the option of our operating partnership, in whole or in part, with no prepayment premium any time after July 2010. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our balance sheet and the related payments are classified as interest expense.

Principal Maturities

Combined aggregate principal maturities of mortgage notes and other loans payable, our 2007 unsecured revolving credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of September 30, 2010, including as-of-right extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2010	$ 7,608	$ —	$ —	$ —	—	7,608	$ 2,078
2011	29,950	216,656	—	—	84,823	331,429	218,698
2012	33,455	113,227	800,000	—	122,448	1,069,130	62,080
2013	34,078	622,774	—	—	—	656,852	37,146
2014	30,042	181,671	—	—	98,578	310,291	361,917
Thereafter	170,626	1,456,859	—	100,000	525,412	2,252,897	1,137,199
	$ 305,759	$ 2,591,187	$ 800,000	$ 100,000	$ 831,261	$ 4,628,207	$ 1,819,118

10. Fair Value of Financial Instruments

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies as discussed in Note 2. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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Cash and cash equivalents, accounts receivable and accounts payable balances reasonably approximate their fair values due to the short maturities of these items. Mortgage notes payable, junior subordinate deferrable interest debentures and the senior unsecured notes had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $3.4 billion, compared to the book value of the related fixed rate debt of approximately $3.3 billion at September 30, 2010. Our floating rate debt, inclusive of our 2007 unsecured revolving credit facility, had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $1.2 billion compared to the book value of approximately $1.3 billion at September 30, 2010. Our structured finance investments had an estimated fair value ranging between $544.8 million and $817.1 million, compared to the book value of approximately $907.9 million at September 30, 2010.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of September 30, 2010. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

11. 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. 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 Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately $0.6 million, $1.6 million, $0.4 million and $1.3 million for the three and nine months ended September 30, 2010 and 2009, respectively. We paid Alliance approximately $3.4 million, $9.6 million, $3.3 million and $11.0 million for the three and nine months ended September 30, 2010 and 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 pursuant to the lease is $35,516 per year.

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately $92,000, $293,000, $89,000 and $269,000 for the three and nine months ended September 30, 2010 and 2009, respectively.

Other

Amounts due from related parties at September 30, 2010 and December 31, 2009 consisted of the following (in thousands):

	2010	2009
Due from (to) joint ventures	**$ 692**	$ 228
Officers and employees	**—**	153
Other	**6,396**	8,189
Related party receivables	**$ 7,088**	$ 8,570

Gramercy Capital Corp.

See Note 6. Investment in Unconsolidated Joint Ventures — Gramercy Capital Corp. for disclosure on related party transactions between Gramercy and us.

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12. Stockholders' Equity

Common Stock

Our authorized capital stock consists of 260,000,000 shares, $.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, $.01 par value per share, 75,000,000 shares of excess stock, at $.01 par value per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of September 30, 2010, 78,252,240 shares of common stock and no shares of excess stock were issued and outstanding.

Perpetual Preferred Stock

In January 2010, we sold 5,400,000 shares of our Series C preferred stock in an underwritten public offering. As a result of this offering, we have 11,700,000 shares of the Series C preferred stock outstanding. The shares of Series C preferred stock have a liquidation preference of $25.00 per share and are redeemable at par, plus accrued and unpaid dividends, at any time at our option. The shares were priced at $23.53 per share including accrued dividends equating to a yield of 8.101%. We used the net offering proceeds of approximately $122.0 million for general corporate and/or working capital purposes, including purchases of the indebtedness of our subsidiaries and investment opportunities.

In December 2003, we sold 6,300,000 shares of our 7.625% Series C preferred stock, (including the underwriters' over-allotment option of 700,000 shares) with a mandatory liquidation preference of $25.00 per share. Net proceeds from this offering (approximately $152.0 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series C preferred stockholders receive annual dividends of $1.90625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. Beginning December 12, 2009, we have been entitled to redeem the Series C preferred stock at par for cash at our option. The Series C preferred stock was recorded net of underwriters discount and issuance costs.

In 2004, we sold 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or the Series D preferred stock, with a mandatory liquidation preference of $25.00 per share. Net proceeds from these offerings (approximately $96.3 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series D preferred stockholders receive annual dividends of $1.96875 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. Beginning May 27, 2009, we have been entitled to redeem the Series D preferred stock at par for cash at our option. The Series D preferred stock was recorded net of underwriters discount and issuance costs.

Rights Plan

In February 2000, our board of directors authorized a distribution of one preferred share purchase right, or Right, for each outstanding share of common stock under a shareholder rights plan. This distribution was made to all holders of record of the common stock on March 31, 2000. Each Right entitled the registered holder to purchase from us one one-hundredth of a share of Series B junior participating preferred stock, par value $0.01 per share, or Preferred Shares, at a price of $60.00 per one one-hundredth of a Preferred Share, or Purchase Price, subject to adjustment as provided in the rights agreement. The Rights expired on March 5, 2010, and the rights plan was terminated.

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 our common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the nine months ended September 30, 2010 and 2009, approximately 251,000 and 142 shares were issued and approximately $11.3 million and $3,300 of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

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Second Amended and Restated 2005 Stock Option and Incentive Plan

We have a stock option and incentive plan. The second amended and restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by our board of directors in April 2010 and our stockholders in June 2010 at our annual meeting of stockholders. The 2005 Plan authorizes the issuance of stock options, stock appreciation rights, unrestricted and restricted stock, phantom shares, dividend equivalent rights and other equity-based awards. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 10,730,000 fungible units may be granted under the 2005 Plan. Currently, different types of awards count against the limit on the number of fungible units differently, with (1) full-value awards (i.e., those that deliver the full value of the award upon vesting, such as restricted stock) counting as 1.65 fungible units per share subject to such award (2) stock options, stock appreciation rights and other awards that do not deliver full value and expire five year from the date of grant counting as 0.79 fungible units per share subject to such award and (3) all other awards (e.g., ten-year stock options) counting as 1.0 fungible units per share subject to such award. Awards granted under the 2005 Plan prior to the approval of the second amendment and restatement in June 2010 continue to count against the fungible unit limit based on the ratios that were in effect at the time such awards were granted, which may be different than the current ratios. As a result, depending on the types of awards issued, the 2005 Plan may result in the issuance of more or less than 10,730,000 shares. If a stock option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Currently, unless the 2005 Plan has been previously terminated by the Board, new awards may be granted under the 2005 Plan until June 15, 2020, which is the tenth anniversary of the date that the 2005 Plan was most recently approved by our stockholders. At September 30, 2010, approximately 5.2 million fungible units were available for issuance under the 2005 Plan, or 6.6 million if all fungible units available under the 2005 Plan were issued as five-year stock options.

Options are granted under the plan at the fair market value on the date of grant and, subject to termination of employment, generally expire ten years from the date of grant, are not transferable other than on death, and generally vest in one to five years commencing one year from the date of grant.

A summary of the status of our stock options as of September 30, 2010 and December 31, 2009 and changes during the periods then ended are presented below:

	2010		2009	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	1,324,221	$ 56.74	937,706	$ 61.33
Granted	25,500	$ 52.89	443,850	$ 46.08
Exercised	(98,341)	$ 30.50	(22,000)	$ 28.17
Lapsed or cancelled	(41,833)	$ 77.33	(35,335)	$ 62.75
Balance at end of period	1,209,547	$ 58.08	1,324,221	$ 56.74
Options exercisable at end of period	641,852	$ 68.90	595,851	$ 62.17
Weighted average fair value of options granted during the period	$ 564,671		$ 8,276,500	

The weighted average fair value of restricted stock granted during the nine months ended September 30, 2010 was approximately $25.6 million.

