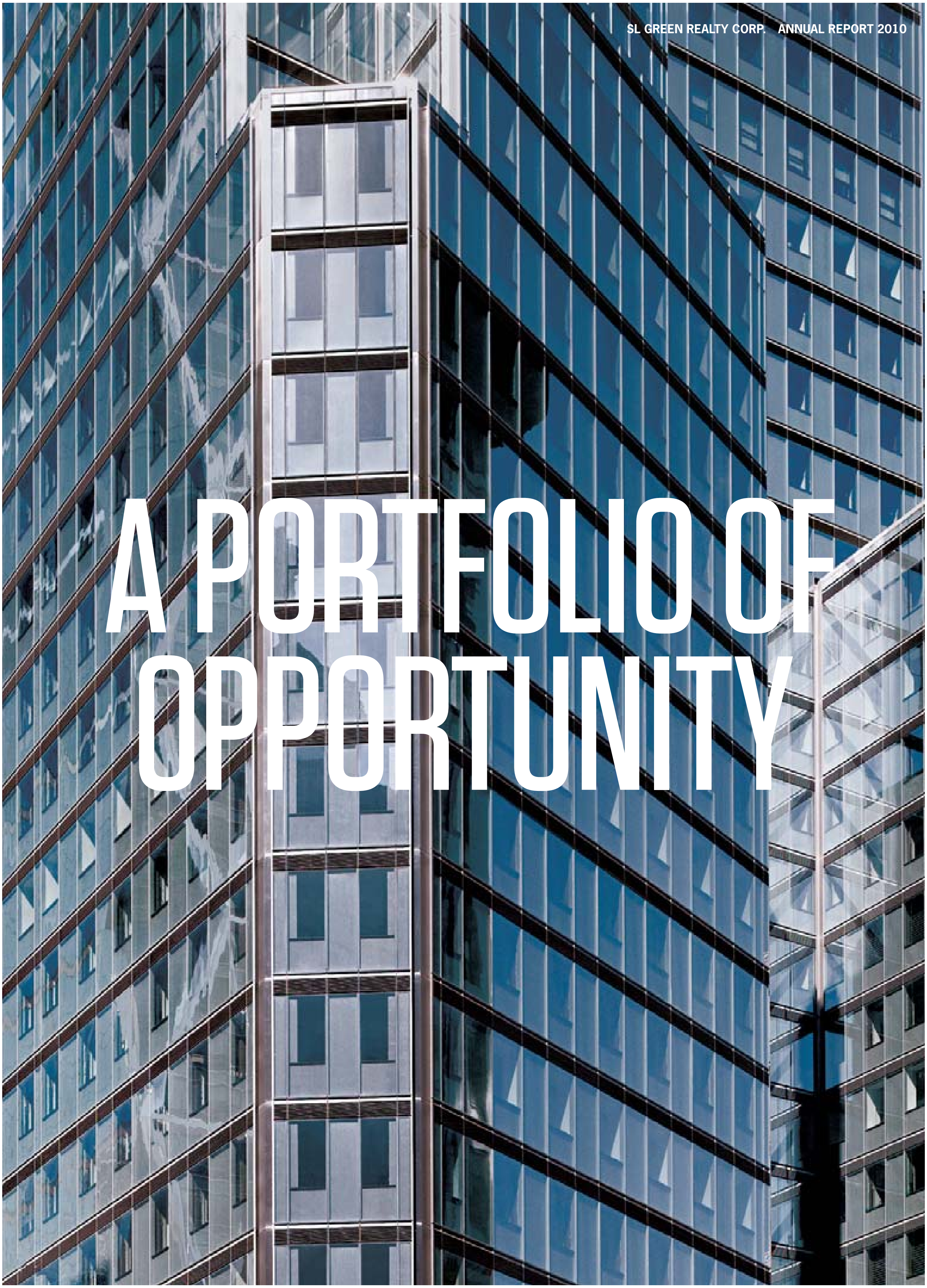
A PORTFOLIO OF OPPORTUNITY



SL Green Realty Corp., New York City's largest office landlord, is the only fully integrated real estate investment trust, or REIT, that is focused primarily on acquiring, managing and maximizing the value of Manhattan commercial office properties. As of December 31, 2010, SL Green owned interests in 59 Manhattan properties totaling more than 31.5 million square feet. This included ownership interests in 23.5 million square feet of office buildings, ownership interests in 405,362 square feet of freestanding and condominium retail properties, and debt and preferred equity investments secured by 8.3 million square feet of properties. In addition to its Manhattan investments, SL Green holds interests in 31 suburban assets totaling 6.8 million square feet in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, along with four development properties encompassing approximately 465,441 square feet, and three land interests.

WE DON'T JUST FIND OPPORTUNITIES, WE CREATE THEM.

TO OUR FELLOW SHAREHOLDERS

Leadership is not just about finding opportunities. More importantly, it's also about creating them at the right moments in time. And make no mistake about it – in 2010, it was SL Green that led the way in the New York City commercial real estate marketplace – as we took advantage of our strength and expertise to again reinforce our position as the region's preeminent property owner, manager and investor. After three years of defensive tactics dictated by an oppressing economic downturn, we adopted a decidedly optimistic market posture and aggressive approach to our business that catapulted us ahead of the pack.

2010 was a transitional year for the Manhattan business climate as New York City began to come back from one of the past century's worst economic periods. After losing 148,400 private sector jobs during the "Great Recession" – many of them high-paying jobs in the financial services sector – the city's economic recovery finally began to take hold in late 2009. In fact, while the recession continued to linger in many corners of the nation, New York City's job growth reawakened – regaining almost 47% of total lost jobs to date and 61% of the private sector jobs lost, thereby reducing the local unemployment rate to less than 8.8% after peaking at 10.0%.

Office-using job growth translates into office space demand, and that rebound in demand started to evidence itself last year. Sublet space – space that tenants have leased for the long term but don't currently need – was substantially reduced. When sublet space was combined with direct vacancies, the overall vacancy rate stood at just 10.6% at year-end, far below the peak levels that were predicted by some of the doomsayers that didn't believe in the resilience of the New York City financial sector. For the first time in over three years, buildings once again saw tenants competing for space, which is the essential ingredient for improvement in market rents.

Our New York City real estate portfolio, which contributes nearly 90% of the Company's share of annualized rent, experienced increased leasing velocity, with nearly 3 million square feet of leases signed in 2010. Accompanying the leasing volume were tenant concessions that were down approximately $10 per square foot year over year. This positive activity carried over into the first quarter of 2011, as face rents on recently signed transactions were up over 10% from prior escalated rents. Even the suburban portfolio held its own, despite facing continued headwinds from markets that have not yet begun to benefit from the spillover effects of New York City's central business district (CBD) recovery.

The emergence of a turnaround in leasing fundamentals, and the increase in rents and values that followed, fueled a substantial return of equity capital to investment properties. Traditionally, New York City has been the most liquid property market in the U.S. as it attracts high levels of foreign and domestic investment alike. In effect, in 2010 the signal went out to capital sources all over the world that New York City was back as a great place to invest their equity. Investors renewed their appreciation of New York City's historic outperformance and resiliency in the property sector, once again recognizing it as one of the world's most attractive and liquid markets that could demonstrate enormous potential for upside.

Likewise, traditional debt sources, which had largely removed themselves from the markets in 2008 and 2009, reappeared and reopened the mortgage lending market. After transaction volumes had been sharply reduced from peak 2007 levels, lenders found themselves once again competing to make new loans and reducing their spreads. There are also abundant signs of increasing demand for investment grade CMBS – which will, when combined with the prevalence of balance sheet lenders, reduce borrowing costs and encourage more transactional activity. We also expect to see a floating rate CMBS issuance this year, the first such offering since the market shut down.

During the downturn, weaker owners and developers, particularly those who had overleveraged themselves and their holdings, were forced to withdraw from the market. Some had to disperse their holdings. Others didn't survive.

The better capitalized owners in New York City and around the nation tended to guard their resources carefully waiting for liquidity to return and for market conditions to improve. But even many in this latter group were caught off guard when they failed to detect the nascent signs of the recovery and missed out on the earliest off-market transactions. Many market participants bemoaned the lack of apparent distressed deals, when in fact the market was positioned for some of the best buying opportunities in the last two decades.

DIFFERENTIATING INVESTMENT PLATFORM

On the other hand, SL Green was decisive. Our team of outstanding financial, investment and management professionals had not only positioned the Company to weather the downturn, but also to create opportunities and access the resources needed to take advantage of them. We quickly moved forward, going on the offensive as soon as we saw that the market was hitting its inflection point. I attribute much of our success to the Company's deep bench of highly talented employees and the manner in which we focus the Company's resources in just one market – albeit in what we believe to be the best commercial office market in the U.S.

Our investments included:

- The acquisition of 600 Lexington Avenue, followed by a strategic sale of a minority joint venture stake.
- The acquisition of 125 Park Avenue, a newly modernized office tower overlooking Grand Central Terminal.
- Consolidation of the leased fee interests in the iconic Lipstick Building (885 Third Avenue), 2 Herald Square and 292 Madison Avenue.

In addition, we were able to attract Pace University to our development site at 180–182 Broadway, where our newly formed joint venture with Israel's third-largest insurance company will construct a high-end retail site topped by 23 stories of dormitory housing for Pace.

We were equally active in purchasing and originating debt and preferred equity investments, with a total deployment of $520.7 million during 2010. Even though this portfolio comprised less than 8.5% of our total asset base at year-end 2010, its benefits to the Company in the form of returns and proprietary pipeline were far more impactful. This unique platform enhanced our overall performance and resulted in:

- An average yield of 8.53% on invested debt capital during 2010.
- $75.0 million profit on a $189.8 million purchase of debt positions on 510 Madison Avenue over a short 10-month holding period.

- Full ownership through foreclosure of 100 Church Street. In a short period of time, our team refreshed and re-launched this property, increasing it from 40% leased to over 70% leased by year-end.
- 30% equity interest in 11 West 34th Street resulting from a restructuring that included a full repayment of our loan and subsequent lease to Foot Locker for a new flagship store.
- Our acquisition of half of 3 Columbus Circle in early 2011. This is the sixth owned property to have come from our debt and preferred equity platform activities.
- Our current $200 million investment in the capital stack at 280 Park Avenue to provide high returns, and a seat at the table when this property is either recapitalized or sold, which we expect to occur in 2011.

RELATIVE OUTPERFORMANCE

Overall, in 2010, SL Green met virtually all of its performance objectives set forth at our annual investor conference in December 2009. And once again, our total return to shareholders of 35.3% in 2010 was ranked among the highest in our industry. Since SL Green's launch as a publicly traded REIT, total return to shareholders through year-end 2010 topped 380%, and based on where we sit now in 2011 may soon top 500%. These returns have been made possible by a well-designed business platform, and reflect financial investment and operating strategies that are well-executed by our teams.

And, while tightly controlling property-level expenses, our portfolio teams continued to demonstrate superior performance as measured by tenant satisfaction ratings reported by third-party surveys conducted by Kingsley Associates. That satisfaction is also reflected in SL Green's high tenant retention rates.

STRENGTH IN THE BALANCE SHEET

We are committed to prudently managing our balance sheet. During 2010, we applied a measured and disciplined strategy to fund our investment activity. We tapped an assortment of capital sources, including selling $700 million of assets, monetizing $152 million in gains on the sales, and our capital market activities included raising $127 million in preferred stock, $250 million of senior unsecured notes, and $345 million of convertible debt. By the end of the year, we had improved our credit metrics, significantly reduced our line of credit and had built a healthy $1.1 billion of available liquidity.

Our actions were rewarded earlier this year with an investment grade rating from the Standard & Poor's rating agency. This important ratings upgrade is the result of a well-considered plan that should result in savings on our unsecured corporate debt costs, and create more certain access to capital markets through market cycles.

As we move forward, we will focus on balancing the funding of our activities with asset sales, capital market sources including unsecured debt, and equity as necessary to support balance sheet growth. We firmly believe that continuing down this path will support underlying growth in our financial results with the overall goal of increasing SL Green's total return to our shareholders.

LOOKING AHEAD

We have confidence that New York City's economic recovery will accelerate throughout 2011. This will lead to hastening near-term job growth and further increased space demand in midtown Manhattan, where essentially no new inventory is slated for completion over the next three years. Likewise, we expect further improvements and opportunities in the retail sector. Overall, New York City will continue to lead the nation in leasing and transaction volume as it remains the first stop for growing businesses and for overseas and domestic investment capital.

Market opportunities should be plentiful (although transacted at levels that no longer reflect distressed market pricing), and we intend to be a major force. We pride ourselves on taking a somewhat unconventional approach to sourcing new deals – utilizing our extensive relationships in real estate, debt, preferred equity and special servicing. Our joint venture program allows us to even further broaden our reach.

In our view, current market rents remain very low on a relative and absolute basis, and they have far to run before class A net rents get back to equilibrium with new development costs. This dynamic will create substantial opportunities for us through the redevelopment of existing properties, allowing us to create very attractive risk adjusted returns in triple-A locations without taking on the attendant risks of substantial delays or cost overruns generally associated with ground-up development.

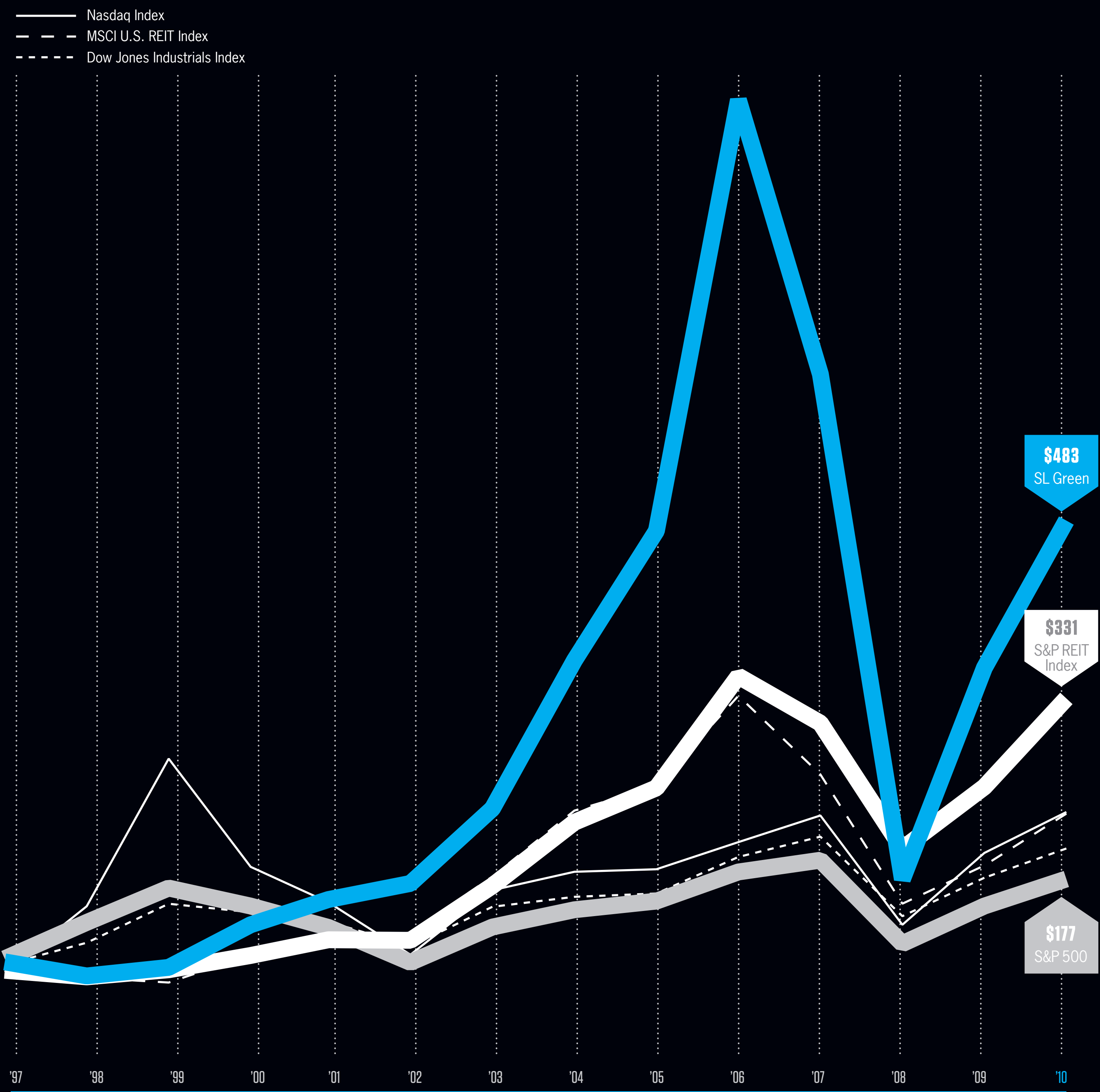
Finally, among our most important investments is in our "human capital." I believe we have the highest-quality talent in the industry today, with a depth and breadth of commercial real estate expertise that enables us to keep moving forward and growing without missing a beat. In 2010, Jim Mead joined us as our new Chief Financial Officer. His past experiences as an investment banker and CFO across different commercial real estate property types should prove invaluable. Additionally, David Schonbraun and Isaac Zion, two outstanding dealmakers, were elevated to become Co-Chief Investment Officers for the Company. In recent years, their contributions to SL Green's investment activities have been critical to our success. We anticipate even greater things from them in the future.

The skills and knowledge of these newest members of our executive team will help us build upon SL Green's clear leadership position as New York City's preeminent commercial property owner, and as one of the nation's best-performing office REITs. We are certain that we can continue achieving superior results for our shareholders and we thank you for your ongoing confidence in us.