All options were granted within a price range of $20.67 to $137.18. The remaining weighted average contractual life of the options outstanding and exercisable was 4.9 years and 4.6 years, respectively.

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Stock-based Compensation

Effective January 1, 1999, we implemented a deferred compensation plan, or the Deferred Plan, covering certain of our employees, including our executives. The shares issued under the Deferred Plan were granted to certain employees, including our executives and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached. A summary of our restricted stock as of September 30, 2010 and the related expense during the nine months then ended are presented below:

Restricted Stock Awards	Nine Months Ended September 30, 2010
Balance at beginning of year	2,330,532
Granted	190,657
Cancelled	(3,167)
Balance at end of period	2,518,022
Vested during the period	34,527
Compensation expense recorded	$ 9,919,348

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 provided for restricted stock awards to be made to plan participants if the holders of our common equity achieved a total return in excess of 40% over a 48-month period commencing April 1, 2003. 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 Plan. In accordance with the terms of the program, 40% of each award vested on March 31, 2007 and the remainder was scheduled to vest ratably over the subsequent three years based on continued employment. The fair value of the awards under this program 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 from the date of grant and the balance was amortized, in equal parts, over five, six and seven years (i.e., 20% of the total value was amortized over five years (20% per year), 20% of the total value was amortized over six years (16.67% per year) and 20% of the total value was amortized over seven years (14.29% per year)). We recorded compensation expense of none, $23,000, $29,500 and $88,500 related to this plan during the three and nine months ended September 30, 2010 and 2009, 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 were entitled to earn LTIP Units in our operating partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%.; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value equal to 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. On June 14, 2006, the compensation committee 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, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Ouperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned scheduled to vest on each of November 30, 2009 and the first two anniversaries thereafter based on continued employment. 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.

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 none, $1.6 million, $0.6 million and $1.8 million of compensation expense during the three and nine months ended September 30, 2010 and 2009, respectively, in connection with the 2005 Outperformance Plan.

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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 were entitled to earn LTIP Units in our operating partnership if our total return to stockholders for the three-year period beginning August 1, 2006 exceeded a cumulative total return to stockholders of 30%.; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value of 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to $60.0 million. The 2006 Outperformance Plan provided that if the LTIP Units were earned, each participant would also have been 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 would have been paid in the form of additional LTIP Units. Thereafter, distributions would have been paid currently with respect to all earned LTIP Units, whether vested or unvested. Any LTIP Units earned under the 2006 Outperformance Plan were to remain subject to time-based vesting, with one-third of the awards vesting on each of July 31, 2009 and the first two anniversaries thereafter based on continued employment.

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 $0.1 million, $0.2 million, $0.1 million and $0.3 million of compensation expense during the three and nine months ended September 30, 2010 and 2009, 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. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units have been earned under the 2006 Outperformance Plan.

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.

Overall, the 2010 Long Term Compensation Plan contemplates maximum potential awards of 1,179,987 LTIP Units and a cap of approximately $75 million when earned. However, sufficient shares were not available under the 2005 Plan to fund the entire 2010 Long Term Compensation Plan in December 2009, and the awards granted at that time, in the aggregate, were limited to 744,128 LTIP Units, subject to performance-based and time-based vesting, unless and until additional shares became available under the 2005 Plan prior to the end of the performance period for the 2010 Long Term Compensation Plan. At our annual meeting of stockholders on June 15, 2010, our stockholders approved the adoption of the 2005 Plan which, among other things, increased the number of shares available under the plan to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The cost of the 2010 Long Term Compensation Plan (approximately $24.8 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $1.3 million and $2.8 million during the three and nine months ended September 30, 2010 related to this program.

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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 nine months ended September 30, 2010, approximately 9,300 phantom stock units were earned. As of September 30, 2010, there were approximately 57,700 phantom stock units outstanding.

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, 2009 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 Securities and Exchange Commission 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, 2009. 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 September 30, 2010, approximately 45,300 shares of our common stock had been issued under the ESPP.

Earnings Per Share

Earnings per share for the three and nine months ended September 30, 2010 and 2009 is computed as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator (Income)				
Basic Earnings:				
Income (loss) attributable to SL Green common stockholders	$ **111,500**	$ (2,520)	$ **263,617**	$ 42,791
Effect of Dilutive Securities:				
Redemption of units to common shares	**1,786**	(214)	**4,544**	1,488
Stock options	**—**	—		—
Diluted Earnings:				
Income (loss) attributable to SL Green common stockholders	$ **113,286**	$ (2,734)	$ **268,161**	$ 44,279

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Denominator (Weighted Average Shares)				
Basic Earnings:				
Shares available to common stockholders	**78,227**	76,832	**78,034**	67,196
Effect of Dilutive Securities:				
Redemption of units to common shares	**1,210**	2,336	**1,345**	2,337
3.0% exchangeable senior debentures	**—**	—	**—**	—
4.0% exchangeable senior debentures	**—**	—	**—**	—
Stock-based compensation plans	**344**	—	**343**	47
Diluted Shares	**79,781**	79,168	**79,722**	69,580

We have excluded approximately 794,000, 804,000, 499,000 and 939,000 common stock equivalents from the diluted shares outstanding for the three and nine months ended September 30, 2010 and 2009, respectively, as they were anti-dilutive.

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13. Noncontrolling Interests in Operating Partnership

The unit holders represent the noncontrolling interest ownership in our operating partnership. As of September 30, 2010 and December 31, 2009, the noncontrolling interest unit holders owned 1.6% (1,249,274 units) and 2.1% (1,684,283 units) of the operating partnership, respectively. At September 30, 2010, 1,249,274 shares of our common stock were reserved for the conversion of units of limited partnership interest in our operating partnership.

We record the carrying value of the noncontrolling interests in the operating partnership at fair market value based on the closing stock price of our common stock at the end of the reporting period. The carrying value of such noncontrolling interests will not be adjusted below its cost basis.

We have included a rollforward analysis of the activity relating to the noncontrolling interests in the operating partnership below (in thousands):

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
Balance at beginning of period	**$ 84,618**	$ 87,330
Distributions	**(387)**	(1,511)
Issuance of units	**2,874**	—
Redemption of units	**(23,187)**	(28,562)
Net income	**4,544**	1,221
Accumulated other comprehensive income (loss) allocation	**(1,210)**	2,923
Fair value adjustment	**11,865**	23,217
Balance at end of period	**$ 79,117**	$ 84,618

14. Commitments and Contingencies

We and our operating partnership are not presently involved in any material litigation nor, to our knowledge, is any material litigation threatened against us or our properties, other than routine litigation arising in the ordinary course of business. Management believes the costs, if any, incurred by us and our operating partnership related to this litigation will not materially affect our financial position, operating results or liquidity.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of September 30, 2010 (in thousands):

September 30,	Capital lease	Non-cancellable operating leases
2010	$ 387	$ 7,432
2011	1,555	28,929
2012	1,555	28,179
2013	1,555	28,179
2014	1,555	28,179
Thereafter	45,651	580,600
Total minimum lease payments	52,258	$ 701,498
Less amount representing interest	35,230	
Present value of net minimum lease payments	$ 17,028	

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15. Financial Instruments: Derivatives and Hedging

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. 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 will be immediately recognized in earnings. Reported net income and equity may increase or decrease prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of our derivative financial instruments and foreign currency hedges at September 30, 2010 based on Level 2 information pursuant to ASC 810-10. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	$ 128,000	6.000%	2/2010	2/2011	$ —
Interest Rate Cap	$ 139,672	5.000%	1/2010	1/2011	$ —
Interest Rate Swap	$ 30,000	2.295%	7/2010	6/2016	$ (1,102)
Currency Hedge	$ 20,748	1.55185GBP-USD	9/2010	12/2012	$ (82)

The currency hedge has not been designated as a hedging instrument.