Marc Holliday
Chief Executive Officer
Executive Committee

FINANCIAL HIGHLIGHTS

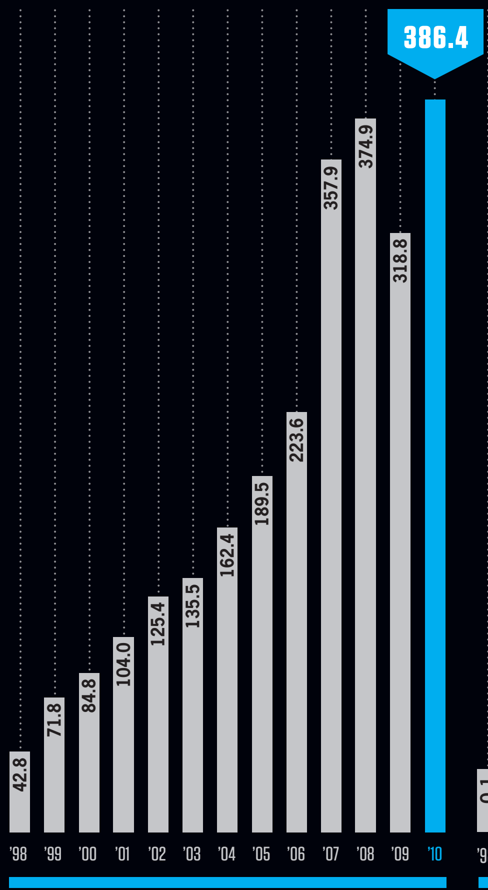
Year ended December 31, (dollars in millions except for per share amounts)	2010	2009	% Change
Total Combined Revenue	$ 1,392	$ 1,334	4.3%
Funds From Operations	$ 386	$ 319	21.2%
Total Market Capitalization	$12,618	$10,978	14.9%
Annual Dividend Per Share	$ 0.40	$ 0.40	0.0%
Total Common Shares & Units Outstanding	79,556	79,198	0.5%



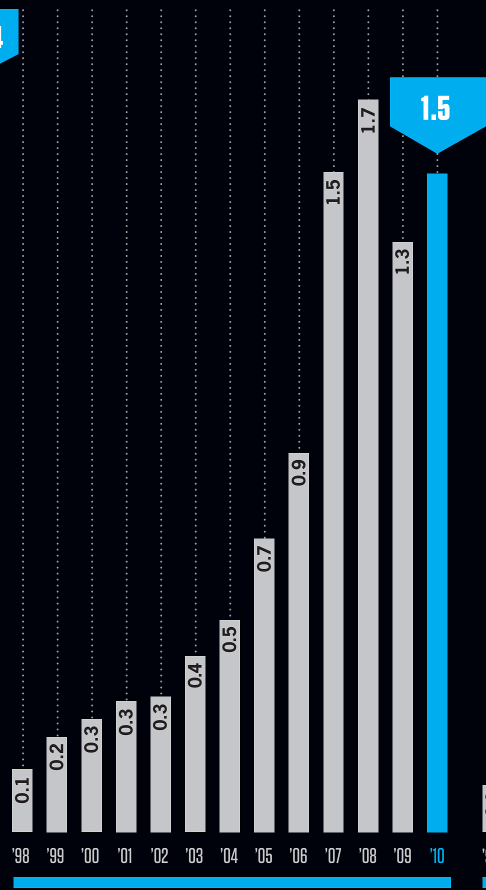
TOTAL RETURN TO SHAREHOLDERS

(Based on $100 investment made 8/15/97 [IPO], diluted, in dollars)

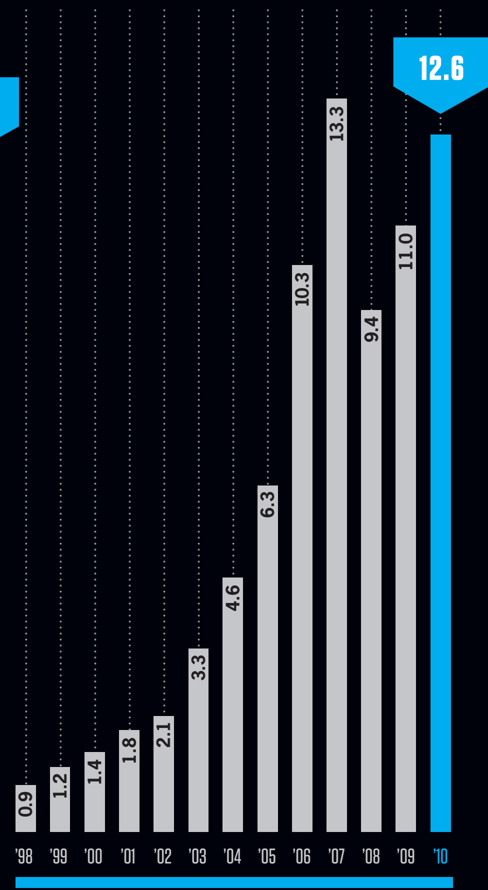
Source: Capital IQ, a division of Standard & Poor's, 12/31/2010



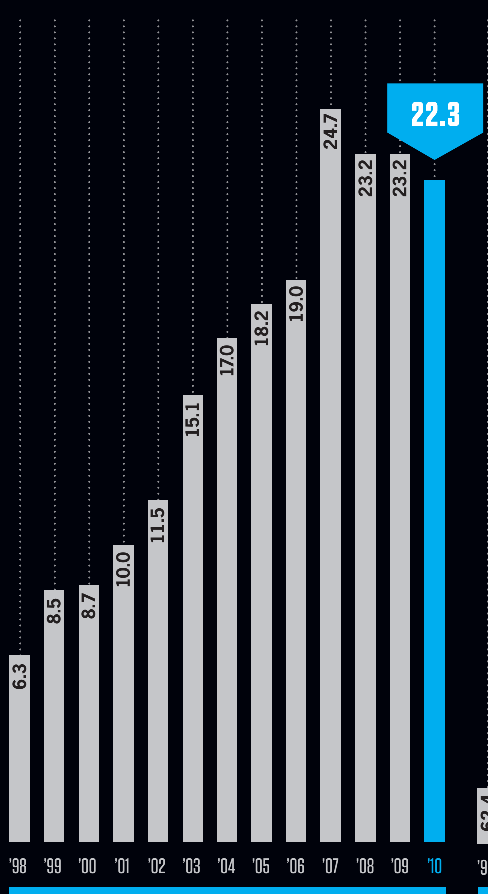
FUNDS FROM OPERATIONS
(in millions of dollars)



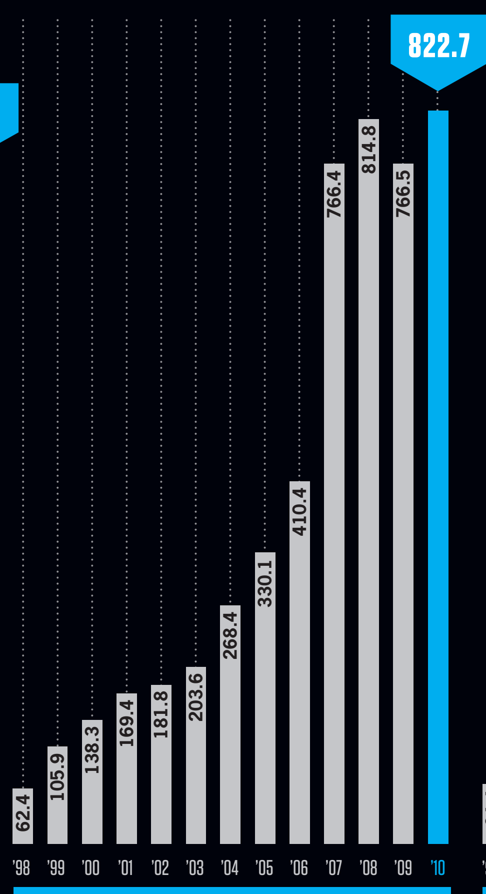
TOTAL COMBINED REVENUES
(in billions of dollars)



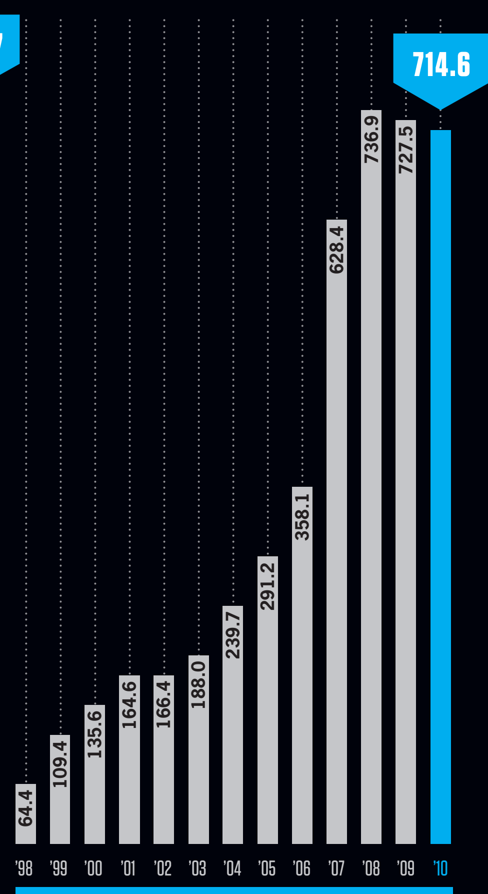
TOTAL MARKET CAPITALIZATION
(in billions of dollars)



SQUARE FEET OWNED
(in millions, Manhattan only)



EBITDA
(in millions of dollars)



COMBINED NET OPERATING INCOME
(in millions of dollars)

VIEW FROM **1515** BROADWAY

A PORTFOLIO OF

OPPOR

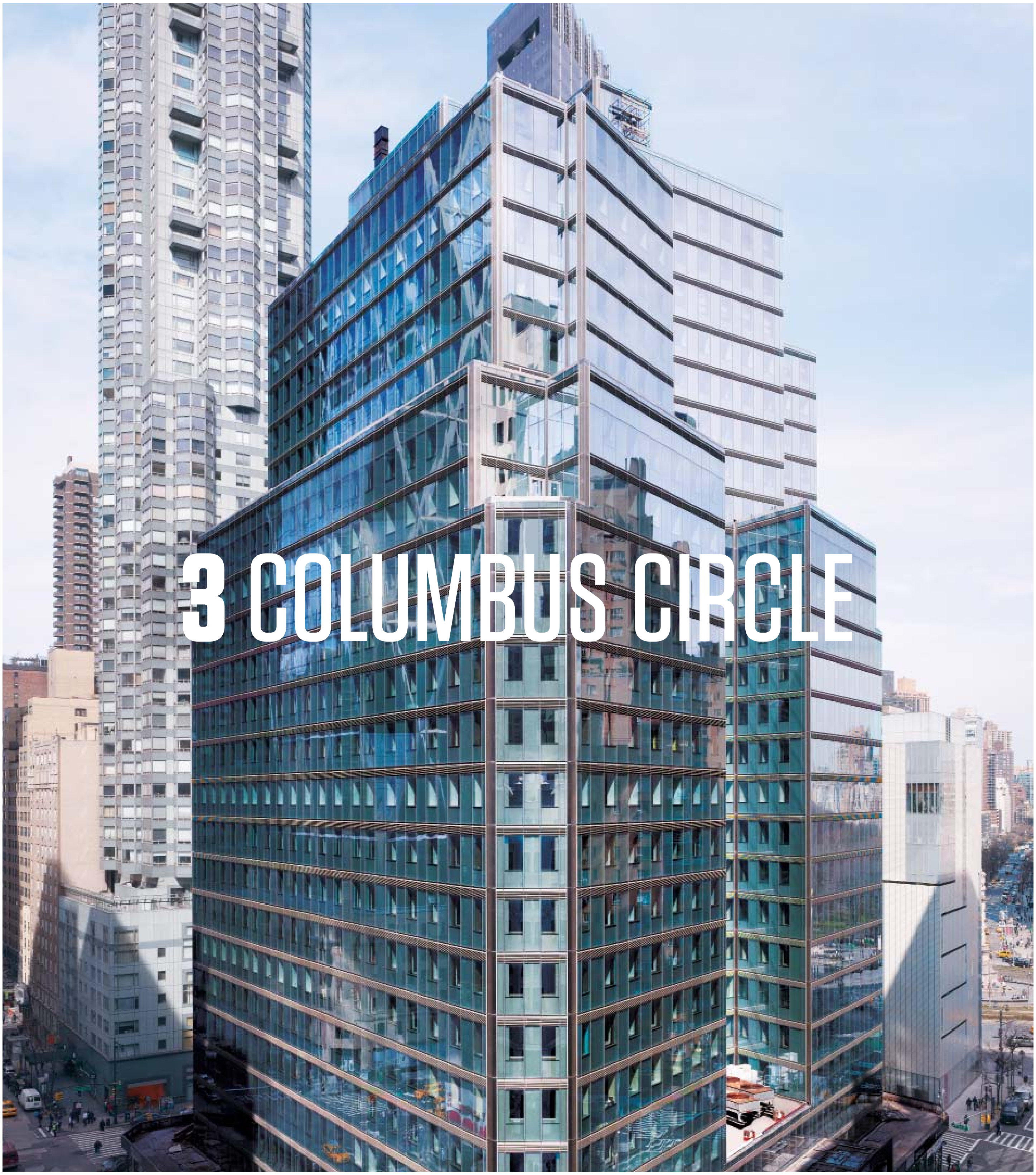
TUNITY

Assembling a top-tier portfolio of institutional quality assets and tenants in Manhattan requires an understanding of market fundamentals, an extensive relationship base, creativity and an opportunistic skill set, as well as a deep knowledge of one's customer base.

600 LEXINGTON AVENUE

CORE PORTFOLIO ACQUISITIONS

Entering 2010, after a two-year dearth of institutional-quality commercial offerings and turbulent fundamentals, the early signs of a reemerging marketplace opportunity appeared. As market rents stabilized, leasing volumes rose and credit markets improved, it was apparent that New York City's office market was forging its way out of recession. SL Green moved quickly to respond. With the announcement of the acquisition of 600 Lexington Avenue, a boutique, 36-story glass and steel office tower, in April 2010, SL Green effectively "reopened" the New York City commercial market. This was the first major, non-distressed institutional-quality transaction since the market downturn in 2008. Shortly thereafter, SL Green purchased **125 Park Avenue,** a classic Midtown office building overlooking New York City's Grand Central Terminal, which had been recently renovated to Class A standards.



3 COLUMBUS CIRCLE

JOINT VENTURE OPPORTUNITIES

In addition to acquiring 100% ownership positions, SL Green creatively leveraged its investment platform and relationships to source off-market transactions before other market players could identify and react to opportunities. In October 2010, a repeat borrower under SL Green's debt investment program was looking to recapitalize its premier 26-story 768,565-square foot Midtown Manhattan office tower located at

521 FIFTH AVENUE

1775 Broadway, then in its final stages of a substantial re-modernization to Class A status. After joining forces with the owner, SL Green has since officially introduced the re-positioned 3 Columbus Circle to the market. It is one of few assets in Midtown currently offering top quality, contiguous blocks of space to large-block tenants. In December 2010, when City Investment Fund (CIF) was looking to monetize its 49.9% ownership in 521 Fifth Avenue, it came directly to its partner, SL Green. In a highly efficient, off-market transaction, which generated substantial savings for both parties, SL Green purchased CIF's ownership interests and added the office tower to its wholly-owned portfolio.

DEBT AND PREFERRED EQUITY

Our Debt and Preferred Equity (DPE) investments – 85% of which encompass commercial interests in New York City – broaden and strengthen our core business platform. At year-end, SL Green had strategic DPE positions in almost 9 million square feet of New York real estate. That extends SL Green's combined equity and debt market interests to more than 31.5 million square feet of valuable Manhattan commercial real estate. During 2010, at the front end of a market rebound, SL Green capitalized on its financial resources, superior underwriting capabilities and unsurpassed market knowledge as New York City's largest landlord to take advantage of emerging investment opportunities. During the year, the company originated or purchased $557 million of debt investments including an $86 million debt investment in 510 Madison Avenue that, when combined with the company's previous debt investment in 510 Madison Avenue in 2009, resulted in a $75 million profit in only 10 months. We also converted our loan position into ownership of Tribeca's **100 Church Street** property early in 2010. By year-end, we had signed leases that will increase the occupancy with high-quality tenants from 40% to over 70% upon lease commencement in 2011.

FEE INTEREST PROPERTIES

Being a leader in New York City real estate requires opportunism, commitment and patience. During 2010, we consolidated our leased fee interests in two of Manhattan's landmark properties at **885 Third Avenue** and 2 Herald Square, in addition to acquiring a leased fee interest in 292 Madison Avenue. These investments, which are subject to long-term third-party net operating leases, provide low risk, predictable cash flows, and most importantly, the longer-term prospect that comes from a senior ownership position under 1.2 million square feet of exceptional commercial real estate.

100 PARK AVENUE

LEASING STRENGTH

SL Green's portfolio occupancy levels have consistently exceeded the New York City and metropolitan market for over a decade. As part of a deliberate strategy during the most recent market downturn, we retained our tenant base with aggressive renewal and expansion deals. Our occupancy during the recession never fell below 94%* and our tenant credit loss was negligible as well. This was made possible by exceptional leasing acumen and operating teams that deliver the city's highest tenant satisfaction rates as noted by Kingsley Associates in their annual third-party survey driven tenant review. In 2010, we moved into high gear in our New York City portfolio. We signed 245 leases totaling 2.8 million square feet. Today, we are 95% occupied and well positioned with an average tenant roll averaging a low 5.8% of the portfolio per year over the next five years. Our Manhattan portfolio's 2010 leasing highlights included AECOM Technology for 108,600 square feet at **100 Park Avenue;** CBS Broadcasting, BMW and City University of New York for a total of more than 620,000 square feet at 555 West 57th Street; HealthFirst and Farber for a combined 192,000 square feet at 100 Church; and the post-redevelopment lease-up of 333 W. 34th Street with the signing of MTA and Godiva. Likewise, occupancy in our 6-million-square-foot suburban portfolio exceeded market average by 12 percentage points. In our suburban portfolio, tenant satisfaction led to renewals with Citibank, **PepsiCo** and **Heineken** for a combined 207,000 square feet–more than 20% of the total 935,000 square feet signed in 2010.

**Excludes 100 Church Street, which the Company took ownership of by foreclosure in January 2010.*

THE RETAIL PORTFOLIO

Further enhancing SL Green's stature in New York City is our retail presence, which includes over 1.0 million square feet of premier retail in our office properties as well as an additional 405,000-square-foot strategic retail development portfolio that has been assembled with The Wharton Group, a renowned Manhattan retail leasing and development firm. Our retail footprint has expanded to more than one million square feet along some of Midtown's most famous shopping corridors. At the bowtie of Times Square,

AÉROPOSTALE AT **1515** BROADWAY

we implemented a targeted retail redevelopment program to maximize visibility and square footage at **1515 Broadway** and successfully attracted Oakley, Billabong, and most notably, **Aéropostale,** which officially made 1515 Broadway home to its Manhattan flagship store. While SL Green is benefiting from an additional $17 million in annual net operating income, the retailers are benefiting from their presence along one of the nation's most highly trafficked pedestrian thoroughfares. In the rapidly growing Fifth Avenue corridor surrounding 42nd Street near Bryant Park, where we had placed BCBG Max Azria at 461 Fifth Avenue, one of the first popular culture fashion names to anchor the area, the ultra-hip **Urban Outfitters** took residence in our entire retail storefront just north of 42nd Street at **521 Fifth Avenue** in 2010 just before the height of the holiday season.

URBAN OUTFITTERS AT **521** FIFTH AVENUE

SL GREEN REALTY CORP.