On September 30, 2010, the derivative instruments were reported as an obligation at their fair value of approximately $1.0 million. This is included in Other Liabilities on the consolidated balance sheet at September 30, 2010. Included in Accumulated Other Comprehensive Loss at September 30, 2010 was approximately $15.2 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation, and active hedges and our share of joint venture accumulated other comprehensive loss of approximately $21.4 million. Currently, all of our designated derivative instruments are effective hedging instruments.

In March 2010, we terminated forward swaps which resulted in a net loss of approximately $19.5 million from the settlement of the hedges. This payment is included in financing activities in the statement of cash flows. This loss will be amortized over the 10-year term of the related financing. This loss is included in the $15.2 million balance noted above.

16. Environmental Matters

Our management believes that the properties are in compliance in all material respects with applicable Federal, state and local ordinances and regulations regarding environmental issues. Management is not aware of any environmental liability that it believes would have a materially adverse impact on our financial position, results of operations or cash flows. Management is unaware of any instances in which it would incur significant environmental cost if any of the properties were sold.

17. Segment Information

We are a REIT engaged in owning, managing, leasing, acquiring and repositioning commercial office and retail properties in the New York Metro area and have two reportable segments, real estate and structured finance investments. Our investment in Gramercy and its related earnings are included in the structured finance segment. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

Our real estate portfolio is primarily located in the geographical markets of 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). See Note 5 for additional details on our structured finance investments.

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Selected results of operations for the three and nine months ended September 30, 2010 and 2009, and selected asset information as of September 30, 2010 and December 31, 2009, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Structured Finance Segment	Total Company
Total revenues			
Three months ended:			
September 30, 2010	$ 238,903	$ 84,377	$ 323,280
September 30, 2009	229,503	16,266	245,769
Nine months ended:			
September 30, 2010	$ 708,458	$ 125,543	$ 834,001
September 30, 2009	704,110	48,697	752,807
Income from continuing operations:			
Three months ended:			
September 30, 2010	$ 6,109	$ 80,465	$ 86,574
September 30, 2009	16,421	(1,862)	14,559
Nine months ended:			
September 30, 2010	$ 27,414	$ 105,589	$ 133,003
September 30, 2009	144,737	(81,805)	62,932
Total assets			
As of:			
September 30, 2010	$ 9,674,631	$ 913,244	$ 10,587,875
December 31, 2009	9,698,430	789,147	10,487,577

Income from continuing operations represents total revenues less total expenses for the real estate segment and total investment income less allocated interest expense for the structured finance segment. Interest costs for the structured finance segment are imputed assuming 100% leverage at our 2007 unsecured revolving credit facility borrowing cost. We do not allocate marketing, general and administrative expenses (approximately $18.5 million, $55.3 million, $18.9 million and $54.7 million for the three and nine months ended September 30, 2010 and 2009, respectively) to the structured finance segment, since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets. There were no transactions between the above two segments.

The table below reconciles income from continuing operations to net income attributable to SL Green common stockholders for the three and nine months ended September 30, 2010 and 2009 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Income from continuing operations	$ 86,574	$ 14,559	$ 133,003	$ 62,932
Gain on sale of joint venture interest/real estate	520	—	127,289	6,848
Income (loss)/gains from discontinued operations	37,472	(9,966)	40,905	(1,077)
Net income	124,566	4,593	301,197	68,703
Net income attributable to noncontrolling interests	(5,521)	(2,144)	(15,375)	(11,006)
Net income attributable to SL Green	119,045	2,449	285,822	57,697
Preferred stock dividend	(7,545)	(4,969)	(22,205)	(14,906)
Net income (loss) attributable to SL Green common stockholders	$ 111,500	$ (2,520)	$ 263,617	$ 42,791

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18. Supplemental Disclosure of Non-Cash Investing and Financing Activities

A summary of our non-cash investing and financing activities for the nine months ended September 30, 2010 and 2009 is presented below (in thousands):

	Nine Months Ended September 30,	
	2010	2009
Issuance of common stock as deferred compensation	$ 474	$ 529
Redemption of units in the operating partnership	12,091	244
Derivative instruments at fair value	14,268	14,676
Mortgage assigned upon asset sale	—	113,517
Tenant improvements and lease commissions payable	7,621	10,166
Assumption of mortgage loans	285,922	—
Structured finance and other investments acquired	30,000	13,831
Deconsolidation of real estate investments - assets	60,783	—
Deconsolidation of real estate investments - liabilities	47,533	—

19. Subsequent Events

In October 2010, our operating partnership issued $345.0 million of 3.00% exchangeable senior notes due 2017, inclusive of the $45.0 million overallotment option, with a 30% conversion premium, resulting in an initial conversion price of $85.81. Our operating partnership received net proceeds from the offering of approximately $336.5 million. These notes are guaranteed by ROP.

In October 2010, the joint venture that owns 600 Lexington Avenue closed on a new $125.0 million seven-year mortgage which replaces the $49.85 million mortgage assumed as part of the acquisition. The new mortgage bears interest at a rate of 200 basis points over the 30-day LIBOR and is interest only for the first two years.

In October 2010, we reached an agreement to recapitalize Three Columbus Circle. The recapitalization includes a standby mortgage commitment and a potential future investment by us that will make funds available for the completion of the redevelopment and lease-up of the property.

ITEM 2. 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.

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are subsidiaries of our operating partnership.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Quarterly Report on Form 10-Q and in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2009.

As of September 30, 2010, 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	22	15,141,945	91.0%
	Unconsolidated properties	8	7,182,515	94.1%
Suburban	Consolidated properties	25	3,863,000	81.8%
	Unconsolidated properties	6	2,941,700	93.8%
		61	29,129,160	90.9%

(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 366,312 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage four office properties owned by third parties and affiliated companies encompassing approximately 1.3 million rentable square feet.

Critical Accounting Policies

Refer to our 2009 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include rental property, investment in unconsolidated joint ventures, revenue recognition, allowance for doubtful accounts, reserve for possible credit losses and derivative instruments. There have been no changes to these policies in 2010.