PORTFOLIO

VIEW FROM **600** LEXINGTON AVENUE

HIGHLIGHTS

SL Green's premier office portfolio is not only the region's largest, but also the best positioned. We have assembled a portfolio of high-caliber and expertly-run assets that line the region's primary avenues, and most are within steps of major transit hubs. These strategic locations are where New York's businesses and their employees want to be.

388–390 GREENWICH STREET

1350 AVENUE OF THE AMERICAS

120 WEST 45TH STREET

919 THIRD AVENUE

1185 AVENUE OF THE AMERICAS

711 THIRD AVENUE

461 FIFTH AVENUE

810 SEVENTH AVENUE

1745 BROADWAY

750 THIRD AVENUE

2 HERALD SQUARE

555 WEST 57TH STREET

1515 BROADWAY

292 MADISON AVENUE

485 LEXINGTON AVENUE

800 THIRD AVENUE

SUBURBAN PROPERTIES

1 LANDMARK SQUARE, STAMFORD, CT

500 WEST PUTNAM, GREENWICH, CT

1055 WASHINGTON BOULEVARD, STAMFORD, CT

115 STEVENS AVENUE, VALHALLA, NY

750 WASHINGTON BOULEVARD, STAMFORD, CT

125 CHUBB WAY, LYNDHURST, NJ

1010 WASHINGTON BOULEVARD, STAMFORD, CT


CENTRAL PARK
57TH ST
42ND ST
34TH ST
TIMES SQUARE
GRAND CENTRAL
TERMINAL
BROADWAY
ELEVENTH AVENUE
TENTH AVENUE
NINTH AVENUE
EIGHTH AVENUE
SEVENTH AVENUE
AVENUE OF THE AMERICAS
FIFTH AVENUE
MADISON AVENUE
PARK AVENUE
LEXINGTON AVENUE
THIRD AVENUE
SECOND AVENUE
FIRST AVENUE
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NEW YORK CITY PORTFOLIO

(As of 12/31/2010)

Key	Manhattan Properties	SubMarket	Ownership	Usable Square Feet	Percent Leased (%)
	CONSOLIDATED PROPERTIES				
	"Same Store"				
01	120 West 45th Street	Midtown	Fee Interest	440,000	99.0
02	220 East 42nd Street	Grand Central	Fee Interest	1,135,000	92.4
03	28 West 44th Street	Midtown	Fee Interest	359,000	94.0
04	317 Madison Avenue	Grand Central	Fee Interest	450,000	89.5
05	420 Lexington Ave (Graybar)	Grand Central	Leasehold Interest	1,188,000	89.9
06	461 Fifth Avenue	Midtown	Leasehold Interest	200,000	96.9
07	485 Lexington Avenue	Grand Central	Fee Interest	921,000	93.9
08	555 West 57th Street	Midtown West	Fee Interest	941,000	96.1
09	609 Fifth Avenue	Rockefeller Center	Fee Interest	160,000	85.0
10	625 Madison Avenue	Plaza District	Leasehold Interest	563,000	99.0
11	673 First Avenue	Grand Central	Leasehold Interest	422,000	99.7
12	711 Third Avenue	Grand Central	Leasehold Interest	524,000	87.6
13	750 Third Avenue	Grand Central	Fee Interest	780,000	97.2
14	810 Seventh Avenue	Times Square	Fee Interest	692,000	80.4
15	919 Third Avenue	Grand Central	Fee Interest	1,454,000	99.9
16	1185 Avenue of the Americas	Rockefeller Center	Leasehold Interest	1,062,000	97.6
17	1350 Avenue of the Americas	Rockefeller Center	Fee Interest	562,000	86.1
18	1 Madison Avenue	Park Avenue South	Fee Interest	1,176,900	99.8
19	331 Madison Avenue	Grand Central	Fee Interest	114,900	99.5
	Subtotal/Weighted Average			**13,144,800**	**94.4**
	Adjustments				
20	333 West 34th Street	Penn Station	Fee Interest	345,400	78.5
21	100 Church Street	Downtown	Fee Interest	1,047,500	59.9
22	125 Park Avenue	Grand Central	Fee Interest	604,245	99.1
	Subtotal/Weighted Average			**1,997,145**	**74.9**
	Total/Weighted Average Consolidated Properties			**15,141,9452**	**91.8**
	UNCONSOLIDATED PROPERTIES				
	"Same Store"				
23	100 Park Avenue–50%	Grand Central	Fee Interest	834,000	91.9
24	521 Fifth Avenue–50.1%	Grand Central	Leasehold Interest	460,000	80.7
25	800 Third Avenue–42.95%	Grand Central	Fee Interest	526,000	80.8
26	1515 Broadway–68.45%	Times Square	Fee Interest	1,750,000	98.0
27	388 and 390 Greenwich Street–50.6%	Downtown	Fee Interest	2,635,000	100.0
28	1745 Broadway–32.3%	Midtown	Fee Interest	674,000	100.0
				6,879,000	**95.8**
	Adjustments				
29	600 Lexington Avenue–55.0%	Eastside	Fee Interest	303,515	84.6
	Subtotal/Weighted Average			**303,515**	**84.6**
	Total/Weighted Average Unconsolidated Properties			**7,182,515**	**95.3**
	Manhattan Grand Total/Weighted Average*			**22,324,460**	**92.9**
	FEE INTEREST OWNERSHIP				
30	2 Herald Square	Herald Square/Penn Station	Fee Interest	354,400	100.0
31	885 Third Avenue	Midtown/Plaza District	Fee Interest	607,000	100.0
32	292 Madison Avenue	Grand Central	Fee Interest	203,800	100.0
	Total/Weighted Average Fee Interest Ownership			**1,165,200**	**100.0**

*Excluding the downtown acquisition of 100 Church Street occupancy would be 94.6%.


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VALHALLA
CONNECTICUT
TARRYTOWN
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STAMFORD
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RYE BROOK
WHITE PLAINS
08
07
GREENWICH
15

THE SUBURBAN PORTFOLIO

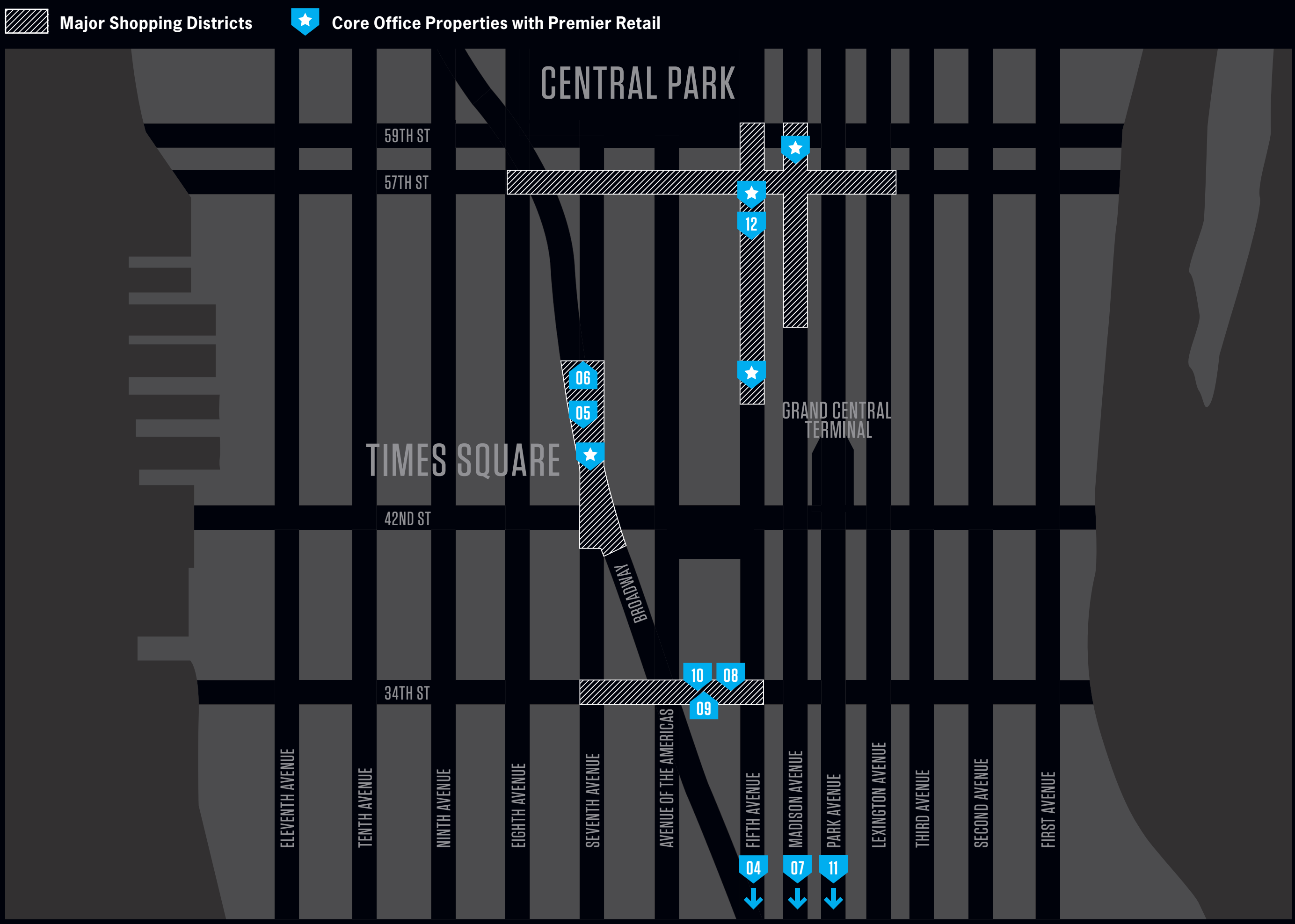
(As of 12/31/2010)

Key	Suburban Properties	SubMarket	Ownership	Usable Square Feet	Percent Leased (%)
	CONSOLIDATED PROPERTIES				
	Adjustments				
01	1100 King Street	Rye Brook, Westchester	Fee Interest	540,000	74.7
02	520 White Plains Road	Tarrytown, Westchester	Fee Interest	180,000	72.5
03	115–117 Stevens Avenue	Valhalla, Westchester	Fee Interest	178,000	84.9
04	100 Summit Lake Drive	Valhalla, Westchester	Fee Interest	250,000	60.6
05	200 Summit Lake Drive	Valhalla, Westchester	Fee Interest	245,000	92.4
06	500 Summit Lake Drive	Valhalla, Westchester	Fee Interest	228,000	76.2
07	140 Grand Street	White Plains, Westchester	Fee Interest	130,100	94.4
08	360 Hamilton Avenue	White Plains, Westchester	Fee Interest	384,000	90.5
	Westchester, NY Subtotal			**2,135,100**	**80.0**
09	Landmark Square	Stamford, Connecticut	Fee Interest	826,000	88.7
10	680 Washington Boulevard	Stamford, Connecticut	Fee Interest	133,000	84.5
11	750 Washington Boulevard	Stamford, Connecticut	Fee Interest	192,000	95.4
12	1055 Washington Boulevard	Stamford, Connecticut	Leasehold Interest	182,000	86.6
13	300 Main Street	Stamford, Connecticut	Fee Interest	130,000	89.0
14	1010 Washington Boulevard	Stamford, Connecticut	Fee Interest	143,400	50.2
15	500 West Putnam Avenue	Greenwich, Connecticut	Fee Interest	121,500	68.2
	Connecticut Subtotal			**1,727,900**	**84.3**
	Total/Weighted Average Consolidated Properties			**3,863,000**	**81.9**
	UNCONSOLIDATED PROPERTIES				
	Adjustments				
16	One Court Square – 30%	Long Island City, New York	Fee Interest	1,402,000	100.0
17	The Meadows – 50%	Rutherford, New Jersey	Fee Interest	582,100	83.2
18	16 Court Street – 35%	Brooklyn, New York	Fee Interest	317,600	87.5
19	Jericho Plaza – 20.26%	Jericho, New York	Fee Interest	640,000	95.3
	Total/Weighted Average Unconsolidated Properties			**2,941,700**	**94.3**
	Suburban Grand Total			**6,804,700**	**87.3**

Unconsolidated suburban properties not shown on map: One Court Square, Long Island City, NY; The Meadows, Rutherford, NJ; 16 Court Street, Brooklyn, NY; Jericho Plaza, Jericho, NY

RETAIL & DEVELOPMENT

(As of 12/31/2010)



Key	Properties	Location	Ownership	Usable Square Feet	Percent Leased (%)
	RETAIL, DEVELOPMENT AND LAND				
01	125 Chubb Way	Lyndhurst, New Jersey	Fee Interest	278,000	10.7
02	150 Grand Street	White Plains, New York	Fee Interest	85,000	15.8
03	7 Renaissance Square–50%	White Plains, New York	Fee Interest	65,641	–
04	141 Fifth Avenue–50%	Flatiron	Fee Interest	13,000	100.0
05	1551–1555 Broadway–10%	Times Square	Fee Interest	25,600	100.0
06	1604 Broadway–63%	Times Square	Leasehold Interest	29,876	23.7
07	180–182 Broadway–50%	Cast Iron/SoHo	Fee Interest	70,580	–
08	11 West 34th Street–30%	Herald Square/Penn Station	Fee Interest	17,150	100.0
09	21–25 West 34th Street–50%	Herald Square/Penn Station	Fee Interest	30,100	100.0
10	27–29 West 34th Street–50%	Herald Square/Penn Station	Fee Interest	15,600	100.0
11	379 West Broadway–45%	Cast Iron/SoHo	Leasehold Interest	62,006	100.0
12	717 Fifth Avenue–32.75%	Midtown/Plaza District	Fee Interest	119,550	75.8
13	7 Landmark Square	Stamford, Connecticut	Fee Interest	36,800	10.8
14	Williamsburg Terrace	Brooklyn, New York	Fee Interest	21,900	100.0
	Total/Weighted Average Retail/Development Properties			**870,803**	

Properties not shown on map: 125 Chubb Way, Lyndhurst, NJ; 150 Grand Street, White Plains, NY; 7 Renaissance Square, White Plains, NY; 7 Landmark Square, Stamford, CT; Williamsburg Terrace, Brooklyn, NY

FINANCIAL INFORMATION

SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and should be read in conjunction with our Financial Statements and notes thereto included in Financial Statements and Supplementary Data and Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

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

We are also providing updated summary selected financial information, which is included below reflecting the prior period reclassification as discontinued operations of the property sold during 2010.

	Year Ended December 31,				
OPERATING DATA (in thousands, except per share data)	**2010**	2009	2008	2007	2006
Total revenue	**$1,101,246**	$ 995,847	$1,065,015	$961,375	$438,345
Operating expenses	**229,305**	214,049	224,434	204,368	99,107
Real estate taxes	**148,828**	139,523	124,479	119,307	61,402
Ground rent	**31,191**	31,826	31,494	32,389	20,150
Interest expense, net of interest income	**233,647**	236,300	291,536	256,941	89,394
Amortization of deferred finance costs	**9,928**	7,947	6,433	15,893	4,424
Depreciation and amortization	**228,893**	224,147	214,201	172,082	60,522
Loan loss and other investment reserves, net of recoveries	**20,501**	150,510	115,882	—	—
Transaction related costs	**11,875**	—	—	—	—
Marketing, general and administration	**75,946**	73,992	104,583	93,045	57,850
Total expenses	**990,114**	1,078,294	1,113,042	894,025	392,849
Equity in net income from unconsolidated joint ventures	**39,607**	62,878	59,961	46,765	40,780
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**128,922**	6,691	103,056	31,509	3,451
Gain (loss) on investment in marketable securities	**490**	(396)	(147,489)	—	—
Gain (loss) on early extinguishment of debt	**(1,900)**	86,006	77,465	—	—
Income from continuing operations	**278,251**	72,732	44,966	145,624	89,727
Discontinued operations	**40,905**	(1,067)	359,082	537,073	147,631
Net income	**319,156**	71,665	404,048	682,697	237,358
Net income attributable to noncontrolling interest in operating partnership	**(4,574)**	(1,221)	(14,561)	(26,084)	(11,429)
Net income attributable to noncontrolling interests in other partnerships	**(14,007)**	(12,900)	(8,677)	(10,383)	(5,210)
Net income attributable to SL Green	**300,575**	57,544	380,810	646,230	220,719
Preferred dividends	**(29,749)**	(19,875)	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	**$ 270,826**	$ 37,669	$ 360,935	$626,355	$200,844
Net income per common share—Basic	**$ 3.47**	$ 0.54	$ 6.22	$ 10.66	$ 4.50
Net income per common share—Diluted	**$ 3.45**	$ 0.54	$ 6.20	$ 10.54	$ 4.38
Cash dividends declared per common share	**$ 0.40**	$ 0.6750	$ 2.7375	$ 2.89	$ 2.50
Basic weighted average common shares outstanding	**78,101**	69,735	57,996	58,742	44,593
Diluted weighted average common shares and common share equivalents outstanding	**79,761**	72,044	60,598	61,885	48,495

BALANCE SHEET DATA (in thousands)	As of December 31, 2010	2009	2008	2007	2006
Commercial real estate, before accumulated depreciation	**$ 8,890,064**	$ 8,257,100	$ 8,201,789	$ 8,622,496	$3,055,159
Total assets	**11,300,294**	10,487,577	10,984,353	11,430,078	4,632,227
Mortgages and other loans payable, revolving credit facility, term loans, unsecured notes and trust preferred securities	**5,251,013**	4,892,688	5,581,559	5,658,149	1,815,379
Noncontrolling interests in operating partnership	**84,338**	84,618	87,330	81,615	71,731
Equity	**5,397,544**	4,913,129	4,481,960	4,524,600	2,451,045

OTHER DATA (in thousands)	Year Ended December 31, 2010	2009	2008	2007	2006
Funds from operations available to all stockholders (1)	**$ 386,411**	$ 318,817	$ 344,856	$ 343,186	$ 223,634
Net cash provided by operating activities	**321,058**	275,211	296,011	406,705	225,644
Net cash provided by (used in) investment activities	**18,815**	(345,379)	396,219	(2,334,337)	(786,912)
Net cash (used in) provided by financing activities	**(350,758)**	(313,006)	(11,305)	1,856,418	654,342

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Annual Report.

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

After nearly three years of severe constraints on lending activity, resulting in a stall in sales transactions and reduced asset values, the commercial real estate market began to reawaken in 2010. This occurred primarily in the nation's gateway cities, led by New York City, where SL Green is located and focused, and also Washington, DC.

Credit spreads continued to be wider than they were during the previous period and cautious lenders were unwilling to fund high loan-to-value ratios. However, loan originations funded by commercial mortgage-backed securities began a modest improvement and foreign-based institutional lenders looking for U.S.-based investment opportunities either entered our market for the first time or increased their existing activity.

As a result, New York City real estate sales activity in 2010 increased by approximately $10.1 billion when compared to 2009, as total volume reached approximately $13.6 billion.

As New York City's largest owner of office properties, and as one of its most active buyers and sellers during the past several years, SL Green is made aware of a large portion of appropriate equity investment possibilities, including those that are not being marketed broadly. We also have strong long-term relationships with several large lenders, and in 2010 we found that some of the newer lenders in the market were attracted to our investment platform. These factors, along with our available capital, which had been held undeployed during the downturn, enabled us to move quickly to take advantage of several investment opportunities. In all, we made nine full or joint venture equity investments during the year, totaling $1.4 billion.

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

Our debt and preferred equity investment activity accelerated in 2010, with the year's investments totaling $520.7 million. We continued to take advantage of our strong capital availability to acquire additional debt positions that were underwritten to provide attractive returns when performing, and which have enabled, and will continue to enable, us to take advantage of possible opportunities created by owners' needs to refinance or recapitalize. The most visible of these investments were the senior and mezzanine debt positions backed by a new office property at 510 Madison Avenue, which were repaid in 2010, resulting in additional income being recognized upon the repayment of approximately $64.8 million in less than a year.

Following a two-year period in which the New York City real estate market saw an increase in the direct vacancy rate, as well as an increase in the amount of sublease space on the market, conditions stabilized in certain submarkets in late 2009 and began to improve during 2010. SL Green's occupancy rate has historically outperformed the rest of the Manhattan office market, and it did so in 2010 as well.

Leasing activity for Manhattan, a borough of New York City, totaled approximately 26.3 million square feet compared to approximately 16.3 million square feet in 2009. Of the total 2010 leasing activity in Manhattan, the midtown submarket accounted for approximately 18.9 million square feet, or 71.7%. Midtown's overall vacancy decreased from 12.0% at December 31, 2009 to 10.6% at December 31, 2010.

When the market absorbs sublease space and overall occupancy increases, rents tend to stabilize and eventually begin to rise, as long as substantial new office space isn't added to the market. During 2010, minimal new office space was added to the midtown office inventory. In a supply-constrained market, only 25.6 million square feet of new midtown office space became available in 2010 and only another 2.0 million square feet is currently under construction. Therefore, overall the midtown office market is believed to have reached its inflection point in 2010. Asking rents for direct space in midtown increased from $64.24 at year-end 2009 to $64.40 at year-end 2010, an increase of 0.25%.

That trend was evident in SL Green's portfolio. For select properties, we were able to begin increasing asking rents. In addition, we began to see a reduction in the need to provide long free-rent periods and large tenant improvement allowances. We expect this positive momentum to continue in 2011.

We saw fluctuations in short-term interest rates, although they still remain low compared to historical levels. The 30-day LIBOR rate ended 2010 at 0.30%, a 7 basis point increase from the end of 2009. Ten-year US Treasuries ended 2010 at 3.30%, a 53 basis point decrease from the end of 2009.

Our significant activities for 2010 included:

- Acquired 125 Park Avenue for an aggregate purchase price of $330.0 million, including the assumption of $146.25 million of mortgage debt. We also completed the foreclosure of the senior mezzanine loan at 100 Church Street. Through a joint venture, we acquired 600 Lexington Avenue for $193.0 million, including the assumption of $49.85 million of mortgage debt. We also closed on the remaining 45% joint venture interests in the leased fee at 885 Third Avenue and 2 Herald Square and the entire leased fee interest at 292 Madison Avenue for an aggregate investment of $349.7 million, including the assumption of $265.6 million of mortgage debt.

- Sold 19 West 44th Street for a gross contract price of approximately $123.2 million. We recognized a gain of approximately $35.5 million on the sale of this property, which encompassed 0.3 million square feet. We also sold our partnership interest in 1221 Avenue of the Americas for total consideration of $577.4 million. We recognized a gain of approximately $126.8 million on the sale of our interest.
- Originated or acquired approximately $520.7 million in debt and preferred equity investments (net of discounts), inclusive of accretion of discount and pay-in-kind interest. We also recorded approximately $342.5 million in sales, repayments, participations, foreclosures and loan loss reserves against the debt and preferred equity portfolio in 2010. Included in this was approximately $20.9 million of loan loss reserves.
- Sold 5,400,000 shares of our Series C preferred stock. The net proceeds from this offering (approximately $122.0 million) were used to repurchase unsecured debt and for general corporate purposes.
- Issued $250.0 million principal amount of 7.75% senior unsecured notes, due 2020, at par. The net proceeds from the offering (approximately $246.9 million) were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes.
- Issued $345.0 million aggregate principal amount of 3.00% exchangeable senior notes due October 2017. The net proceeds from the offering (approximately $336.5 million) were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes.
- Closed on 12 mortgages and loans payable totaling approximately $1.3 billion.
- Signed 349 office leases totaling 3.9 million square feet during 2010.

As of December 31, 2010, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan 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	91.8%
	Unconsolidated properties	8	7,182,515	95.3%
Suburban	Consolidated properties	25	3,863,000	81.9%
	Unconsolidated properties	6	2,941,700	94.3%
		61	29,129,160	91.6%

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

We also own investments in 11 retail properties encompassing approximately 405,362 square feet, four development properties encompassing approximately 465,441 square feet and three 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

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

INVESTMENT IN COMMERCIAL REAL ESTATE PROPERTIES

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) 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 discounted cash flows. During 2010, we recorded a $2.8 million impairment charge on one of our equity investments which is included in loan loss and other investment reserves. We do not believe that the value of any of our consolidated properties was impaired at December 31, 2010 and 2009, respectively.

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

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.

INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for $200.0 million which we guarantee at one joint venture.

REVENUE RECOGNITION

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

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

RESERVE FOR POSSIBLE CREDIT LOSSES

The expense for possible credit losses in connection with debt and preferred equity 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 on each individual investment. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated on an investment that is held to maturity, 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 $19.8 million, $38.4 million and $45.8 million in loan loss reserves and charge-offs during the years ended December 31, 2010, 2009 and 2008, respectively, on investments being held to maturity, and $1.0 million, $69.1 million and none against our held for sale investment during the years ended December 31, 2010, 2009 and 2008, respectively. We also recorded approximately $3.7 million in recoveries during the year ended December 31, 2010 in connection with the sale of an investment.

Debt and preferred equity 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 debt and preferred equity 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.

DERIVATIVE INSTRUMENTS

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

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

RESULTS OF OPERATIONS

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2010 TO THE YEAR ENDED DECEMBER 31, 2009

The following comparison for the year ended December 31, 2010, or 2010, to the year ended December 31, 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 December 31, 2010 and total 44 of our 47 consolidated properties, representing approximately 79% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired subsequent to January 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	**$796.7**	$761.4	$35.3	4.6%
Escalation and reimbursement revenue	120.5	121.4	(0.9)	(0.7)
Total	**$917.2**	$882.8	$34.4	3.9%
Same-Store Properties	**$871.5**	$868.4	$ 3.1	0.4%
Acquisitions	**43.7**	8.5	35.2	414.1
Other	**2.0**	5.9	(3.9)	(66.1)
Total	**$917.2**	$882.8	$34.4	3.9%

Our consolidated rental revenue increased primarily from the Acquisitions, which included 100 Church Street (January 2010) and 125 Park Avenue (August 2010). Occupancy in the Same-Store Properties was 91.5% at December 31, 2010 and 93.5% at December 31, 2009.

During the year ended December 31, 2010, we commenced 232 leases in the Manhattan portfolio totaling 2.4 million square feet, of which 194 leases and 2.3 million square feet represented office leases. Average starting Manhattan office rents of $43.17 per rentable square foot on 1.8 million square feet of office leases commenced during the year ended December 31, 2010 represented a 2.8% decrease over the previously fully escalated rents. The average lease term was 10.6 years and average tenant concessions were 4.8 months of free rent with a tenant improvement allowance of $35.04 per rentable square foot.

During the year ended December 31, 2010, we commenced 117 leases in the Suburban portfolio totaling 899,000 square feet, of which 99 leases and 857,000 square feet represented office leases. Average starting Suburban office rents of $29.30 per rentable square foot on 695,000 square feet of office leases commenced during the year ended December 31, 2010 represented a 9.8% decrease over the previously fully escalated rents. The average lease term was 6.8 years and average tenant concessions were 3.7 months of free rent with a tenant improvement allowance of $14.98 per rentable square foot.

At December 31, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 5.0% and 5.1% higher, respectively, than then existing in-place fully escalated rents. Approximately 8.3% of the space leased at our consolidated properties expires during 2011.

The decrease in escalation and reimbursement revenue was due to lower recoveries at the Same-Store Properties ($4.1 million), which was partially offset by an increase in recoveries from the Acquisitions ($3.5 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower electric reimbursements ($4.0 million) and operating expense and real estate tax escalations ($0.8 million), which were partially offset by other reimbursed expenses ($0.7 million).

INVESTMENT AND OTHER INCOME (in millions)	2010	2009	$ Change	% Change
Equity in net income from unconsolidated joint ventures	**$ 39.6**	$ 62.9	$(23.3)	(37.0)%
Preferred equity and investment income	**147.9**	65.6	82.3	125.5
Other income	**36.2**	47.4	(11.2)	(23.6)
Total	**$223.7**	$175.9	$ 47.8	27.2%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 1221 Avenue of the Americas, due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($21.2 million), 521 Fifth Avenue ($1.2 million), 600 Lexington Avenue, due to the expensing of transaction related costs ($3.6 million) and 1515 Broadway ($5.2 million). This was partially offset by higher net income contributions primarily from our investments in 100 Park Avenue ($3.8 million), 141 Fifth Avenue ($1.2 million), 29 West 34th Street ($1.0 million) and Gramercy ($3.5 million).

Occupancy at our joint venture properties was 95.0% at December 31, 2010 and 95.1% at December 31, 2009. At December 31, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 16.3% and 9.3% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.7% of the space leased at our joint venture properties expires during 2011.

Preferred equity and investment income increased primarily due to additional income generated upon the repayment of loans as well as 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. In addition, the weighted average investment balance outstanding and weighted average yield were $862.0 million and 8.5%, respectively, for 2010 compared to $652.9 million and 8.4%, respectively, for 2009.

The decrease in other income was primarily due to lower fee income earned ($11.2 million).

PROPERTY OPERATING EXPENSES (in millions)	**2010**	2009	$ Change	% Change
Operating expenses	**$229.3**	$214.0	$15.3	7.2%
Real estate taxes	**148.8**	139.5	9.3	6.7
Ground rent	**31.2**	31.8	(0.6)	(1.9)
Total	**$409.3**	$385.3	$24.0	6.2%
Same-Store Properties	**$372.6**	$366.8	$ 5.8	1.6%
Acquisitions	**24.6**	4.2	20.4	485.7
Other	**12.1**	14.3	(2.2)	(15.4)
Total	**$409.3**	$385.3	$24.0	6.2%

Same-Store Properties operating expenses, excluding real estate taxes, increased approximately $1.5 million. There were increases in payroll costs ($3.1 million) and repairs and maintenance ($1.5 million). This was partially offset by decreases in utilities ($2.3 million) and ground rent ($0.7 million).

The increase in real estate taxes attributable to the Same-Store Properties ($4.3 million) due to higher assessed property values and increased tax rates.

OTHER EXPENSES (in millions)	**2010**	2009	$ Change	% Change
Interest expense, net of interest income	**$243.6**	$244.2	$ (0.6)	(0.3)%
Depreciation and amortization expense	**228.9**	224.1	4.8	2.1
Loan loss and other investment reserves, net of recoveries	**20.5**	150.5	(130.0)	(86.4)
Transaction related costs	**11.9**	—	11.9	100.0
Marketing, general and administrative expense	**75.9**	74.0	1.9	2.6
Total	**$580.8**	$692.8	$(112.0)	(16.2)%

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 which was partially offset by the issuance of new exchangeable and non-exchangeable notes. The weighted average debt balance decreased from $5.1 billion as of December 31, 2009 to $4.8 billion as of December 31, 2010, while the weighted average interest rate increased from 4.3% for the year ended December 31, 2009 to 4.76% for the year ended December 31, 2010.

We expensed approximately $11.9 million of transaction related costs during the year ended December 31, 2010. Transaction related 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 6.9% of total revenues in 2010 compared to 7.4% in 2009.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2009 TO THE YEAR ENDED DECEMBER 31, 2008

The following comparison for the year ended December 31, 2009, or 2009, to the year ended December 31, 2008, or 2008, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us at January 1, 2008 and at December 31, 2009 and total 45 of our 46 consolidated properties, representing approximately 74% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired subsequent to January 2008 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale are excluded from the following discussion.

RENTAL REVENUES (in millions)	2009	2008	$ Change	% Change
Rental revenue	$761.4	$762.2	$ (0.8)	(0.1)%
Escalation and reimbursement revenue	121.4	120.4	1.0	0.8
Total	$882.8	$882.6	$ 0.2	—%
Same-Store Properties	$869.8	$851.4	$ 18.4	2.2%
Acquisitions	7.0	25.7	(18.7)	(72.8)
Other	6.0	5.5	0.5	9.1
Total	$882.8	$882.6	$ 0.2	—%

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

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

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

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

INVESTMENT AND OTHER INCOME (in millions)	2009	2008	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ 62.9	$ 60.0	$ 2.9	4.8%
Preferred equity and investment income	65.6	110.9	(45.3)	(40.9)
Other income	47.4	71.5	(24.1)	(33.7)
Total	$175.9	$242.4	$(66.5)	(27.4)%

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

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

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

PROPERTY OPERATING EXPENSES (in millions)	2009	2008	$ Change	% Change
Operating expenses	$214.0	$224.4	$(10.4)	(4.6)%
Real estate taxes	139.5	124.5	15.0	12.1
Ground rent	31.8	31.5	0.3	1.0
Total	$385.3	$380.4	$4.9	1.3%
Same-Store Properties	$367.3	$361.9	$ 5.4	1.5%
Acquisitions	3.6	2.9	0.7	24.1
Other	14.4	15.6	(1.2)	(7.7)
Total	$385.3	$380.4	$ 4.9	1.3%

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

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

OTHER EXPENSES (in millions)	2009	2008	$ Change	% Change
Interest expense, net of interest income	$244.2	$298.0	$(53.8)	(18.1)%
Depreciation and amortization expense	224.1	214.2	9.9	4.6
Loan loss reserves	150.5	115.9	34.6	29.9
Marketing, general and administrative expense	74.0	104.6	(30.6)	(29.3)
Total	$692.8	$732.7	$(39.9)	(5.5)%

The decrease in interest expense was primarily attributable to lower LIBOR rates in 2009 compared to 2008 as well as the early repurchase of certain of our outstanding senior unsecured notes. The weighted average interest rate decreased from 5.24% for the year ended December 31, 2008 to 4.30% for the year ended December 31, 2010. As a result of the note repurchases and repayments, the weighted average debt balance decreased from $5.7 billion during the year ended December 31, 2008 compared to $5.1 billion during the year ended December 31, 2010.

In 2009, we repurchased approximately $564.6 million of our exchangeable and non-exchangeable bonds and a portion of our 2007 unsecured revolving credit facility, realizing gains on early extinguishment of debt of approximately $86.0 million.

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

Marketing, general and administrative expenses represented 7.4% of total revenues in 2009 compared to 9.8% in 2008. The decrease is primarily due to reduced stock-based compensation costs in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Although positive signs have started to materialize, we continue to experience the effects of a global economic downturn and difficult credit environment. 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, leasing costs and for debt and preferred equity 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 debt and preferred equity 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 and other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2010 are as follows (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
Property mortgages	$246,615	$143,646	$656,863	$208,025	$260,433	$1,884,886	$3,400,468
Corporate obligations	84,823	773,171	—	98,578	657	893,316	1,850,545
Joint venture debt–our share	207,738	61,491	41,415	339,184	96,786	857,305	1,603,919
Total	$539,176	$978,308	$698,278	$645,787	$357,876	$3,635,507	$6,854,932

As of December 31, 2010, we had approximately $366.9 million of cash on hand, inclusive of approximately $34.1 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may 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 at efficient levels or at all. 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 consolidated statements of cash flows in the 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 $332.8 million and $343.7 million at December 31, 2010 and 2009, respectively, representing a decrease of $10.9 million. The decrease was a result of the following increases and decreases in cash flows (in thousands):

	Year Ended December 31,		
	2010	2009	Increase (Decrease)
Net cash provided by operating activities	**$ 321,058**	$ 275,211	$ 45,847
Net cash (used in) provided by investing activities	**$ 18,815**	$(345,379)	$364,194
Net cash used in financing activities	**$(350,758)**	$(313,006)	$ (37,752)

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2010, our portfolio was 91.6% occupied. Our debt and preferred equity and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2010, when compared to the year ended December 31, 2009, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	$(254,555)
Capital expenditures and capitalized interest	(17,174)
Escrow cash-capital improvements/acquisition deposits	(34,897)
Joint venture investments	19,872
Distributions from joint ventures	14,074
Proceeds from sales of real estate/partial interest in property	595,175
Debt and preferred equity and other investments	41,699
Increase in net cash provided by investing activities	$ 364,194

We generally fund our investment activity through property-level financing, our 2007 unsecured revolving credit facility, senior unsecured notes, and construction loans and, from time to time, we issue common or preferred stock. During the year ended December 31, 2010, when compared to the year ended December 31, 2009, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$ 616,520
Repayments under our debt obligations	(380,453)
Proceeds from issuance of common stock	(387,138)
Proceeds from issuance of preferred stock	122,041
Redemption of noncontrolling interests	(13,012)
Noncontrolling interests, contributions in excess of distributions	10,575
Other financing activities	(25,622)
Dividends and distributions paid	19,337
Increase in cash used in financing activities	$ (37,752)

CAPITALIZATION

As of December 31, 2010, we had 78,306,702 shares of common stock, 1,249,274 units of limited partnership interest in our operating partnership held by persons other than the Company, 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. 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 of approximately $387.1 million were primarily used to repurchase unsecured debt and for other corporate purposes.

RIGHTS PLAN

We adopted a shareholder rights plan that provided, among other things, that when specified events occur, our common stockholders would be entitled to purchase from us a newly 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 years ended December 31, 2010 and 2009, approximately 250,900 and 180 shares of our common stock were issued and approximately $11.3 million and $5,000 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 December 31, 2010, approximately 5.0 million fungible units, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 6.3 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 $23,000, $0.1 million and $0.2 million related to this plan during the years ended December 31, 2010, 2009 and 2008, 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 Outperformance 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, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately $1.6 million, $2.3 million and $3.9 million of compensation expense during the years ended December 31, 2010, 2009 and 2008, 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 $0.2 million, $0.4 million and $12.2 million of compensation expense during the years ended December 31, 2010, 2009 and 2008, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan. This charge of approximately $9.2 million is included in the compensation expense above. The performance criteria under the 2006 Outperformance Plan were not met 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. That increase allowed us to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The remaining awards were granted in June 2010. The cost of the 2010 Long-Term Compensation Plan (approximately $29.3 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $4.0 million and $0.6 million during the years ended December 31, 2010 and 2009, respectively, 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 year ended December 31, 2010, approximately 10,255 phantom stock units were earned. As of December 31, 2010, there were approximately 58,666 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, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the Securities Exchange Commission with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2010, approximately 47,900 shares of our common stock had been issued under the ESPP.