Results of Operations

Comparison of the three months ended September 30, 2010 to the three months ended September 30, 2009

The following comparison for the three months ended September 30, 2010, or 2010, to the three months ended September 30, 2009, or 2009, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us at January 1, 2009 and at September 30, 2010 and total 44 of our 47 consolidated properties, representing approximately 73% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2009 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)	2010	2009	$ Change	% Change
Rental revenue	$ 199.3	$ 189.5	$ 9.8	5.2%
Escalation and reimbursement revenue	31.5	29.1	2.4	8.3
Total	$ 230.8	$ 218.6	$ 12.2	5.6%
Same-Store Properties	$ 218.9	$ 216.1	$ 2.8	1.3%
Acquisitions	10.8	1.6	9.2	575.0
Other	1.1	0.9	0.2	22.2
Total	$ 230.8	$ 218.6	$ 12.2	5.6%

Occupancy in the Same-Store Properties was 94.8% at September 30, 2009, 93.5% at December 31, 2009 and 91.9% at September 30, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties for a period during the quarter in 2010 compared to a partial period or not being included in 2009.

During the quarter, we signed or commenced 55 leases in the Manhattan portfolio totaling 586,593 square feet, of which 44 leases and 510,463 square feet represented office leases. Average starting Manhattan office rents of $41.22 per rentable square foot on the 510,463 square feet of office leases signed or commenced during the quarter represented a 1.3% increase over the previously fully escalated rents. The average lease term was 10.8 years and average tenant concessions were 3.22 months of free rent with a tenant improvement allowance of $18.78 per rentable square foot.

During the quarter, we signed 18 leases in the Suburban portfolio totaling 206,866 square feet, of which 17 leases and 206,666 square feet represented office leases. Average starting Suburban office rents of $29.31 per rentable square foot for the quarter represented a 9.1% decrease over the previously fully escalated rents.

At September 30, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 4.0% and 4.5% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.6% of the space leased at our consolidated properties expires during the remainder of 2010.

The increase in escalation and reimbursement revenue was due to higher recoveries at the Same-Store Properties ($1.4 million) and an increase in recoveries from the Acquisitions ($0.8 million). The increase in recoveries at the Same-Store Properties was primarily due to higher operating expense escalations ($2.3 million) which were partially offset by lower real estate tax escalations ($0.5 million) and electric reimbursements ($0.4 million).

Investment and Other Income (in millions)	2010	2009	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ 7.5	$ 16.6	$ (9.1)	(54.8)%
Investment and preferred equity income	84.3	16.3	68.0	417.2
Other income	8.1	11.0	(2.9)	(26.4)
Total	$ 99.9	$ 43.9	$ 56.0	127.6%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 800 Third Avenue ($0.3 million), 1221 Avenue of the Americas due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($9.8 million) and 1515 Broadway ($2.2 million). This was partially offset by higher net income contributions primarily from our investments in 100 Park Avenue ($2.0 million), 141 Fifth Avenue ($1.2 million), the Meadows ($0.5 million) and 717 Fifth Avenue ($0.3 million).

Occupancy at our joint venture properties was 95.4% at September 30, 2009, 95.1% at December 31, 2009 and 94.2% at September 30, 2010. At September 30, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 14.0% and 8.7% higher, respectively, than then existing in-place fully escalated rents. Approximately 1.6% of the space leased at our joint venture properties expires during the remainder of 2010.

Investment and preferred equity income increased during the current quarter due to new investment activity. In addition, i n September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately $64.8 million. The income was recorded in preferred equity and investment income on the accompanying statement of income. The weighted average investment balance outstanding and weighted average yield were $919.3 million and 9.1%, respectively, for 2010 compared to $610.0 million and 9.3%, respectively, for 2009.

The decrease in other income was primarily due to lower lease buy-out income ($6.2 million) which was partially offset by higher fee and other income earned ($3.3 million).

Property Operating Expenses (in millions)	2010	2009	$ Change	% Change
Operating expenses	$ 59.3	$ 54.3	$ 5.0	9.2%
Real estate taxes	36.5	34.2	2.3	6.7
Ground rent	7.9	7.9	—	—
Total	$ 103.7	$ 96.4	$ 7.3	7.6%
Same-Store Properties	$ 94.9	$ 91.9	$ 3.0	3.3%
Acquisitions	6.0	0.8	5.2	650.0
Other	2.8	3.7	(0.9)	(24.3)
Total	$ 103.7	$ 96.4	$ 7.3	7.6%

Same-Store Properties operating expenses, excluding real estate taxes, increased approximately $2.0 million. There were increases in payroll costs ($0.8 million), utilities ($0.3 million), insurance ($0.1 million), repairs and maintenance ($0.3 million) and other expenses ($0.6 million). This was partially offset by decreases in ground rent expenses ($0.1 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($1.0 million) due to higher assessed property values and/or increased rates.

Other Expenses (in millions)	2010	2009	$ Change	% Change
Interest expense, net of interest income	$ 60.0	$ 68.4	$ (8.4)	(12.3)%
Depreciation and amortization expense	56.9	56.4	0.5	0.9
Loan loss reserves, net of recoveries	1.3	16.1	(14.8)	(91.9)
Transaction related costs	3.3	—	3.3	—
Marketing, general and administrative expense	18.5	18.9	(0.4)	(2.1)
Total	$ 140.0	$ 159.8	$ (19.8)	(12.4)%

The decrease in interest expense was primarily attributable to the weighted average debt balance decreasing from $5.0 billion as of September 30, 2009 to $4.6 billion as of September 30, 2010. The weighted average interest rate increased from 4.27% for the quarter ended September 30, 2009 to 4.99% for the quarter ended September 30, 2010.

We expensed approximately $3.3 million of transaction related costs during the three months ended September 30, 2010.

Marketing, general and administrative expense represented 5.7% of total revenues in 2010 compared to 7.7% in 2009.

Comparison of the nine months ended September 30, 2010 to the nine months ended September 30, 2009

The following comparison for the nine months ended September 30, 2010, or 2010, to the nine months ended September 30, 2009, or 2009, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2009 and at September 30, 2010 and total 44 of our 47 consolidated properties, representing approximately 73% of our share of annualized rental revenue, (ii) the effect of the “Acquisitions,” which represents all properties or interests in properties acquired in 2009 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)	2010	2009	$ Change	% Change
Rental revenue	$ 591.7	$ 571.1	$ 20.6	3.6%
Escalation and reimbursement revenue	91.3	92.6	(1.3)	(1.4)
Total	$ 683.0	$ 663.7	$ 19.3	2.9%
Same-Store Properties	$ 656.3	$ 651.4	$ 4.9	0.8%
Acquisitions	23.0	7.6	15.4	202.6
Other	3.7	4.7	(1.0)	(21.3)
Total	$ 683.0	$ 663.7	$ 19.3	2.9%

Occupancy in the Same-Store Properties was 94.8% at September 30, 2009, 93.5% at December 31, 2009 and 91.9% at September 30, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties for a period during the nine months in 2010 compared to a partial period or not being included in 2009.

During the nine months ended September 30, 2010, we signed or commenced 169 leases in the Manhattan portfolio totaling 1,636,121 square feet, of which 140 leases and 1,473,276 square feet represented office leases. Average starting Manhattan office rents of $42.15 per rentable square foot on the 1,473,276 square feet of office leases signed or commenced during the nine months ended September 30, 2010 represented a 2.8% decrease over the previously fully escalated rents. The average lease term was 9.3 years and average tenant concessions were 3.86 months of free rent with a tenant improvement allowance of $23.57 per rentable square foot.