MARKET CAPITALIZATION

At December 31, 2010, borrowings under our mortgages 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 $1.6 billion) represented 54.4% of our combined market capitalization of approximately $12.6 billion (based on a common stock price of $67.51 per share, the closing price of our common stock on the New York Stock Exchange on December 31, 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 mortgages and other loans payable, our 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2010 and 2009, respectively (dollars in thousands).

	December 31,	
Debt Summary:	**2010**	2009
Balance		
Fixed rate	**$4,136,362**	$3,256,081
Variable rate—hedged	**—**	60,000
Total fixed rate	**4,136,362**	3,316,081
Variable rate	**674,318**	1,110,391
Variable rate—supporting variable rate assets	**440,333**	466,216
Total variable rate	**1,114,651**	1,576,607
Total	**$5,251,013**	$4,892,688
Percent of Total Debt:		
Total fixed rate	**78.8%**	67.8%
Variable rate	**21.2%**	32.2%
Total	**100.0%**	100.0%
Effective Interest Rate for the Year:		
Fixed rate	**5.95%**	5.60%
Variable rate	**1.79%**	1.45%
Effective interest rate	**4.76%**	4.30%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.30% and 0.23% at December 31, 2010 and 2009, respectively). Our consolidated debt at December 31, 2010 had a weighted average term to maturity of approximately 4.9 years.

Certain of our debt and preferred equity investments, with a face amount net of discount, of approximately $440.3 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2010.

MORTGAGE FINANCING

As of December 31, 2010, our total mortgage debt (excluding our share of joint venture debt of approximately $1.6 billion) consisted of approximately $2.9 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.91% and approximately $464.7 million of variable rate debt with an effective weighted average interest rate of approximately 3.28%.

CORPORATE INDEBTEDNESS

2007 UNSECURED REVOLVING CREDIT FACILITY

We have a $1.5 billion unsecured revolving credit facility, or the 2007 unsecured revolving credit facility. The 2007 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR which, based on our leverage ratio at December 31, 2010, was 90 basis points. This facility matures in June 2011 and has a one-year as-of-right extension option which the Company expects to exercise. 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 $650.0 million outstanding at December 31, 2010. Availability under the 2007 unsecured revolving credit facility was further reduced at December 31, 2010 by the issuance of approximately $25.1 million in letters of credit. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below) and is guaranteed by certain of our subsidiaries and debt and preferred equity investment entities. ROP and certain of its subsidiaries also provide a limited senior guaranty of our obligations under the 2007 unsecured revolving credit facility. As of December 31, 2010, the maximum amount of ROP and its subsidiaries' guaranty obligation was approximately $435.7 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 reduced 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.

TERM LOANS

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

SENIOR UNSECURED NOTES

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2010 (in thousands):

Issuance	2010 Unpaid Principal Balance	2010 Accreted Balance	2009 Accreted Balance	Coupon Rate (4)	Effective Rate	Term (in Years)	Maturity
January 22, 2004 (1)(5)	**$ 84,823**	**$ 84,823**	$123,607	5.15%	5.900%	7	January 15, 2011
August 13, 2004 (1)(5)	**98,578**	**98,578**	150,000	5.875%	6.100%	10	August 15, 2014
March 31, 2006 (1)	**275,000**	**274,764**	274,727	6.00%	6.200%	10	March 31, 2016
March 16, 2010	**250,000**	**250,000**	—	7.75%	7.750%	10	March 15, 2020
June 27, 2005 (1)(2)(5)	**657**	**657**	114,821	4.00%	4.000%	20	June 15, 2025
March 26, 2007 (3)(5)	**126,937**	**123,171**	159,905	3.00%	5.460%	20	March 30, 2027
October 12, 2010 (6)	**345,000**	**268,552**	—	3.00%	7.125%	7	October 15, 2017
	$1,180,995	**$1,100,545**	$823,060				

(1) Issued by Reckson.
(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 year ended December 31, 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 Reckson 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 exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that 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 year ended December 31, 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 December 31, 2010, approximately $3.7 million of equity 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.
(6) In October 2010, we issued $345.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on April 15 and October 15. The notes have an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of our common stock on October 6, 2010, or $85.81. 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 guaranteed by ROP. The net proceeds from the offering were approximately $336.5 million, after deducting fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes. On the issuance date, $78.3 million was recorded in equity. As of December 31, 2010, approximately $76.4 million of equity remained unamortized.

In March 2009, the $200.0 million, 7.75% unsecured notes, issued by Reckson, were repaid at par upon their maturity.

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 deferrable interest debentures have a 30-year term ending July 2035. They bear interest at a fixed rate of 5.61% for the first 10 years ending July 2015. Thereafter, the rate will float at three month LIBOR plus 1.25%. The securities are redeemable at par beginning in July 2010.

RESTRICTIVE COVENANTS

The terms of our 2007 unsecured revolving credit facility and 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, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations for such period, subject to certain other adjustments. As of December 31, 2010 and 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 and 2009, would increase our annual interest cost by approximately $11.0 million and $15.2 million and would increase our share of joint venture annual interest cost by approximately $6.7 million and $6.4 million, respectively.

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

Approximately $4.1 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 December 31, 2010 ranged from LIBOR plus 75 basis points to LIBOR plus 400 basis points.

OFF-BALANCE-SHEET ARRANGEMENTS

We have a number of off-balance-sheet investments, including joint ventures and debt and preferred equity 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, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying consolidated financial statements. Additional information about the debt of our unconsolidated joint ventures is included in "Contractual Obligations" below.

CAPITAL EXPENDITURES

We estimate that, for the year ending December 31, 2011, we will incur approximately $120.5 million of capital expenditures, which are net of loan reserves (including tenant improvements and leasing commissions), on existing wholly-owned properties, and that our share of capital expenditures at our joint venture properties, net of loan reserves, will be approximately $23.4 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 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.

CONTRACTUAL OBLIGATIONS

Combined aggregate principal maturities of mortgages 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 and ground leases, as of December 31, 2010, are as follows (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
Property Mortgages	$246,615	$ 143,646	$656,863	$208,025	$260,433	$1,884,885	$3,400,467
Revolving Credit Facility	—	650,000	—	—	—	—	650,000
Trust Preferred Securities	—	—	—	—	—	100,000	100,000
Senior Unsecured Notes	84,823	123,171	—	98,578	657	793,316	1,100,545
Capital lease	1,555	1,555	1,555	1,555	1,593	44,056	51,869
Ground leases	28,929	28,179	28,179	28,179	28,179	552,421	694,066
Estimated interest expense	265,242	245,545	221,161	197,128	177,565	355,143	1,461,784
Joint venture debt	207,738	61,491	41,415	339,184	96,786	857,305	1,603,919
Total	$834,902	$1,253,587	$949,173	$872,649	$565,213	$4,587,126	$9,062,650

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. Based on our current annual dividend rate of $0.40 per share, we would pay approximately $31.6 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility and senior unsecured notes, 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 partially 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 Corp. has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately $2.2 million, $1.8 million and $1.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. We paid Alliance approximately $14.2 million, $14.9 million and $15.1 million for three years ended December 31, 2010, 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 annum for year one increasing to $40,000 in year seven. From February 2007 through December 2008, Nancy Peck and Company leased 507 square feet of space at 420 Lexington Avenue pursuant to a lease which provided for annual rental payments of approximately $15,210.

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 $390,700 in 2010, $351,700 in 2009 and $353,500 in 2008.

BROKERAGE SERVICES

Cushman & Wakefield Sonnenblick-Goldman Company, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the refinancing of 420 Lexington Avenue.

GRAMERCY CAPITAL CORP.

Our related party transactions with Gramercy are discussed in Note 13, "Related Party Transactions" in the accompanying financial statements. Management evaluated its investment in Gramercy in accordance with notice 2008-234 issued by the joint SEC Office of the Chief Accountant and the FASB Staff, which provided further guidance on fair value accounting. Management evaluated (1) the length of time and the extent to which the market value of our investment in Gramercy has been less than cost, (2) the financial condition and near-term prospects of Gramercy, the issuer, and (3) the intent and ability of SL Green, the holder, to retain its investment for a period of time sufficient enough to allow for anticipated recovery. Based on this evaluation, we recognized a loss on our investment in Gramercy of approximately $147.5 million in the fourth quarter of 2008.

INSURANCE

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $750.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. This policy expires on December 31, 2011. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2011. 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 December 31, 2010, Belmont increased its terrorism coverage from $400 million to $650 million in a layer in excess of $100.0 million. 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: Since December 31, 2010, Belmont acts as a direct insurer of NBCR coverage up to $600 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 a loss, with the remaining 85% covered by the federal government.
- General Liability: For the period commencing October 31, 2010, Belmont insures 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 the 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 allowing 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 prevail in asserting that we are required to maintain full coverage for these risks, 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 policies separate 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 restructurings 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 years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Net income attributable to SL Green common stockholders	**$ 270,826**	$ 37,669	$360,935
Add:			
Depreciation and amortization	**228,893**	224,147	214,201
Discontinued operations depreciation adjustments	**1,626**	3,106	9,038
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	**32,163**	39,964	42,559
Net income attributable to noncontrolling interests	**18,581**	14,121	23,238
(Gain) loss on investment in marketable securities	**(397)**	396	147,489
Less:			
Gain (loss) on sale of discontinued operations	**35,485**	(6,841)	348,573
Equity in net gain on sale of joint venture property/interest	**128,922**	6,691	103,056
Depreciation on non-rental real estate assets	**874**	736	975
Funds from Operations	**$ 386,411**	$ 318,817	$344,856
Cash flows provided by operating activities	**$ 321,058**	$ 275,211	$296,011
Cash flows (used in) provided by investing activities	**$ 18,815**	$(345,379)	$396,219
Cash flows used in financing activities	**$(350,758)**	$(313,006)	$ (11,305)

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 the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provisions thereof. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), development trends of the real estate industry and the Manhattan, Brooklyn, Queens, Westchester County, Connecticut, Long Island and New Jersey office markets, business strategies, expansion and growth of our operations and other similar matters, are forward-looking statements. These forward-looking 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.

Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially, and we caution you not to place undue reliance on such 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.

Forward-looking statements contained in this report are subject to a number of risks and uncertainties that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by forward-looking statements made by us. These risks and uncertainties include:

- the effect of the credit crisis on general economic, business and financial conditions, and on the New York metropolitan real estate market in particular;
- dependence upon certain geographic markets; risks of real estate acquisitions, dispositions and developments, including the cost of construction delays and cost overruns;
- risks relating to structured finance investments; availability and creditworthiness of prospective tenants and borrowers; bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;

- adverse changes in the real estate markets, including reduced demand for office space, increasing vacancy, and increasing availability of sublease space; availability 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;
- our ability to maintain our status as a REIT; risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;
- the continuing threat of terrorist attacks, in particular in the New York metropolitan area and on our tenants;
- our ability to obtain adequate insurance coverage at a reasonable cost and the potential for losses in excess of our insurance coverage, including as a result of environmental contamination; and
- legislative, regulatory and/or safety requirements adversely affecting REITs and the real estate business, including costs of compliance with the Americans with Disabilities Act, the Fair Housing Act and other similar laws and regulations.

Other factors and risks to our business, many of which are beyond our control, are described in other sections of this report and in our other filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

The table below presents the principal cash flows based upon maturity dates of our debt obligations and debt and preferred equity investments and the related weighted average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2010 (in thousands):

	Long-Term Debt				Debt and Preferred Equity Investments	
Date	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate	Amount	Weighted Yield
2011	$ 329,860	6.12%	$ 1,579	2.02%	$272,374	10.85%
2012	154,944	6.12%	761,872	2.43%	115,686	3.06%
2013	335,662	6.13%	321,200	2.90%	39,037	4.47%
2014	306,603	6.20%	—	3.27%	84,804	11.75%
2015	361,090	6.26%	—	3.27%	—	—%
Thereafter	2,648,203	6.49%	30,000	3.27%	451,871	7.13%
Total	**$4,136,362**	**6.49%**	**$1,114,651**	**2.27%**	**$963,772**(1)	**7.99%**
Fair Value	$ 4,312,600		$ 1,060,500			

(1) Our debt and preferred equity investments had an estimated fair value ranging between $578.3 million and $867.4 million at December 31, 2010.

The table below presents the principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted average interest rates by expected maturity dates as of December 31, 2010 (in thousands):

	Long-Term Debt			
Date	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
2011	$ 405	4.19%	$ 207,333	3.37%
2012	13,029	4.18%	48,462	2.99%
2013	1,182	4.17%	40,233	3.10%
2014	99,802	4.12%	239,382	3.14%
2015	94,500	3.86%	2,286	2.13%
Thereafter	774,304	3.26%	83,001	2.05%
Total	**$983,222**	**3.96%**	**$620,697**	**3.06%**
Fair Value	$ 993,675		$ 619,147	

The table below lists all of our derivative instruments, which are hedging variable rate debt, excluding joint ventures, and their related fair value as of December 31, 2010 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	Mortgage	LIBOR	$128,000	6.000%	2/2010	2/2011	$ —
Interest Rate Cap	Mortgage	LIBOR	110,180	6.000%	2/2011	2/2012	2
Interest Rate Cap	Mortgage	LIBOR	139,672	5.000%	1/2010	1/2011	—
Interest Rate Cap	Mortgage	LIBOR	139,672	5.000%	1/2011	1/2012	2
Interest Rate Swap	Mortgage receivable	LIBOR	30,000	2.295%	7/2010	6/2016	(132)
Currency Hedge	Mortgage receivable	GBP-USD	20,748	1.55185	9/2010	12/2012	131
Total Consolidated Hedges							$ 3

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps were out of the money at December 31, 2010. We had also hedged certain floating rate debt at a joint venture. These hedges represented an obligation of approximately $36.5 million at December 31, 2010.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)	December 31, 2010	2009
Assets		
Commercial real estate properties, at cost:		
Land and land interests	**$ 1,750,220**	$ 1,379,052
Building and improvements	**5,840,701**	5,585,584
Building leasehold and improvements	**1,286,935**	1,280,256
Property under capital lease	**12,208**	12,208
	8,890,064	8,257,100
Less: accumulated depreciation	**(916,293)**	(738,422)
	7,973,771	7,518,678
Assets held for sale	**—**	992
Cash and cash equivalents	**332,830**	343,715
Restricted cash	**137,673**	94,495
Investment in marketable securities	**34,052**	58,785
Tenant and other receivables, net of allowance of $12,981 and $14,271 in 2010 and 2009, respectively	**27,054**	22,483
Related party receivables	**6,295**	8,570
Deferred rents receivable, net of allowance of $30,834 and $24,347 in 2010 and 2009, respectively	**201,317**	166,981
Debt and preferred equity investments, net of discount of $42,937 and $46,802 and allowance of $61,361 and $93,844 in 2010 and 2009, respectively	**963,772**	784,620
Investments in unconsolidated joint ventures	**631,570**	1,058,369
Deferred costs, net	**172,517**	139,257
Other assets	**819,443**	290,632
Total assets	**$11,300,294**	$10,487,577
Liabilities		
Mortgages and other loans payable	**$ 3,400,468**	$ 2,595,552
Revolving credit facility	**650,000**	1,374,076
Senior unsecured notes	**1,100,545**	823,060
Accrued interest payable and other liabilities	**38,149**	34,734
Accounts payable and accrued expenses	**133,389**	125,982
Deferred revenue/gains	**307,678**	349,669
Capitalized lease obligation	**17,044**	16,883
Deferred land leases payable	**18,267**	18,013
Dividend and distributions payable	**14,182**	12,006
Security deposits	**38,690**	39,855
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	**100,000**	100,000
Total liabilities	**5,818,412**	5,489,830
Commitments and Contingencies	**—**	—
Noncontrolling interests in operating partnership	**84,338**	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 December 31, 2010 and 2009, respectively	**274,022**	151,981
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 4,000 issued and outstanding at December 31, 2010 and 2009, respectively	**96,321**	96,321
Common stock, $0.01 par value, 160,000 shares authorized and 81,675 and 80,875 issued and outstanding at December 31, 2010 and 2009, respectively (including 3,369 and 3,360 shares at December 31, 2010 and 2009 held in Treasury, respectively)	**817**	809
Additional paid-in-capital	**3,660,842**	3,525,901
Treasury stock at cost	**(303,222)**	(302,705)
Accumulated other comprehensive loss	**(22,659)**	(33,538)
Retained earnings	**1,172,963**	949,669
Total SL Green stockholders' equity	**4,879,084**	4,388,438
Noncontrolling interests in other partnerships	**518,460**	524,691
Total equity	**5,397,544**	4,913,129
Total liabilities and equity	**$11,300,294**	$10,487,577

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

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(Amounts in thousands, except per share data)	**2010**	2009	2008
Revenues			
Rental revenue, net	**$ 796,667**	$ 761,446	$ 762,229
Escalation and reimbursement	**120,484**	121,426	120,404
Preferred equity and investment income	**147,926**	65,608	110,919
Other income	**36,169**	47,367	71,463
Total revenues	**1,101,246**	995,847	1,065,015
Expenses			
Operating expenses (including $14,234 (2010), $14,882 (2009) and $15,104 (2008) to affiliates)	**229,305**	214,049	224,434
Real estate taxes	**148,828**	139,523	124,479
Ground rent	**31,191**	31,826	31,494
Interest expense, net of interest income	**233,647**	236,300	291,536
Amortization of deferred financing costs	**9,928**	7,947	6,433
Depreciation and amortization	**228,893**	224,147	214,201
Loan loss and other investment reserves, net of recoveries	**20,501**	150,510	115,882
Transaction related costs	**11,875**	—	—
Marketing, general and administrative	**75,946**	73,992	104,583
Total expenses	**990,114**	1,078,294	1,113,042
Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures, gains on sale, noncontrolling interests and discontinued operations	**111,132**	(82,447)	(48,027)
Equity in net income from unconsolidated joint ventures	**39,607**	62,878	59,961
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**128,922**	6,691	103,056
Gain (loss) on investment in marketable securities	**490**	(396)	(147,489)
Gain (loss) on early extinguishment of debt	**(1,900)**	86,006	77,465
Income from continuing operations	**278,251**	72,732	44,966
Net income from discontinued operations	**5,420**	5,774	10,509
Gain (loss) on sale of discontinued operations	**35,485**	(6,841)	348,573
Net income	**319,156**	71,665	404,048
Net income attributable to noncontrolling interests in the operating partnership	**(4,574)**	(1,221)	(14,561)
Net income attributable to noncontrolling interests in other partnerships	**(14,007)**	(12,900)	(8,677)
Net income attributable to SL Green	**300,575**	57,544	380,810
Preferred stock dividends	**(29,749)**	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	**$ 270,826**	$ 37,669	$ 360,935
Amounts attributable to SL Green common stockholders:			
Income (loss) from continuing operations	**$ 103,824**	$ 32,220	$ (83,278)
Net income from discontinued operations	**5,330**	5,595	10,101
Gain (loss) on sale of discontinued operations	**34,894**	(6,630)	335,055
Gain on sale of unconsolidated joint ventures/real estate	**126,778**	6,484	99,057
Net income	**$ 270,826**	$ 37,669	$ 360,935
Basic earnings per share:			
Net income (loss) from continuing operations before gains on sale and discontinued operations	**$ 1.33**	$ 0.46	$ (1.43)
Net income from discontinued operations	**0.07**	0.09	0.17
Gain (loss) on sale of discontinued operations	**0.45**	(0.10)	5.77
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**1.62**	0.09	1.71
Net income attributable to SL Green common stockholders	**$ 3.47**	$ 0.54	$ 6.22
Diluted earnings per share:			
Net income (loss) from continuing operations before gains on sale and discontinued operations	**$ 1.32**	$ 0.46	$ (1.42)
Net income from discontinued operations	**0.07**	0.09	0.17
Gain (loss) on sale of discontinued operations	**0.44**	(0.10)	5.75
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**1.62**	0.09	1.70
Net income attributable to SL Green common stockholders	**$ 3.45**	$ 0.54	$ 6.20
Basic weighted average common shares outstanding	**78,101**	69,735	57,996
Diluted weighted average common shares and common share equivalents outstanding	**79,761**	72,044	60,598

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

CONSOLIDATED STATEMENTS OF EQUITY

SL Green Realty Corp. Stockholders

(Amounts in thousands, except per share data)	Series C Preferred Stock	Series D Preferred Stock
Balance at December 31, 2007	$ 151,981	$ 96,321
Comprehensive Income:		
Net income		
Net unrealized loss on derivative instruments		
SL Green's share of joint venture net unrealized loss on derivative instruments		
Preferred dividends		
Redemption of units and DRIP proceeds		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Proceeds from stock options exercised		
Treasury stock-at cost		
Contributions from noncontrolling interests		
Distributions to noncontrolling interests		
Deconsolidation of noncontrolling interests		
Cash distribution declared ($2.7375 per common share, none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2008	$ 151,981	$ 96,321
Comprehensive Income:		
Net income		
Net unrealized gain on derivative instruments		
SL Green's share of joint venture net unrealized loss on derivative instruments		
Unrealized gain on investments		
Preferred dividends		
Redemption of units and DRIP proceeds		
Reallocation of noncontrolling interest in the operating partnership		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Net proceeds from common stock offering		
Proceeds from stock options exercised		
Distributions to noncontrolling interests		
Cash distribution declared ($0.675 per common share, none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2009	$ 151,981	$ 96,321
Comprehensive Income:		
Net income		
Net unrealized loss on derivative instruments		
SL Green's share of joint venture net unrealized gain on derivative instruments		
Unrealized gain on marketable securities		
Preferred dividends		
Redemption of units and DRIP proceeds		
Reallocation of noncontrolling interest in the operating partnership		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Deconsolidation of real estate investments		
Equity component of convertible notes		
Net proceeds from preferred stock offering	122,041	
Proceeds from stock options exercised		
Cash contributions from noncontrolling interests		
Cash distributions to noncontrolling interests		
Cash distribution declared ($0.40 per common share, none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2010	**$274,022**	**$96,321**

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

Common Stock								
Shares	Par Value	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total	Comprehensive Income
58,759	$ 601	$ 3,011,590	$ (150,719)	$ 4,745	$ 777,681	$ 632,400	$ 4,524,600	
					380,810	12,505	393,315	$ 393,315
				(31,120)			(31,120)	(31,120)
				(28,372)			(28,372)	(28,372)
					(19,875)		(19,875)	
4	—	312					312	
133	1	583					584	
		59,616					59,616	
196	2	7,058					7,060	
(2,048)			(151,986)				(151,986)	
						21,771	21,771	
						(52,031)	(52,031)	
						(83,237)	(83,237)	
					(158,677)		(158,677)	
57,044	$ 604	$ 3,079,159	$ (302,705)	$ (54,747)	$ 979,939	$ 531,408	$ 4,481,960	$ 333,823
					57,544	12,900	70,444	$ 70,444
				20,359			20,359	20,359
				(233)			(233)	(233)
				1,083			1,083	1,083
					(19,875)		(19,875)	
653	7	28,560					28,567	
					(23,217)		(23,217)	
246	2	581					583	
		30,040					30,040	
19,550	196	386,942					387,138	
22		619					619	
						(19,617)	(19,617)	
					(44,722)		(44,722)	
77,515	$ 809	$ 3,525,901	$ (302,705)	$ (33,538)	$ 949,669	$ 524,691	$ 4,913,129	$ 91,653
					300,575	14,007	314,582	$ 314,582
				(3,039)			(3,039)	(3,039)
				571			571	571
				13,347			13,347	13,347
					(29,749)		(29,749)	
470	5	23,339					23,344	
					(18,948)		(18,948)	
212	2	535	(517)				20	
		31,741					31,741	
					3,011	(9,532)	(6,521)	
		76,039					76,039	
							122,041	
110	1	3,287					3,288	
						2,788	2,788	
						(13,494)	(13,494)	
					(31,595)		(31,595)	
78,307	**$817**	**$3,660,842**	**$(303,222)**	**$(22,659)**	**$1,172,963**	**$518,460**	**$5,397,544**	**$325,461**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except per share data)	Year Ended December 31, 2010	2009	2008
Operating Activities			
Net income	**$ 319,156**	$ 71,665	$ 404,048
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**240,445**	235,200	229,510
(Gain) loss on sale of discontinued operations	**(35,485)**	6,841	(348,573)
Equity in net income from unconsolidated joint ventures	**(39,607)**	(62,878)	(59,961)
Distributions of cumulative earnings of unconsolidated joint ventures	**27,472**	40,677	67,136
Equity in net gain on sale of unconsolidated joint venture interest/real estate	**(128,922)**	(6,691)	(103,056)
Loan loss and other investment reserves	**20,501**	150,510	115,882
(Gain) loss on investment in marketable securities	**(490)**	396	147,489
(Gain) loss on early extinguishment of debt	**1,900**	(86,006)	(77,465)
Deferred rents receivable	**(47,223)**	(26,267)	(38,866)
Other non-cash adjustments	**(749)**	(2,534)	38,502
Changes in operating assets and liabilities:			
Restricted cash—operations	**4,513**	16,219	(13,283)
Tenant and other receivables	**271**	11,026	11,553
Related party receivables	**2,398**	(894)	5,505
Deferred lease costs	**(42,035)**	(21,202)	(39,709)
Other assets	**4,860**	(28,863)	(3,594)
Accounts payable, accrued expenses and other liabilities	**(3,705)**	(14,761)	(49,295)
Deferred revenue and land lease payable	**(2,242)**	(7,227)	10,188
Net cash provided by operating activities	**321,058**	275,211	296,011
Investing Activities			
Acquisitions of real estate property	**(270,614)**	(16,059)	(67,751)
Additions to land, buildings and improvements	**(108,145)**	(90,971)	(132,375)
Escrowed cash—capital improvements/acquisitions deposits	**(40,215)**	(5,318)	11,376
Investments in unconsolidated joint ventures	**(87,844)**	(107,716)	(45,776)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**52,920**	38,846	458,236
Net proceeds from disposition of real estate/partial interest in property	**623,121**	27,946	206,782
Other investments	**32,607**	(47,719)	8,168
Debt and preferred equity and other investments, net of repayments/participations	**(183,015)**	(144,388)	(42,441)
Net cash provided by (used in) investing activities	**18,815**	(345,379)	396,219
Financing Activities			
Proceeds from mortgages and other loans payable	**168,360**	192,399	161,577
Repayments of mortgages and other loans payable	**(149,832)**	(169,688)	(26,233)
Proceeds from revolving credit facility and senior unsecured notes	**670,992**	30,433	1,663,970
Repayments of revolving credit facility and senior unsecured notes	**(1,046,626)**	(646,317)	(1,434,112)
Proceeds from stock options exercised and DRIP issuance	**14,535**	619	7,372
Net proceeds from sale of preferred/common stock	**122,041**	387,138	—
Purchases of Treasury Stock	**—**	—	(151,986)
Distributions to noncontrolling interests in other partnerships	**(13,489)**	(19,617)	(54,566)
Contributions from noncontrolling interests in other partnerships	**2,788**	—	39,883
Redemption of noncontrolling interests in operating partnership	**(13,012)**	—	—
Distributions to noncontrolling interests in operating partnership	**(511)**	(2,170)	(6,405)
Dividends paid on common and preferred stock	**(58,984)**	(78,321)	(203,134)
Deferred loan costs and capitalized lease obligation	**(47,020)**	(7,482)	(7,671)
Net cash used in financing activities	**(350,758)**	(313,006)	(11,305)
Net (decrease) increase in cash and cash equivalents	**(10,885)**	(383,174)	680,925
Cash and cash equivalents at beginning of period	**343,715**	726,889	45,964
Cash and cash equivalents at end of period	**$ 332,830**	$ 343,715	$ 726,889
Supplemental cash flow disclosures			
Interest paid	**$ 276,725**	$ 257,393	$ 305,022
Income taxes paid	**$ 1,041**	$ 818	$ 906

In December 2010, 2009 and 2008, the Company declared quarterly distributions per share of $0.10, $0.10 and $0.375, respectively. These distributions were paid in January 2011, 2010 and 2009, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

01 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, a consolidated variable interest entity. 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 the "Company," "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the operating partnership.

Substantially all of our assets are held by, and our operations are conducted through, the operating partnership. The Company is the sole managing general partner of the operating partnership. As of December 31, 2010, noncontrolling investors held, in the aggregate, a 1.57% limited partnership interest in the operating partnership. We refer to this as the noncontrolling interests in the operating partnership. See Note 14.

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

As of December 31, 2010, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metropolitan 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	91.8%
	Unconsolidated properties	8	7,182,515	95.3%
Suburban	Consolidated properties	25	3,863,000	81.9%
	Unconsolidated properties	6	2,941,700	94.3%
		61	29,129,160	91.6%

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

We also own investments in 11 retail properties encompassing approximately 405,362 square feet, four development properties encompassing approximately 465,441 square feet and three 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.

02 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 debt and preferred equity investments. See Notes 5 and 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 debt and preferred equity 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 VIEs, 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.

INVESTMENT IN COMMERCIAL REAL ESTATE PROPERTIES

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

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

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

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

Depreciation expense (including amortization of the capital lease asset) amounted to approximately $209.7 million, $208.2 million and $200.7 million for the years ended December 31, 2010, 2009 and 2008, respectively.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) 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 discounted cash flows. During 2010, we recorded a $2.8 million impairment charge on one of our equity investments which is included in loan loss and other investment reserves. We do not believe that the value of any of our consolidated properties was impaired at December 31, 2010 and 2009, respectively.

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

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

On January 1, 2009, we adopted FASB guidance that requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests at their fair values on the acquisition date. The guidance also requires that acquisition-related transaction costs be expensed as incurred, acquired research and development value be capitalized and acquisition-related restructuring costs be capitalized only if they meet certain criteria. Beginning January 1, 2009, we began expensing acquisition-related transaction costs as incurred. These costs are included in transaction related costs on our Consolidated Statements of Income for the years ended December 31, 2010 and 2009. We capitalize all acquisition-related transaction costs associated with asset acquisitions.

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 $22.7 million, $24.2 million and $25.6 million in rental revenue for the years ended December 31, 2010, 2009 and 2008, 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 $2.7 million, $2.7 million and $6.9 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2010 (in thousands):

	December 31, 2010	December 31, 2009
Identified intangible assets (included in other assets):		
Gross amount	**$ 758,300**	$ 236,594
Accumulated amortization	**(133,737)**	(98,090)
Net	**$ 624,563**	$ 138,504
Identified intangible liabilities (included in deferred revenue):		
Gross amount	**$ 508,339**	$ 480,770
Accumulated amortization	**(220,417)**	(164,073)
Net	**$ 287,922**	$ 316,697

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

2011	$13,865
2012	12,596
2013	10,688
2014	8,571
2015	6,696

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

2011	$10,886
2012	9,008
2013	7,934
2014	5,715
2015	4,479

CASH AND CASH EQUIVALENTS

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

FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

We determined the fair value of our current investments in marketable securities using level one, level two and level three inputs. Additionally, we determined the valuation allowance for loan losses based on level three inputs. See "Note 5—Debt and Preferred Equity Investments."

The estimated fair values of tangible and intangible assets and liabilities recorded in connection with business combinations are based on level three inputs. We estimate fair values based on cash flow projections utilizing appropriate discount and/or capitalization rates and available market information.

We determine impairment in real estate investments and debt and preferred equity investments, including intangibles, utilizing cash flow projections that apply estimated revenue and expense growth rates, discount rates and capitalization rates, which are classified as level three inputs.

We use the following methods and assumptions in estimating fair value disclosures for financial instruments.

- *Cash and cash equivalents:* The carrying amount of unrestricted cash and cash equivalents reported in our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.
- *Debt and Preferred Equity Investments:* The fair value of debt and preferred equity investments is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings. See "—Debt and Preferred Equity Investments" above regarding valuation allowances for loan losses.
- *Mortgage and other loans payable and other debt:* The fair value of borrowings is estimated by discounting the future cash flows using current interest rates at which similar borrowings could be made by us.

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.

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 December 31, 2010 is approximately $9.7 million in net unrealized gains related to marketable securities.

During the year ended December 31, 2010, we disposed of certain of our marketable securities for aggregate net proceeds of $44.7 million and realized gains of $0.8 million, which is included in gain (loss) on investment in marketable securities on the statements of income.

The basis on which the cost of the bonds and marketable securities sold was determined based on the specific identification method.

At December 31, 2010, and 2009 we held the following marketable securities (in thousands):

	December 31,	
	2010	2009
Level 1—Equity marketable securities	**$12,357**	$ —
Level 2—Commercial mortgage-backed securities	**17,445**	17,295
Level 3—Rake bonds	**4,250**	41,490
Total marketable securities available-for-sale	**$34,052**	$58,785

INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for $200.0 million which we guarantee at one joint venture. See Note 6.

RESTRICTED CASH

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

DEFERRED LEASE COSTS

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. A portion of their compensation, approximating $8.6 million, $7.9 million and $8.3 million for the years ended December 31, 2010, 2009 and 2008, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

DEFERRED FINANCING COSTS

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

REVENUE RECOGNITION

Rental revenue is recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes, management records the cost to construct the tenant improvements as a capital asset. In addition, management records the cost of certain tenant improvements paid for or reimbursed by tenants as capital assets when management concludes that we are the owner of such tenant improvements. For these tenant improvements, management records the amount funded or reimbursed by tenants as deferred revenue, which is amortized on a straight-line basis as additional rental revenue over the term of the related lease. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, management records our contribution towards those improvements as a lease incentive, which is included in deferred leasing costs on our consolidated balance sheets and amortized as a reduction to rental revenue on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the balance sheet is net of such allowance.

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

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

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

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

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

Income recognition is generally suspended for debt and preferred equity investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount as an adjustment to yield over the term of the investment. If we purchase a debt or preferred equity investment at a discount with the intention of foreclosing on the collateral, we do not accrete the discount.

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required rent payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required. The Company recorded bad debt expense related to tenant receivables and deferred rent receivable of $5.2 million, $7.5 million and $14.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

RESERVE FOR POSSIBLE CREDIT LOSSES

The expense for possible credit losses in connection with debt and preferred equity 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 on each individual investment. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated on an investment that is held to maturity, 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 $19.8 million, $38.4 million and $45.8 million in loan loss reserves and charge-offs during the years ended December 31, 2010, 2009 and 2008, respectively, on investments being held to maturity, and $1.0 million, $69.1 million and none against our held for sale investment during the years ended December 31, 2010, 2009 and 2008, respectively. We also recorded approximately $3.7 million in recoveries during the year ended December 31, 2010 in connection with the sale of an investment.

Debt and preferred equity 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 debt and preferred equity 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.

RENT EXPENSE

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

INCOME TAXES

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or 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, $1.0 million and $(2.0) million in federal, state and local tax (benefit)/expense in 2010, 2009 and 2008 and made estimated tax payments of $1.0 million, $0.8 million and $0.9 million, respectively.

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

UNDERWRITING COMMISSIONS AND COSTS

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

EXCHANGEABLE DEBT INSTRUMENTS

The initial proceeds from exchangeable debt that may be settled in cash, including partial cash settlements, must be bifurcated between a liability component and an equity component associated with the embedded conversion option. The objective of the accounting guidance is to require the liability and equity components of exchangeable debt to be separately accounted for in a manner such that the interest expense on the exchangeable debt is not recorded at the stated rate of interest but rather at an effective rate that reflects the issuer's conventional debt borrowing rate at the date of issuance. We calculate the liability component of exchangeable debt based on the present value of the contractual cash flows discounted at a comparable market conventional debt borrowing rate at the date of issuance. The difference between the principal amount and the fair value of the liability component is reported as a discount on the exchangeable debt that is accreted as additional interest expense from the issuance date through the contractual maturity date using the effective interest method. A portion of this additional interest expense may be capitalized to the development and redevelopment balances qualifying for interest capitalization each period. The liability component of the exchangeable debt is reported net of discounts on our consolidated balance sheets. We calculate the equity component of exchangeable debt based on the difference between the initial proceeds received from the issuance of the exchangeable debt and the fair value of the liability component at the issuance date. The equity component is included in additional paid-in-capital, net of issuance costs, on our consolidated balance sheets. We allocate issuance costs for exchangeable debt between the liability and the equity components based on their relative values.

STOCK-BASED EMPLOYEE COMPENSATION PLANS

We have a stock-based employee compensation plan, described more fully in Note 13.

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

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model based on historical information with the following weighted average assumptions for grants in 2010, 2009 and 2008.