During the nine months ended September 30, 2010, we signed 86 leases in the Suburban portfolio totaling 565,197 square feet, of which 70 leases and 524,673 square feet represented office leases. Average starting Suburban office rents of $29.30 per rentable square foot for the nine months ended September 30, 2010 represented an 8.6% decrease over the previously fully escalated rents.

At September 30, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 4.0% and 4.5% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.6% of the space leased at our consolidated properties expires during the remainder of 2010.

The decrease in escalation and reimbursement revenue was due to lower recoveries at the Same-Store Properties ($2.5 million) which was partially offset by an increase in recoveries from the Acquisitions ($0.9 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower real estate tax escalations ($0.2 million) and electric reimbursements ($2.6 million) which were partially offset by higher operating expense escalations ($0.4 million).

Investment and Other Income (in millions)	2010	2009	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ 32.9	$ 46.5	$ (13.6)	(29.3)%
Investment and preferred equity income	125.5	48.7	76.8	157.7
Other income	25.5	40.4	(14.9)	(36.9)
Total	$ 183.9	$ 135.6	$ 48.3	35.6%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 521 Fifth Avenue ($0.7 million), 600 Lexington Avenue due to the expensing of transaction related costs ($0.6 million), 1604 Broadway ($0.4 million), 1221 Avenue of the Americas due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($12.9 million) and 1515 Broadway ($8.6 million). This was partially offset by higher income contributions primarily from our investments in Gramercy ($3.5 million), 141 Fifth Avenue ($1.2 million), 717 Fifth Avenue ($0.4 million), 29 West 34 th Street ($1.0 million) and 100 Park Avenue ($4.4 million).

Occupancy at our joint venture properties was 95.4% at September 30, 2009, 95.1% at December 31, 2009 and 94.2% at September 30, 2010. At September 30, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 14.0% and 8.7% higher, respectively, than then existing in-place fully escalated rents. Approximately 1.6% of the space leased at our joint venture properties expires during the remainder of 2010.

Investment and preferred equity income increased primarily due to new investment activity. In addition, in September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately $64.8 million. The income was recorded in preferred equity and investment income on the accompanying statement of income. The weighted average investment balance outstanding and weighted average yield were $840.3 million and 9.0%, respectively, for 2010 compared to $654.5 million and 8.6%, respectively, for 2009.

The decrease in other income was primarily due to lower fee and other income earned ($11.2 million) as well as lower lease buy-out income ($3.7 million).

Property Operating Expenses (in millions)	2010	2009	$ Change	% Change
Operating expenses	$ 171.0	$ 159.8	$ 11.2	7.0%
Real estate taxes	112.3	106.3	6.0	5.6
Ground rent	23.4	24.0	(0.6)	(2.5)
Total	$ 306.7	$ 290.1	$ 16.6	5.7%
Same-Store Properties	$ 281.4	$ 276.8	$ 4.6	1.7%
Acquisitions	13.7	2.7	11.0	407.4
Other	11.6	10.6	1.0	9.4
Total	$ 306.7	$ 290.1	$ 16.6	5.7%

Same-Store Properties operating expenses, excluding real estate taxes, increased approximately $1.6 million. There were increases in payroll costs ($2.4 million), repairs and maintenance ($1.2 million) and insurance costs ($0.7 million). This was partially offset by decreases in utilities ($2.0 million) and ground rent ($0.7 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($2.9 million) due to higher assessed property values and increased rates.

Other Expenses (in millions)	2010	2009	$ Change	% Change
Interest expense, net of interest income	$ 179.5	$ 188.1	$ (8.6)	(4.6)%
Depreciation and amortization expense	169.7	164.5	5.2	3.2
Loan loss reserves, net of recoveries	12.3	123.7	(111.4)	(90.1)
Transaction related costs	8.4	—	8.4	—
Marketing, general and administrative expense	55.3	54.7	0.6	1.1
Total	$ 425.2	$ 531.0	$ (105.8)	(19.9)%

The decrease in interest expense was primarily attributable to the early repurchase of our exchangeable and non-exchangeable notes and the reduction of the outstanding balance on our 2007 unsecured revolving credit facility. The weighted average interest rate increased from 4.32% for the nine months ended September 30, 2009 to 4.68% for the nine months ended September 30, 2010. The weighted average debt balance decreased from $5.2 billion as of September 30, 2009 to $4.8 billion as of September 30, 2010.

We expensed approximately $8.4 million of transaction related costs during the nine months ended September 30, 2010. Of these costs, $6.6 million were required to be expensed under new accounting guidelines which took effect in 2009.

Transaction costs included approximately $1.8 million for non-recoverable costs incurred in connection with the pursuit of a redevelopment project.

Marketing, general and administrative expense represented 6.6% of total revenues in 2010 compared to 7.3% in 2009.

Liquidity and Capital Resources

We continue to experience a global economic downturn and difficult credit environment although positive signs have started to materialize. As a result, many financial industry participants including commercial real estate owners, operators, investors and lenders continue to find it 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 higher than may have been available in the 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, our Operating Partnership (including issuances of limited partnership units in the operating partnership and trust preferred securities) or ROP.

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, other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of September 30, 2010 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property mortgages	$ 7,608	$ 246,606	$ 146,682	$ 656,852	$ 211,713	$ 1,627,485	$ 2,896,946
Corporate obligations	—	84,823	922,448	—	98,578	625,412	1,731,261
Joint venture debt-our share	2,078	218,698	62,080	37,146	361,917	1,137,199	1,819,118
Total	$ 9,686	$ 550,127	$ 1,131,210	$ 693,998	$ 672,208	$ 3,390,096	$ 6,447,325

As of September 30, 2010, we had approximately $342.9 million of cash on hand, inclusive of approximately $72.1 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may also seek 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 will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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.

Cash Flows

The following summary discussion of our cash flows is based on our condensed consolidated statements of cash flows in “Item 1. 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 $270.8 million and $634.1 million at September 30, 2010 and 2009, respectively, representing a decrease of $363.3 million. The decrease was a result of the following increases and decreases in cash flows (in thousands):

	Nine months ended September 30,		
	2010	2009	Increase (Decrease)
Net cash provided by operating activities	$ 254,049	$ 214,812	$ 39,237
Net cash provided by (used in) investing activities	$ 174,990	$ (37,413)	$ 212,403
Net cash used in financing activities	$ (501,951)	$ (270,216)	$ (231,735)

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 September 30, 2010 our portfolio was 90.9% 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 nine months ended September 30, 2010, when compared to the nine months ended September 30, 2009, we used cash primarily for the following investing activities (in thousands):

Acquisitions of and additions to real estate	$	(167,984)
Escrow cash-capital improvements/acquisition deposits		(142)
Joint venture investments		(68,833)
Distributions from joint ventures		(11,471)
Proceeds from sales of real estate/ joint venture interest		595,175
Structured finance and other investments		(134,342)
Increase in net cash provided by investing activities	$	212,403

We generally fund our investment activity through property-level financing, our 2007 unsecured revolving credit facility, senior unsecured notes, construction loans and from time to time we issue common or preferred stock. During the nine months ended September 30, 2010, when compared to the nine months ended September 30, 2009, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$	253,366
Repayments under our debt obligations		(221,796)
Noncontrolling interests, contributions in excess of distributions		7,458
Other financing activities		(41,486)
Proceeds from sale of common/ preferred stock		(265,211)
Proceeds from stock options exercised		13,967
Dividends paid		21,967
Decrease in net cash used in financing activities	$	(231,735)

Capitalization

As of September 30, 2010, we had 78,252,240 shares of common stock, 1,249,274 units of limited partnership interest in our operating partnership, 11,700,000 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 January 2010, we sold 5,400,000 shares of our Series C preferred stock in an underwritten public offering. Following this offering, we have 11,700,000 shares of the Series C preferred stock outstanding. The shares of Series C preferred stock have a liquidation preference of $25.00 per share and are redeemable at par, plus accrued and unpaid dividends, at any time at our option. The shares were priced at $23.53 per share including accrued dividends equating to a yield of 8.101%. We used the net offering proceeds of approximately $122.0 million for general corporate and/or working capital purposes, including purchases of the indebtedness of our subsidiaries and investment opportunities.

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

Rights Plan

We adopted a shareholder rights plan which provided, among other things, that when specified events occur, our shareholders would be entitled to purchase from us a new created series of junior preferred shares. This plan expired in March 2010.

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 nine months ended September 30, 2010 and 2009, approximately 251,000 and 142 shares were issued and approximately $11.3 million and $3,300 of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

Second Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 10,730,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the Second Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At September 30, 2010, approximately 5.2 million fungible units, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 6.6 million shares of common stock if all shares available under the 2005 Plan were issued as five-year stock options.

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 provided for restricted stock awards to be made to plan participants if the holders of our common equity achieved a total return in excess of 40% over a 48-month period commencing April 1, 2003. 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 Plan. In accordance with the terms of the program, 40% of each award vested on March 31, 2007 and the remainder was scheduled to vest ratably over the subsequent three years based on continued employment. The fair value of the awards under this program 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 from the date of grant and the balance was amortized, in equal parts, over five, six and seven years (i.e., 20% of the total value was amortized over five years (20% per year), 20% of the total value was amortized over six years (16.67% per year) and 20% of the total value was amortized over seven years (14.29% per year)). We recorded compensation expense of none, $23,000, $29,500 and $88,500 related to this plan during the three and nine months ended September 30, 2010 and 2009, 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 were entitled to earn LTIP Units in our operating partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%.; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value equal to 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. On June 14, 2006, the compensation committee 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, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Ouperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned scheduled to vest on each of November 30, 2009 and the first two anniversaries thereafter based on continued employment. 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.

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 none, $1.6 million, $0.6 million and $1.8 million of compensation expense during the three and nine months ended September 30, 2010 and 2009, 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 were entitled to earn LTIP Units in our operating partnership if our total return to stockholders for the three-year period beginning August 1, 2006 exceeded a cumulative total return to stockholders of 30%.; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value of 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to $60.0 million. The 2006 Outperformance Plan provided that if the LTIP Units were earned, each participant would also have been 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 would have been paid in the form of additional LTIP Units. Thereafter, distributions would have been paid currently with respect to all earned LTIP Units, whether vested or unvested. Any LTIP Units earned under the 2006 Outperformance Plan were to remain subject to time-based vesting, with one-third of the awards vesting on each of July 31, 2009 and the first two anniversaries thereafter based on continued employment.

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 $0.1 million, $0.2 million, $0.1 million and $0.3 million of compensation expense during the three and nine months ended September 30, 2010 and 2009, 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. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units have been earned under the 2006 Outperformance Plan.

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.

Overall, the 2010 Long Term Compensation Plan contemplates maximum potential awards of 1,179,987 LTIP Units and a cap of approximately $75 million when earned. However, sufficient shares were not available under the 2005 Plan to fund the entire 2010 Long Term Compensation Plan in December 2009, and the awards granted at that time, in the aggregate, were limited to 744,128 LTIP Units, subject to performance-based and time-based vesting, unless and until additional shares became available under the 2005 Plan prior to the end of the performance period for the 2010 Long Term Compensation Plan. At our annual meeting of stockholders on June 15, 2010, our stockholders approved the adoption of the 2005 Plan which, among other things, increased the number of shares available under the plan to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The cost of the 2010 Long Term Compensation Plan granted in December 2009 (approximately $24.8 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $1.3 million and $2.8 million during the three and nine months ended September 30, 2010 related to this program.

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 nine months ended September 30, 2010, approximately 9,300 phantom stock units were earned. As of September 30, 2010, there were approximately 57,700 phantom stock units outstanding.

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, 2009 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 Securities and Exchange Commission 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, 2009. 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 2009 annual meeting of stockholders. As of September 30, 2010, approximately 45,300 shares of our common stock had been issued under the ESPP.

Market Capitalization

At September 30, 2010, borrowings under our mortgage loans and other loans payable, our 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 54.3% of our combined market capitalization of approximately $11.9 billion (based on a common stock price of $63.33 per share, the closing price of our common stock on the New York Stock Exchange on September 30, 2010). 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.

Indebtedness

The table below summarizes our consolidated mortgage and other loans payable, our 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities outstanding at September 30, 2010 and December 31, 2009, respectively (dollars in thousands):

Debt Summary:	September 30, 2010	December 31, 2009
Balance		
Fixed rate	**$ 3,360,132**	$ 3,256,081
Variable rate — hedged	**—**	60,000
Total fixed rate	**3,360,132**	3,316,081
Variable rate	**845,989**	1,053,947
Variable rate—supporting variable rate assets	**422,086**	522,660
Total variable rate	**1,268,075**	1,576,607
Total	**$ 4,628,207**	$ 4,892,688
Percent of Total Debt :		
Total fixed rate	**72.6%**	67.8%
Variable rate	**27.4%**	32.2%
Total	**100.0%**	100.0%
Effective Interest Rate for the Quarter:		
Fixed rate	**6.17%**	5.60%
Variable rate	**1.92%**	1.45%
Effective interest rate	**4.99%**	4.30%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.26% and 0.25% at September 30, 2010 and 2009, respectively). Our consolidated debt at September 30, 2010 had a weighted average term to maturity of approximately 5.0 years.

Certain of our structured finance investments, with a face amount net of discount of approximately $422.1 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at September 30, 2010.

Mortgage Financing

As of September 30, 2010, our total mortgage debt (excluding our share of joint venture debt of approximately $1.8 billion) consisted of approximately $2.4 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.91% and $468.1 million of variable rate debt with an effective weighted average interest rate of approximately 3.30%.

Corporate Indebtedness

2007 Unsecured Revolving Credit Facility

We have a $1.5 billion 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 80 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 $0.8 billion outstanding at September 30, 2010. Availability under the 2007 unsecured revolving credit facility was further reduced at September 30, 2010 by the issuance of approximately $24.0 million in letters of credit. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below). The 2007 unsecured revolving credit facility is guaranteed by certain of our subsidiaries and structured finance investment entities. ROP and certain of its subsidiaries also provide a senior guaranty of our obligations under the 2007 unsecured revolving credit facility. As of September 30, 2010, the maximum amount of ROP and its subsidiaries' guaranty obligation was approximately $575.4 million.