	2010	2009	2008
Dividend yield	**2.00%**	2.15%	2.99%
Expected life of option	**5.1 years**	5 years	5 years
Risk-free interest rate	**2.09%**	2.17%	3.24%
Expected stock price volatility	**50.07%**	53.08%	25.47%

For share-based awards with a performance measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date the Compensation Committee authorizes the award and adopts any relevant performance measures. During the performance period for a share-based award program, we estimate the total compensation cost of the potential future awards. We then record compensation cost equal to the portion of the requisite service period that has elapsed through the end of the reporting period. For programs with performance-based measures, the total estimated compensation cost is based on our most recent estimate of the probable achievement of the pre-established specific corporate performance measures. These estimates are based on our latest internal forecasts for each performance measure. For programs with market measures, the total estimated compensation cost is based on the fair value of the award at the applicable reporting date estimated using a binomial model. For share-based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of Company common stock, at the current quoted market price, from certain key employees to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

DERIVATIVE INSTRUMENTS

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

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

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

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

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

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

EARNINGS PER SHARE

We present both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. This also includes units of limited partnership interest. The dilutive effect of the outstanding nonvested shares of common stock ("nonvested shares") and restricted stock units ("RSUs") that have not yet been granted but are contingently issuable under the share-based compensation programs is reflected in the weighted average diluted shares calculation by application of the treasury stock method at the beginning of the quarterly period in which all necessary conditions have been satisfied. The dilutive effect of stock options are reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior debentures as the conversion premium will be paid in cash.

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, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is primarily located in the New York Metropolitan area. (See Note 5.) We perform ongoing credit evaluations of our tenants and require most 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 8.0% of our share of annualized rent, no other tenant in our portfolio accounted for more than 5.9% of our annualized rent, including our share of joint venture annualized rent, at December 31, 2010. Approximately 10%, 9%, 7%, 7% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2010. Approximately 10%, 9%, 8%, 8%, 6% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue, 220 East 42nd Street and 485 Lexington Avenue, respectively, for the year ended December 31, 2009. Approximately 10%, 8%, 7%, 8%, and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2008. In addition, two debt and preferred equity investments accounted for more than 10.0% of the revenue earned on debt and preferred equity investments at December 31, 2010. As of December 31, 2010, approximately 75.6% of our workforce which services substantially all of our properties is covered by three collective bargaining agreements. Approximately 81.3% of our workforce is covered by a collective bargaining agreement which expires in 2011.

RECLASSIFICATION

Certain prior year balances have been reclassified to conform to our current year presentation, primarily in order to eliminate discontinued operations from income from continuing operations.

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 any 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. The guidance related to disclosures of financing receivables as of the end of a reporting period is required to be adopted for interim and annual reporting periods ending on or after December 15, 2010. The financing receivables disclosures related to the activity that occurs during a reporting period are required to be adopted for interim and annual reporting periods beginning on or after December 15, 2010. In January 2011, the FASB temporarily delayed the effective date of the disclosures about troubled debt restructurings to allow the FASB the time needed to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, the guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. Adoption of the remaining guidance for the annual reporting period ending December 31, 2010 resulted in additional disclosures in 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 became effective in the third quarter of 2010, though early adoption was permitted. Adoption of this guidance in the third quarter of 2010 did not have any impact 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. Adoption of this guidance on January 1, 2010, excluding the Level 3 rollforward, resulted in additional disclosures in our consolidated financial statements. The gross presentation of the Level 3 rollforward is required for interim and annual reporting periods beginning after December 15, 2010. While we are currently evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued guidance on the disclosure of supplementary pro forma information for business combinations. Effective for periods beginning after December 15, 2010, the guidance specifies that if a public entity enters into business combinations that are material on an individual or aggregate basis and presents comparative financial statements, the entity must present pro forma revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. While we are currently evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statements.

03 PROPERTY ACQUISITIONS

2010 ACQUISITIONS

In January 2010, we became the sole owner of 100 Church Street, a 1.05 million square-foot (unaudited) 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 Capital Corp. (NYSE: GKK), or 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. 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.

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 acquired	$ 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.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of 125 Park Avenue (in thousands):

Land	$120,900
Building	201,726
Acquired above-market leases	11,282
Acquired in-place leases	28,828
Assets acquired	362,736
Mortgage note payable at fair value	158,397
Acquired below-market leases	20,589
Liabilities assumed	178,986
Net assets acquired	$183,750

In December 2010, we completed the acquisition of investments from Gramercy. This included (1) the remaining 45% interest in the leased fee at 885 Third Avenue for approximately $39.3 million plus assumed mortgage debt of approximately $120.4 million, (2) the remaining 45% interest in the leased fee at 2 Herald Square for approximately $25.6 million plus assumed mortgage debt of approximately $86.1 million and, (3) the entire leased fee interest in 292 Madison Avenue for approximately $19.2 million plus assumed mortgage debt of approximately $59.1 million. These assets are all leased to third-party operators.

The following summarizes our preliminary allocation of the purchase price of the assets acquired and liabilities assumed upon the purchase of the abovementioned investments from Gramercy (in thousands):

Land	$ 257,717
Acquired in-place leases	460,988
Assets acquired	718,705
Mortgage notes payable	517,999
Other liabilities, net of other assets	2,091
Liabilities assumed	520,090
	198,615
Investments in unconsolidated joint ventures	(111,751)
Net assets acquired	$ 86,864

In December 2010, we acquired two retail condominiums in Williamsburg, Brooklyn, for approximately $18.4 million. The retail condominiums are fully leased with rent commencement upon completion of the redevelopment work. We will finalize our allocation of the purchase price of the assets acquired and liabilities assumed in 2011.

2009 ACQUISITIONS

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

2008 ACQUISITIONS

In February 2008, we, through our joint venture with Jeff Sutton, acquired the properties located at 182 Broadway and 63 Nassau Street for approximately $30.0 million in the aggregate. These properties are located adjacent to 180 Broadway, which we acquired in August 2007. As part of the acquisition, we also closed on a $31.0 million loan which bears interest at 225 basis points over the 30-day LIBOR. The loan has a three-year term and two one-year extensions. We drew down $21.1 million at the closing to pay the balance of the acquisition costs. See Note 6.

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

04 PROPERTY DISPOSITIONS AND ASSETS HELD FOR SALE

In September 2010, we sold the property located at 19 West 44th Street in Manhattan for $123.2 million. The property is approximately 292,000 square feet (unaudited). We recognized a gain on the sale of approximately $35.5 million, which is net of a $0.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale. The sale generated approximately $114.6 million of proceeds for the Company.

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

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

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

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

As a result of the sale of the property located at 1372 Broadway by the joint venture in October 2008, we recognized a gain on sale of approximately $238.6 million, which is net of a $3.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

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

Discontinued operations included the results of operations of real estate assets under contract or sold prior to December 31, 2010. This included 440 Ninth Avenue, which was sold in January 2008, 100/120 White Plains Road and 1372 Broadway, which were sold in October 2008, 55 Corporate Drive, NJ, which was sold in January 2009, the membership interests in GKK Manager LLC, which were sold in April 2009 (See Note 6), 399 Knollwood Road, Westchester, which was sold in August 2009 and 19 West 44th Street, which was sold in September 2010.

The following table summarizes income from discontinued operations for the years ended December 31, 2010, 2009 and 2008, respectively (in thousands).

	Year Ended December 31,		
	2010	2009	2008
Revenues			
Rental revenue	**$ 8,774**	$14,675	$42,840
Escalation and reimbursement revenues	**2,412**	3,346	6,873
Other income	**429**	6,528	24,674
Total revenues	**11,615**	24,549	74,387
Operating expense	**2,791**	4,518	11,162
Real estate taxes	**1,779**	2,781	6,993
Interest expense, net of interest income	**—**	1,071	17,946
Depreciation and amortization	**1,625**	3,106	8,873
Marketing, general and administrative	**—**	7,299	15,076
Total expenses	**6,195**	18,775	60,050
Income from discontinued operations	**5,420**	5,774	14,337
Noncontrolling interest in other partnerships	**—**	—	(3,828)
Net income from discontinued operations	**$ 5,420**	$ 5,774	$10,509

05 DEBT AND PREFERRED EQUITY INVESTMENTS

During the years ended December 31, 2010 and 2009, our debt and preferred equity investments (net of discounts), including investments classified as held-for-sale, increased approximately $520.7 million and $254.3 million, respectively, due to originations, purchases, accretion of discounts and paid-in-kind interest. We recorded approximately $342.5 million and $216.5 million in repayments, participations, sales, foreclosures and loan loss reserves during those periods, respectively, which offset the increases in debt and preferred equity investments.

As of December 31, 2010 and 2009, we held the following debt investments, excluding preferred equity investments, with an aggregate weighted average current yield of approximately 7.89% (in thousands):

Loan Type	Senior Financing	**2010 Principal Outstanding**	2009 Principal Outstanding	Initial Maturity Date
Other Loan (1)	$ 15,000	**$ 3,500**	$ 3,500	September 2021
Mezzanine Loan (1)	205,000	**60,407**	58,760	February 2016
Mortgage/Mezzanine Loan (1)	173,784	**46,358**	25,000	May 2016
Mezzanine Loan (1)	165,000	**39,711**	39,125	November 2016
Mezzanine Loan (1)(3)(9)(10)(11)	—	**—**	70,092	—
Other Loan (1)(5)(9)(11)	—	**—**	5,350	—
Whole Loan (2)(3)(9)(17)	—	**—**	9,636	—
Mezzanine Loan (1)(2)(4)(9)(11)	310,994	**27,187**	26,605	January 2013
Mezzanine Loan (1)(11)	90,000	**15,697**	15,697	July 2017
Mezzanine Loan (3)(13)	—	**—**	40,938	—
Other Loan (1)	—	**—**	1,000	—
Junior Participation (1)(6)(9)(11)	—	**9,938**	9,938	April 2008
Mezzanine Loan (1)(11)(12)	1,139,000	**84,062**	84,636	March 2017
Mezzanine Loan (14)	—	**—**	35,908	—
Junior Participation (1)(9)	53,000	**11,000**	11,000	November 2011
Junior Participation (7)(9)	61,250	**10,875**	10,875	June 2012
Junior Participation (9)(11)	48,198	**5,866**	5,866	December 2010
Junior Participation (8)(9)	—	**47,484**	47,691	March 2011
Mortgage/Mezzanine Loan (2)(16)	285,000	**137,222**	104,431	July 2011
Whole Loan (1)(3)(20)	—	**—**	9,902	—
Junior Participation	210,000	**42,439**	30,548	January 2012
Mortgage/mezzanine loan (15)	—	**—**	167,717	—
Junior Participation (18)	70,800	**9,200**	—	October 2011
Mezzanine Loan (1)	755,000	**202,136**	—	June 2016
Mezzanine Loan (1)	75,000	**15,000**	—	July 2013
Mortgage (19)	—	**86,339**	—	June 2012
Mortgage	—	**26,000**	—	November 2011
Mezzanine Loan	796,693	**13,536**	—	August 2011
Mezzanine Loan (1)	167,422	**38,892**	—	February 2014
Loan loss reserve (9)	—	**(40,461)**	(101,866)	—
	$4,621,141	**$892,388**	$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 passu 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) Loan loss reserves are specifically allocated to investments. 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 year ended December 31, 2010 and the year ended December 31, 2009, respectively.
(10) This investment, which was classified as held for sale at 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 of 510 Madison Avenue by the owner in September 2010, 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. This investment is denominated in British Pounds.
(20) This loan was sold in December 2010.

PREFERRED EQUITY INVESTMENTS

As of December 31, 2010 and 2009 we held the following preferred equity investments (in thousands) with an aggregate weighted average current yield of approximately 7.64% (in thousands):

Type	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)	206,121	**45,912**	41,791	February 2014
Preferred equity (3)(5)(9)	—	**—**	31,178	March 2010
Preferred equity (3)(4)	981,941	**46,372**	46,372	August 2012
Loan loss reserve (3)	—	**(20,900)**	(61,078)	—
	$1,188,062	**$ 71,384**	$ 73,263	

(1) This is a fixed rate investment.
(2) Gramercy held a mezzanine loan on the underlying asset.
(3) Loan loss reserves are specifically allocated to investments. 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 June 30, 2009, but as held-to-maturity at December 31, 2009. The reserve previously taken against this loan is being accreted up to the face amount through the maturity date.
(8) We recovered approximately $3.7 million from the sale of this investment, which had previously been fully reserved.
(9) We sold our interest in the investment in December 2010.

The following table is a rollforward of our total allowance for loan loss reserves at December 31, 2010, 2009 and 2008 related to our debt and preferred equity investments (in thousands):

	2010	2009	2008
Balance at beginning of year	**$ 93,844**	$ 98,916	$ —
Expensed	**24,418**	145,855	101,166
Recoveries	**(3,662)**	—	—
Charge-offs	**(53,239)**	(150,927)	(2,250)
Balance at end of period	**$ 61,361**	$ 93,844	$ 98,916

At December 31, 2010, 2009 and 2008 all debt and preferred equity investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

We have determined that we have one portfolio segment of financing receivables at December 31, 2010 and 2009 comprising commercial real estate which is primarily recorded in debt and preferred equity investments. Included in other assets is an additional amount of financing receivables totaling approximately $78.7 million at December 31, 2010 and $77.6 million at December 31, 2009. In addition, assets held for sale included $1.0 million of financing receivables net of allowance at December 31, 2009. The nonaccrual balance of financing receivables at December 31, 2010 and 2009 was $140.8 million and $242.2 million, respectively. The recorded investment for financing receivables past due 90 days at December 31, 2010 and 2009 was $9.9 million associated with one financing receivable.

All financing receivables are individually evaluated for impairment.

The following table presents impaired loans, including non-accrual loans, as of December 31, 2010 (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance Allocated
With no related allowance recorded:			
Commercial real estate	$103,678	$ 99,759	$ —
With an allowance recorded:			
Commercial real estate	160,711	158,597	61,361
Total	$264,389	$258,356	$ 61,361

The following table presents impaired loans, including non-accrual loans, as of December 31, 2009 (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance Allocated
With no related allowance recorded:			
Commercial real estate	$143,000	$141,488	$ —
With an allowance recorded:			
Commercial real estate	243,652	232,151	162,944 (1)
Total	$386,652	$373,639	$162,944

(1) The allocated allowance includes an allowance of $69.1 million related to assets held for sale.

On an ongoing basis, we monitor the credit quality of our financing receivables based on payment activity. We assess credit quality indicators based on the underlying collateral.

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

The table below provides general information on each of our joint ventures as of December 31, 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
16 Court Street	CIF	35.00%	35.00%	318	07/07	$ 107,500
The Meadows (5)	Onyx	50.00%	50.00%	582	09/07	$ 111,500
388 and 390 Greenwich Street (6)	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 (7)	Sutton/Rapport	45.00%	45.00%	22	09/05	$ 13,250
180/182 Broadway and 63 Nassau Street (7)(8)	Harel/Sutton	25.50%	25.50%	71	02/08	$ 43,600
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	05/10	$ 193,000
11 West 34th Street (9)	Private Investor/Sutton	30.00%	30.00%	17	12/10	$ 10,800
7 Renaissance	Cappelli	50.00%	50.00%	37	12/10	$ 4,000

(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 75.2% of this joint venture's annualized rent at December 31, 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, which was exercised in December 2008. 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 Onyx, acquired the remaining 50% interest on a pro-rata basis in September 2009.
(6) The property is subject to a 13-year triple-net lease arrangement with a single tenant. The lease commenced in 2007.
(7) The deconsolidation of these joint ventures 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.
(8) In December 2010, the Company's 180-182 Broadway joint venture with Jeff Sutton announced an agreement with Pace University to convey a long-term ground lease condominium interest to Pace University for 20 floors of student housing. The joint venture also admitted Harel Insurance and Finance, which contributed $28.1 million to the joint venture, for a 49 percent partnership interest.
(9) In December 2010, the Company's $12.0 million first mortgage collateralized by 11 West 34th Street was repaid at par, resulting in the Company's recognition of additional income of approximately $1.1 million. Simultaneous with the repayment, the joint venture was recapitalized with the Company having a 30 percent interest. The property is subject to a long-term net lease arrangement.

In October 2010, we entered into an agreement with The Moinian Group, under which we provided a standby mortgage commitment and may make a future equity investment as part of a recapitalization of Three Columbus Circle.

In May 2010, Green Hill Acquisition LLC, our wholly-owned subsidiary, 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, which is net of a $4.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In April 2009, we sold our remaining 50 percent partnership interest in 55 Corporate Drive, New Jersey (pad IV) to Mack-Cali Realty Corporation (NYSE: CLI). We received total proceeds of $4.5 million and recognized a gain on sale of approximately $4.0 million. In connection with this transaction, we also sold our interest in the Mack-Green joint venture to Mack-Cali for $500,000.

In June 2009, we sold an equity interest in 1166 Avenue of the Americas for $5.0 million and recognized a loss of approximately $5.2 million on the sale.

In May 2008, we, along with our joint venture partner SITQ, closed on the sale of the 39-story, 670,000 square foot Class A office tower located at 1250 Broadway in Manhattan for $310.0 million. We recognized an incentive distribution of approximately $25.0 million in addition to our share of the gain on sale of approximately $93.8 million, which is net of a $1.0 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

We generally 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 December 31, 2010 and 2009, respectively, are as follows (in thousands):

Property	Maturity Date	Interest Rate (1)	**2010**	2009
100 Park Avenue (2)	09/2014	6.64%	**$ 204,946**	$ 200,000
21 West 34th Street	12/2016	5.76%	**$ 100,000**	$ 100,000
800 Third Avenue	08/2017	6.00%	**$ 20,910**	$ 20,910
1221 Avenue of the Americas	12/2010	5.51%	**$ —**	$ 65,000
One Court Square	09/2015	4.91%	**$ 315,000**	$ 315,000
2 Herald Square (3)	—	—	**$ —**	$ 191,250
1604-1610 Broadway (4)	04/2012	5.66%	**$ 27,000**	$ 27,000
388 and 390 Greenwich Street (5)	12/2017	5.19%	**$1,106,758**	$1,106,758
1745 Broadway	01/2017	5.68%	**$ 340,000**	$ 340,000
141 Fifth Avenue	06/2017	5.70%	**$ 25,000**	$ —
1 and 2 Jericho Plaza	05/2017	5.65%	**$ 163,750**	$ 163,750
885 Third Avenue (3)	—	—	**$ —**	$ 267,650
Total fixed rate debt			**$2,303,364**	$2,797,318
1515 Broadway (6)	12/2014	3.50%	**$ 462,896**	$ 475,000
The Meadows (11)	09/2012	1.62%	**$ 87,034**	$ 85,478
1221 Avenue of the Americas	12/2010	1.04%	**$ —**	$ 105,000
388 and 390 Greenwich Street (5)	12/2017	1.42%	**$ 31,622**	$ 31,622
16 Court Street	10/2013	2.79%	**$ 86,844**	$ 88,573
27-29 West 34th Street	05/2011	1.93%	**$ 54,375**	$ 54,800
1551-1555 Broadway (7)	10/2011	4.33%	**$ 128,600**	$ 133,600
521 Fifth Avenue	04/2011	1.27%	**$ 140,000**	$ 140,000
717 Fifth Avenue (8)	09/2011	5.31%	**$ 245,000**	$ 245,000
379 West Broadway	07/2011	1.93%	**$ 20,991**	$ 20,991
180/182 Broadway (9)	12/2013	3.01%	**$ 8,509**	$ —
600 Lexington Avenue (10)	10/2017	2.32%	**$ 125,000**	$ —
11 West 34th Street	01/2016	2.95%	**$ 18,000**	$ —
Total floating rate debt			**$1,408,871**	$1,380,064
Total mortgages payable			**$3,712,235**	$4,177,382

(1) Interest rate represents the effective all-in weighted average interest rate for the quarter ended December 31, 2010.
(2) 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.
(3) We assumed these loans as part of the transaction with Gramercy which closed in December 2010. See Note 3.
(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) 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.
(7) This amortizing loan was fully funded in September 2009 at the committed amount of $133.6 million.
(8) This loan has a committed amount of $285.0 million.
(9) The $31.0 million loan was repaid in December 2010 as part of a recapitalization of the joint venture. The new loan, which has a committed amount of $90.0 million, is only secured by 180/182 Broadway.
(10) The $49.85 million loan assumed as part of the acquisition of the property was repaid in connection with the refinancing of this loan in October 2010.
(11) The loan has a committed amount of $91.2 million.