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. Such repurchases reduce our availability under the 2007 unsecured revolving credit facility. In August 2009, one of our subsidiaries repurchased approximately $48.0 million of the total commitment, and we realized gains on early extinguishment of debt of approximately $7.1 million.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of September 30, 2010 (in thousands):

Issuance	Accreted Balance	Coupon Rate(4)	Term (in Years)	Maturity
January 22, 2004 (1) (5)	$ 84,823	5.15%	7	January 15, 2011
August 13, 2004 (1) (5)	98,578	5.875%	10	August 15, 2014
March 31, 2006 (1)	274,755	6.00%	10	March 31, 2016
March 16, 2010	250,000	7.75%	10	March 15, 2020
June 27, 2005 (1)(2)(5)	657	4.00%	20	June 15, 2025
March 26, 2007 (3)(5)	122,448	3.00%	20	March 30, 2027
	$ 831,261			

(1) Assumed as part of the Reckson Merger.

(2) Exchangeable senior debentures which are currently callable 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, 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 nine months ended September 30, 2010, we repurchased approximately $115.4 million of these bonds, inclusive of notes purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.3 million. On the date of the Merger $13.1 million was recorded in equity and was fully amortized as of June 30, 2010.

(3) In March 2007, we issued $750.0 million of these convertible bonds. 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 was set 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 nine months ended September 30, 2010, we repurchased approximately $41.7 million of these bonds, inclusive of notes purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.5 million. On the issuance date, $66.6 million was recorded in equity. As of September 30, 2010, approximately $4.4 million remained unamortized.

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

(5) In April 2010, we completed a cash tender offer and purchased $13.0 million of the outstanding 3.000% Exchangeable Senior Notes due 2027 issued by the operating partnership, and $13.2 million of the outstanding 4.000% Exchangeable Senior Debentures due 2025, $38.8 million of the 5.150% Notes due 2011 and $50.0 million of the 5.875% Notes due 2014 issued by Reckson.

In March 2009, the $200.0 million, 7.75% unsecured notes scheduled to mature in March 2009, issued by Reckson, were redeemed at par.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued $100.0 million of Trust Preferred Securities, which are reflected on the balance sheet as Junior Subordinate Deferrable Interest Debentures. The proceeds were used to repay our unsecured revolving credit facility. The $100.0 million of junior subordinate deferred 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 certain of our 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 September 30, 2010 and December 31, 2009, 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 2010 would increase our annual interest cost by approximately $12.5 million and would increase our share of joint venture annual interest cost by approximately $6.1 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 $3.4 billion of our long-term debt bore 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 September 30, 2010 ranged from LIBOR plus 75 basis points to LIBOR plus 400 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages notes and other loans payable, our 2007 unsecured revolving credit facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense (based on weighted average interest rates for the quarter), and our obligations under our capital lease and ground leases, as of September 30, 2010 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 7,608	$ 246,606	$ 146,682	$ 656,852	$ 211,713	$ 1,627,485	$ 2,896,946
Revolving Credit Facility	—	—	800,000	—	—	—	800,000
Trust Preferred Securities	—	—	—	—	—	100,000	100,000
Senior Unsecured Notes	—	84,823	122,448	—	98,578	525,412	831,261
Capital lease	387	1,555	1,555	1,555	1,555	45,651	52,258
Ground leases	7,432	28,929	28,179	28,179	28,179	580,600	701,498
Estimated interest expense	57,041	211,726	191,195	172,605	147,383	410,733	1,190,683
Joint venture debt	2,078	218,698	62,080	37,146	361,917	1,137,199	1,819,118
Total	$ 74,546	$ 792,337	$ 1,352,139	$ 896,337	$ 849,325	$ 4,427,080	$ 8,391,764

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 three months ending December 31, 2010, we will incur approximately $30.9 million of capital expenditures, 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, net of loan reserves, will be approximately $4.8 million. We expect to fund these capital expenditures with operating cash flow, additional property level mortgage 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 that 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 our 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 on an annual basis. Based on our current annual dividend rate of $0.40 per share, we would pay approximately $31.3 million in dividends. 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 and secured credit facilities, and our term loans, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

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. 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 Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately $0.6 million, $1.6 million, $0.4 million and $1.3 million for the three and nine months ended September 30, 2010, and 2009, respectively. We paid Alliance approximately $3.4 million, $9.6 million, $3.3 million and $11.0 million for the three and nine months ended September 30, 2010 and 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.

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately $92,000, $293,000, $89,000 and $269,000 for the three and nine months ended September 30, 2010 and 2009, respectively.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 11, “Related Party Transactions” in the accompanying financial statements.

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 $750.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $500.0 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. We maintain liability policies which cover all our properties and provide limits of $201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2011.

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 for certified acts of terrorism above a program trigger of $100.0 million. Belmont is responsible for a small deductible and 15% of the remaining balance of a loss, with the remaining 85% covered by the Federal government.

- General Liability: For the period commencing October 31, 2010, Belmont will insure a retention on the general liability insurance of $150,000 per occurrence and a $2.1 million annual aggregate stop loss limit. We have secured excess insurance to protect against catastrophic liability losses above the $150,000 retention. Prior policy years carried a higher per occurrence deductible and/or higher aggregate stop loss. Belmont has retained a third party administrator to manage all claims within the retention 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 per occurrence and in the aggregate on a per location basis.

- Environmental Liability: Belmont insures a deductible of $975,000 per occurrence in excess of $25,000 on a $25 million per occurrence/$30 million aggregate 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.

The Terrorism Risk Insurance Act, or 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 certified terrorism, subject to our current program trigger of $100.0 million. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2007 unsecured revolving credit facility and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, 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 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. Other joint ventures may be covered under separate policies from our policies, at coverage limits which we deem to be adequate. We continually monitor these policies. 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.

FFO for the three and nine months ended September 30, 2010 and 2009 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss) attributable to SL Green common stockholders	**$ 111,500**	**$ (2,520)**	**$ 263,617**	$ 42,791
Add:				
Depreciation and amortization	56,932	56,364	**169,668**	164,477
Discontinued operations depreciation adjustments	405	668	**1,626**	2,538
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	7,116	9,800	**24,608**	30,387
Net income attributable to noncontrolling interests	5,521	2,144	**15,375**	11,006
Loss (gain) on equity investment in marketable securities	—	(52)	**285**	629
Less:				
Gain (loss) on sale of discontinued operations	35,485	(11,829)	**35,485**	(5,257)
Equity in net gain on sale of joint venture property/ real estate	520	—	**127,289**	6,848
Depreciation on non-rental real estate assets	155	176	**686**	549
Funds from Operations	**$ 145,314**	**$ 78,057**	**$ 311,719**	$ 249,688
Cash flows provided by operating activities	**$ 101,395**	**$ 62,438**	**$ 254,049**	$ 214,812
Cash flows provided by (used in) investing activities	**$ (71,909)**	**$ (62,583)**	**$ 174,990**	$ (37,413)
Cash flows used in financing activities	**$ (98,260)**	**$ (42,551)**	**$ (501,951)**	$ (270,216)

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 consolidated 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.

Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus might not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

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.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

For quantitative and qualitative disclosures about market risk, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the year ended December 31, 2009. Our exposures to market risk have not changed materially since December 31, 2009.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of “disclosure controls and procedures” in Rule 13a-15(e) of the Exchange Act. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Also, we have investments in certain unconsolidated entities. As we do not control these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended September 30, 2010, that has materially affected, or is reasonably likely to material affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of September 30, 2010, we were not involved in any material litigation nor, to management's knowledge, is 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 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in "Item 1A-Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In September 2010, our operating partnership issued 44,772 units of limited partnership interest to The Swig Investment Company, LLC as consideration for the contribution of a leasehold interest to one of our subsidiaries. In October 2010, our operating partnership issued 317,780 units of limited partnership interest to Eretz LLC in connection with the execution of an agreement to acquire a membership interest in a joint venture entity that owns commercial real estate property. The operating partnership may satisfy redemption requests for the units issued in each of the transactions described above with shares of our common stock, on a one-for-one basis, pursuant to the operating partnership agreement. The units were issued in reliance on the exemption from registration provided by Section 4(2) of the Act.

In October 2010, our operating partnership issued $345.0 million of 3.00% exchangeable senior notes due 2017. The notes are exchangeable for cash and, if applicable, shares of our common stock. If settled in stock, we will deliver shares of our common stock to satisfy any future exchange of the notes. The initial conversion price will be approximately $85.81 per share of common stock, which represents approximately a 30% conversion premium. Our operating partnership received proceeds of approximately $336.5 million from the offering, which will be used for investment opportunities, to repay outstanding indebtedness and other general corporate purposes. The notes were sold in reliance on the exemption from registration provided by Rule 144A under the Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits:

4.1 Indenture, dated as of October 12, 2010, by and among SL Green Operating Partnership, L.P. as Issuer, Reckson Operating Partnership, L.P., as Guarantor, SL Green Realty Corp. and The Bank of New York Mellon, as Trustee, incorporated by reference to the Company's Form 8-K dated October 12, 2010, filed with the SEC on October 14, 2010.

10.1 Amended and Restated Employment and Non-Competition Agreement, dated September 3, 2010, between SL Green Realty Corp. and Andrew Mathias, incorporated by reference to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-4, filed with the SEC on September 14, 2010.

10.2 Letter Agreement, dated September 8, 2010, to the Amended and Restated Employment and Non-Competition Agreement, between SL Green Realty Corp. and Gregory F. Hughes, dated April 16, 2007, filed herewith.

10.3 Registration Rights Agreement, dated as of October 12, 2010, by and among SL Green Operating Partnership, L.P., Reckson Operating Partnership, L.P., SL Green Realty Corp. and Citigroup Global Markets Inc., incorporated by reference to the Company's Form 8-K dated October 12, 2010, filed with the SEC on October 14, 2010.

31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.

31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.

32.1 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

32.2 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

101.1 The following financial statements from SL Green Realty Corp.'s Quarterly Report on Form 10-Q for the quarter ended

September 30, 2010, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (unaudited), (iii) Consolidated Statement of Equity (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Consolidated Financial Statements (unaudited), tagged as blocks of text filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SL GREEN REALTY CORP.

By: /s/ Gregory F. Hughes

Gregory F. Hughes
Chief Operating Officer and Chief Financial Officer

Date: November 9, 2010

Exhibit 10.2

as of September 8, 2010

Mr. Gregory F. Hughes
32 Pembroke Drive
Glen Cove, New York 11542

Re: Employment Agreement

Dear Mr. Hughes:

Reference is made to that certain Amended and Restated Employment and Noncompetition Agreement, dated as of April 16, 2007, entered into by and between SL Green Realty Corp. (the "Company") and you, as amended to date (the " Employment Agreement ").

This letter evidences the following modifications to the Employment Agreement:

(1) The Original Term is hereby set to expire on November 30, 2010, and shall automatically be extended for successive three (3) month periods (each a "Renewal Term"), unless either party gives the other party at least twenty (20) days written notice of non-renewal prior to the expiration of the then current term.

(2) On September 30 and subject to your delivery of the Release Agreement provided for in Section 7(a) of the Employment Agreement, you shall:

(a) be issued a number of shares of the Company's common stock equal to 12,500 shares less the number of shares that would have been held back by the Company to satisfy the Company's tax withholding obligations relating to the issuance of such shares. The shares issued shall immediately vest. On the date of issuance, you will pay to the Company an amount, in cash, sufficient to satisfy the Company's tax withholding obligations relating to the issuance of such shares;

(b) be paid a cash bonus in the amount of $250,000, plus an additional amount equal to the dollar value of the reduction from the 12,500 shares noted in para 2(a) above, which dollar value will be based on the closing price per share of the Company's common stock on the New York Stock Exchange on such date; and

(c) immediately vest in the 11,944 shares of the Company's common stock granted to you on January 12, 2010, which are otherwise scheduled to vest on January 12, 2011.

(3) So long as the Company has not terminated your employment for Cause or you have not terminated your employment without Good Reason, then upon the date either party gives the other written notice of non-renewal of the then current term, you shall immediately surrender to the Company all right, title and interest you have in and to the award granted to you pursuant to the Company's 2010 Outperformance Plan other than a 2.0% Participation Percentage in the Plan, and corresponding number of Notional Units and Award LTIP Units on a pro rata basis with respect to initial and additional Units granted thereunder. The portion of your award under the 2010 Outperformance Plan that is not surrendered shall in all events remain subject to performance based vesting, and so long as such performance based vesting has been satisfied, then (x) 1.33% of the 2.0% shall become vested as follows: (1) one-half (1/2) of the Award LTIP Units shall become vested on January 1, 2013; and (2) an additional one-quarter (1/4) of the Award LTIP Units shall become vested on each of January 1, 2014 and 2015 and (y) .67% of the 2.0% shall vest immediately. With respect to the portion of your award under the 2010 Outperformance Plan that is not surrendered, the Award Agreement issued to you under the 2010 Outperformance Plan shall govern in all events, except with respect to any requirement that you remain an employee of the Company to remain entitled to the Award LTIP Units; and all terms used in this paragraph (d) shall be as defined in the Award Agreement.

(4) So long as the Company has not terminated your employment for Cause or you have not terminated your employment without Good Reason, then upon the expiration of the Employment Period and subject to your delivery of the Release Agreement provided for in Section 7(a) of the Employment Agreement, you shall be paid a cash bonus equal to the sum of (a) 12,500 multiplied by the closing price of the Company's stock upon such expiration plus (b) $250,000.

(5) The provisions of Section 8(b)(i) of the 2007 Employment Agreement shall remain effective following the expiration of the Employment Period for a term of six (6) months.

All terms used and not defined herein shall be as defined in the Employment Agreement. Except as modified herein, the terms and conditions of the Employment Agreement remain unmodified, and in full force and effect. This letter supersedes any letter agreements between you and the Company, in their entirety, relating to the subject matter hereof, and any other such letter agreements shall be of no further force and effect.

Please evidence your agreement to the terms and conditions set forth above by executing this letter in the place indicated.

Sincerely,

Acknowledged and Agreed:

_____

Gregory F. Hughes

Date: as of September 8, 2010

Exhibit 31.1

CERTIFICATION

I, Marc Holliday, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SL Green Realty Corp. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ Marc Holliday
Name: Marc Holliday
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Gregory F. Hughes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SL Green Realty Corp. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ Gregory F. Hughes
Name: Gregory F. Hughes
Title: Chief Operating Officer and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SL Green Realty Corp. (the "Company") on Form 10-Q as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc Holliday, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc Holliday
Name: Marc Holliday
Title: Chief Executive Officer

November 9, 2010

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SL Green Realty Corp. (the "Company") on Form 10-Q as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory F. Hughes, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory F. Hughes
Name: Gregory F. Hughes
Title: Chief Operating Officer and Chief Financial Officer

November 9, 2010