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 $14.6 million, $19.0 million and $16.4 million for these services for the years ended December 31, 2010, 2009 and 2008, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

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 December 31, 2010, we held 5,349,370 shares, or approximately 10.71% of Gramercy's common stock. Our total investment of approximately $12.4 million is based on the market value of our common stock investment in Gramercy at December 31, 2010. As we no longer have any significant influence over Gramercy, we account for our investment as available-for-sale securities. During 2010, we sold 870,000 shares of Gramercy common stock and realized a gain of approximately $1.4 million on the sale.

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 year ended December 31, 2008 we received an aggregate of approximately $21.1 million in fees under the management agreement and $2.6 million under the collateral management agreement. 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. We recorded compensation expense of approximately none and $0.9 million for the years ended December 31, 2009 and 2008, respectively, related to these awards. 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 years ended December 31, 2009 and 2008, the Manager received an aggregate of approximately $1.0 million and $6.3 million, respectively, under the outsourcing and asset servicing agreements.

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.

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.

On October 27, 2008, Marc Holliday, our Chief Executive Officer, Andrew Mathias, our President and former Chief Investment Officer and Gregory F. Hughes, our former 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, 2008. Mr. Holliday and Mr. Mathias agreed to remain as consultants to Gramercy through the earliest of (i) September 30, 2008, (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, 2008, Gramercy announced the appointment of Roger M. Cozzi, as President and Chief Executive Officer, effective immediately. Effective as of November 13, 2008, 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 year ended December 31, 2010.

See Note 5 for information on our debt and preferred equity investments in which Gramercy also holds an interest.

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

	2010	2009
Assets		
Commercial real estate property, net	**$4,831,897**	$ 6,095,668
Other assets	**516,049**	665,065
Total assets	**$5,347,946**	$6,760,733
Liabilities and members' equity		
Mortgages payable	**$3,712,235**	$ 4,177,382
Other liabilities	**233,463**	276,805
Members' equity	**1,402,248**	2,306,546
Total liabilities and members' equity	**$5,347,946**	$ 6,760,733
Company's net investment in unconsolidated joint ventures	**$ 631,570**	$ 1,058,369

The condensed combined statements of income for the unconsolidated joint ventures for the three years ended December 31, 2010, or partial period for acquisitions which closed during these periods, are as follows (in thousands):

	2010	2009	2008
Total revenues	**$593,159**	$689,087	$1,357,219
Operating expenses	**94,515**	120,215	395,872
Real estate taxes	**66,588**	84,827	109,002
Transaction related costs	**1,105**	—	—
Interest	**224,766**	208,295	499,710
Depreciation and amortization	**141,284**	156,470	210,425
Total expenses	**528,258**	569,807	1,215,009
Net income before gain on sale	**$ 64,901**	$119,280	$ 142,210
Company's equity in net income of unconsolidated joint ventures	**$ 39,607**	$ 62,878	$ 59,961

07 DEFERRED COSTS

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

	2010	2009
Deferred financing	**$ 86,256**	$ 68,181
Deferred leasing	**200,633**	163,372
	286,889	231,553
Less accumulated amortization	**(114,372)**	(92,296)
Deferred costs, net	**$ 172,517**	$139,257

08 MORTGAGES AND OTHER LOANS PAYABLE

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

Property(1)	Maturity Date	Interest Rate(2)	2010	2009
711 Third Avenue	06/2015	4.99%	**$ 120,000**	$ 120,000
420 Lexington Avenue(7)	09/2016	7.52%	**149,141**	150,561
673 First Avenue	02/2013	5.67%	**30,781**	31,608
220 East 42nd Street	11/2013	5.24%	**194,758**	198,871
625 Madison Avenue(8)	11/2015	7.22%	**132,209**	135,117
609 Fifth Avenue	10/2013	5.85%	**96,502**	97,952
609 Partners, LLC(9)	07/2014	5.00%	**31,722**	41,391
485 Lexington Avenue	02/2017	5.61%	**450,000**	450,000
120 West 45th Street	02/2017	6.12%	**170,000**	170,000
919 Third Avenue(3)	08/2011	6.87%	**219,879**	224,104
300 Main Street	02/2017	5.75%	**11,500**	11,500
500 West Putnam	01/2016	5.52%	**25,000**	25,000
141 Fifth Avenue(4)	—	—	**—**	25,000
One Madison Avenue(5)	05/2020	5.91%	**640,076**	651,917
125 Park Avenue	10/2014	5.75%	**146,250**	—
2 Herald Square	04/2017	5.36%	**191,250**	—
885 Third Avenue	07/2017	6.26%	**267,650**	—
292 Madison Avenue	08/2017	6.17%	**59,099**	—
Total fixed rate debt			**2,935,817**	2,333,021
180/182 Broadway(4)	—	—	**—**	22,534
100 Church Street	01/2013	5.05%	**139,672**	—
Landmark Square(6)	02/2012	2.13%	**110,180**	116,517
28 West 44th Street	08/2013	2.31%	**122,007**	123,480
Other loan payable(10)	06/2013	3.23%	**62,792**	—
Other loan payable	06/2016	3.27%	**30,000**	—
Total floating rate debt			**464,651**	262,531
Total mortgages and other loans payable			**$3,400,468**	$2,595,552

(1) Held in bankruptcy remote special purpose entity.
(2) Effective contractual interest rate for the quarter ended December 31, 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) The final loan renewal option was exercised in December 2010.
(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, $4.0 million in March 2010 and $3.7 million in December 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 debt investment.

At December 31, 2010 and 2009 the gross book value of the assets collateralizing the mortgages and other loans payable was approximately $5.8 billion and $4.5 billion, respectively.

09 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 approximately $650.0 million and carried a spread over LIBOR of 90 basis points at December 31, 2010. Availability under the 2007 unsecured revolving credit facility was further reduced at December 31, 2010 by the issuance of approximately $25.1 million in letters of credit. The effective all-in interest rate on the 2007 unsecured revolving credit facility was 1.18% for the year ended December 31, 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, 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.

TERM LOANS

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

SENIOR UNSECURED NOTES

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2010 (in thousands):

Issuance	Unpaid Principal Balance	2010 Accreted Balance	2009 Accreted Balance	Coupon Rate (4)	Effective Rate	Term (in Years)	Maturity
January 22, 2004 (1)(5)	$ 84,823	$ 84,823	$123,607	5.15%	5.900%	7	January 15, 2011
August 13, 2004 (1)(5)	98,578	98,578	150,000	5.875%	6.100%	10	August 15, 2014
March 31, 2006 (1)	275,000	274,764	274,727	6.00%	6.200%	10	March 31, 2016
March 16, 2010	250,000	250,000	—	7.75%	7.750%	10	March 15, 2020
June 27, 2005 (1)(2)(5)	657	657	114,821	4.00%	4.000%	20	June 15, 2025
March 26, 2007 (3)(5)	126,937	123,171	159,905	3.00%	5.460%	20	March 30, 2027
October 12, 2010 (6)	345,000	268,552	—	3.00%	7.125%	7	October 15, 2017
	$1,180,995	**$1,100,545**	$823,060				

(1) Issued by Reckson.
(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 year ended December 31, 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 Reckson 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 exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that 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 year ended December 31, 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 December 31, 2010, approximately $3.7 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.
(6) In October 2010, we issued $345.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on April 15 and October 15. The notes have an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of our common stock on October 6, 2010, or $85.81. 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 guaranteed by ROP. The net proceeds from the offering were approximately $336.5 million, after deducting fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes. On the issuance date, $78.3 million was recorded in equity. As of December 31, 2010, approximately $76.4 million remained unamortized.

In March 2009, the $200.0 million, 7.75% unsecured notes, issued by Reckson, were repaid at par upon their maturity.

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 December 31, 2010 and 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 mortgages 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 December 31, 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
2011	$ 29,959	$ 216,656	$ —	$ —	$ 84,823	$ 331,438	$ 207,738
2012	33,465	110,180	650,000	—	123,171	916,816	61,491
2013	34,089	622,774	—	—	—	656,863	41,415
2014	30,054	177,971	—	—	98,578	306,603	339,184
2015	30,896	229,537	—	—	657	261,090	96,786
Thereafter	139,565	1,745,322	—	100,000	793,316	2,778,203	857,305
	$298,028	$3,102,440	$650,000	$100,000	$1,100,545	$5,251,013	$1,603,919

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

	Years Ended December 31, 2010	2009	2008
Interest expense	**$235,793**	$240,606	$299,705
Interest income	**(2,146)**	(4,306)	(8,169)
Interest expense, net	**$233,647**	$236,300	$291,536
Interest capitalized	**$ —**	$ 98	$ 2,375

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.

Cash and cash equivalents, accounts receivable and accounts payable balances reasonably approximate their fair values due to the short maturities of these items. Mortgages and other loans 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 $4.3 billion, compared to the book value of the related fixed rate debt of approximately $4.1 billion at December 31, 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 $1.1 billion, compared to the book value of approximately $1.1 billion at December 31, 2010. Our debt and preferred equity investments had an estimated fair value ranging between $578.3 million and $867.4 million, compared to the book value of approximately $963.8 million at December 31, 2010.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of December 31, 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 RENTAL INCOME

The operating partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from January 1, 2011 to 2037. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at December 31, 2010 for the consolidated properties, including consolidated joint venture properties, and our share of unconsolidated joint venture properties are as follows (in thousands):

	Consolidated Properties	Unconsolidated Properties
2011	$ 730,702	$ 198,861
2012	715,254	196,161
2013	680,088	192,315
2014	628,922	190,958
2015	591,427	160,068
Thereafter	2,766,711	736,246
	$6,113,104	$1,674,609

12 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 partially 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 Corp. has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately $2.2 million, $1.8 million and $1.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. We paid Alliance approximately $14.2 million, $14.9 million and $15.1 million for three years ended December 31, 2010, 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 annum for year one increasing to $40,000 in year seven. From February 2007 through December 2008, Nancy Peck and Company leased 507 square feet of space at 420 Lexington Avenue pursuant to a lease which provided for annual rental payments of approximately $15,210.

BROKERAGE SERVICES

Cushman & Wakefield Sonnenblick-Goldman, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the purchase of a sub-leasehold interest and the refinancing of 420 Lexington Avenue.

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 $390,700 in 2010, $351,700 in 2009 and $353,500 in 2008.

OTHER

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

	2010	2009
Due from joint ventures	**$1,062**	$ 228
Officers and employees	**—**	153
Other	**5,233**	8,189
Related party receivables	**$6,295**	$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 the Company.

13 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, $.01 par value per share, and 25,000,000 shares of preferred stock, $.01 par value per share. As of December 31, 2010, 78,306,702 shares of common stock and no shares of excess stock were issued and outstanding.

In May 2009, we sold 19,550,000 shares of our common stock at a gross price of $20.75 per share. The net proceeds from this offering (approximately $387.1 million) were primarily used to repurchase unsecured debt.

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. Since December 12, 2008, 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. Since 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, $0.01 par value 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 years ended December 31, 2010 and 2009, approximately 250,900 and 180 shares of our common stock were issued and approximately $11.3 million and $5,000 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.

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 $23,000, $0.1 million and $0.2 million related to this plan during the years ended December 31, 2010, 2009 and 2008, 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 Outperformance 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, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately $1.6 million, $2.3 million and $3.9 million of compensation expense during the years ended December 31, 2010, 2009 and 2008, 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 $0.2 million, $0.4 million and $12.2 million of compensation expense during the years ended December 31, 2010, 2009 and 2008, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan. This charge of approximately $9.2 million is included in the compensation expense above. The performance criteria under the 2006 Outperformance Plan were not met 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. That increase allowed us to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The remaining awards were granted in June 2010. The cost of the 2010 Long-Term Compensation Plan (approximately $29.3 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $4.0 million and $0.6 million during the years ended December 31, 2010 and 2009, respectively, 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 year ended December 31, 2010, approximately 10,255 phantom stock units were earned. As of December 31, 2010, there were approximately 58,666 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, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of

December 31, 2010, approximately 47,900 shares of our common stock had been issued under the ESPP.

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 years 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 unit 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 December 31, 2010, approximately 5.0 million fungible units were available for issuance under the 2005 Plan, or 6.3 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 December 31, 2010, 2009 and 2008 and changes during the years then ended are presented below:

	2010		2009		2008	
	Options Outstanding	**Weighted Average Exercise Price**	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	1,774,385	$ 88.21
Granted	**180,250**	**$62.00**	443,850	$46.08	446,500	$ 65.51
Exercised	**(109,636)**	**$31.49**	(22,000)	$28.17	(195,680)	$ 36.08
Lapsed or cancelled	**(41,833)**	**$77.33**	(35,335)	$62.75	(1,087,499)	$111.23
Balance at end of year	**1,353,002**	**$58.85**	1,324,221	$56.74	937,706	$ 61.33
Options exercisable at end of year	**631,224**	**$69.42**	595,851	$62.17	474,592	$ 52.55
Weighted average fair value of options granted during the year	**$4,333,281**		$8,276,500		$5,163,000	

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 4.7 years and 4.4 years, respectively.

During the fourth quarter of 2008, we and certain of our employees agreed to cancel, without compensation, certain employee stock options. These cancellations resulted in a non-cash charge of approximately $8.8 million.

During the years ended December 31, 2010, 2009, and 2008, we recognized $4.4 million, $2.8 million and $16.5 million of compensation expense, respectively, for these options. As of December 31, 2010 there was approximately $9.4 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 3 years.

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 December 31, 2010, 2009 and 2008 and charges during the years then ended are presented below:

	2010	2009	2008
Balance at beginning of year	**2,330,532**	1,824,190	1,698,401
Granted	**400,925**	506,342	128,956
Cancelled	**(3,167)**	—	(3,167)
Balance at end of year	**2,728,290**	2,330,532	1,824,190
Vested during the year	**153,644**	420,050	291,818
Compensation expense recorded	**$15,327,206**	$23,301,744	$25,611,848
Weighted average fair value of restricted stock granted during the year	**$28,269,983**	$ 4,979,218	$12,000,010

The fair value of restricted stock that vested during the years ended December 31, 2010, 2009 and 2008 was $16.6 million, $28.0 million and $29.1 million, respectively. As of December 31, 2010, there was $14.9 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted average period of 1.7 years.

For the years ended December 31, 2010, 2009 and 2008, approximately $2.2 million, $1.7 million and $2.8 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options.

EARNINGS PER SHARE

Earnings per share for the years ended December 31, is computed as follows (in thousands):

NUMERATOR (Income)	2010	2009	2008
Basic Earnings:			
Income attributable to SL Green common stockholders	**$270,826**	$37,669	$360,935
Effect of Dilutive Securities:			
Redemption of units to common shares	**4,574**	1,221	14,561
Stock options	**—**	—	—
Diluted Earnings:			
Income attributable to SL Green common stockholders	**$275,400**	$38,890	$375,496

DENOMINATOR WEIGHTED AVERAGE (Shares)	2010	2009	2008
Basic Shares:			
Shares available to common stockholders	**78,101**	69,735	57,996
Effect of Dilutive Securities:			
Redemption of units to common shares	**1,321**	2,230	2,340
3.0% exchangeable senior debentures due 2017	**—**	—	—
3.0% exchangeable senior debentures due 2027	**—**	—	—
4.0% exchangeable senior debentures	**—**	—	—
Stock-based compensation plans	**339**	79	262
Diluted Shares	**79,761**	72,044	60,598

We have excluded approximately 804,800, 772,529 and 1,458,754 common stock equivalents from the diluted shares outstanding for the years ended December 31, 2010, 2009 and 2008, respectively, as they were anti-dilutive.

14 NONCONTROLLING INTERESTS IN OPERATING PARTNERSHIP

The unit holders represent the noncontrolling interest ownership in our operating partnership. As of December 31, 2010 and 2009, the noncontrolling interest unit holders owned 1.57% (1,249,274 units) and 2.1% (1,684,283 units) of the operating partnership, respectively. At December 31, 2010, 1,249,274 shares of our common stock were reserved for the redemption 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):

	Year Ended December 31, 2010	Year Ended December 31, 2009
Balance at beginning of period	**$ 84,618**	$ 87,330
Distributions	**(511)**	(1,511)
Issuance of units	**2,874**	—
Redemption of units	**(25,104)**	(28,562)
Net income	**4,574**	1,221
Accumulated other comprehensive income (loss) allocation	**(1,061)**	2,923
Fair value adjustment	**18,948**	23,217
Balance at end of period	**$ 84,338**	$ 84,618

15 BENEFIT PLANS

The building employees are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to approximately $11.7 million, $10.7 million and $10.1 million during the years ended December 31, 2010, 2009 and 2008, respectively. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

401(K) PLAN

In August 1997, we implemented a 401(K) Savings/Retirement Plan, or the 401(K) Plan, to cover eligible employees of ours, and any designated affiliate. The 401(K) Plan permits eligible employees to defer up to 15% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(K) Plan. During 2000, we amended our 401(K) Plan to include a matching contribution, subject to ERISA limitations, equal to 50% of the first 4% of annual compensation deferred by an employee. During 2003, we amended our 401(K) Plan to provide for discretionary matching contributions only. For 2010, 2009 and 2008, a matching contribution equal to 50% of the first 6% of annual compensation was made. For the years ended December 31, 2010, 2009 and 2008, we made matching contributions of approximately $450,000, $450,000 and $503,000, respectively.

16 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.

We have entered into employment agreements with certain executives, which expire between January 2013 and December 2013. The minimum cash-based compensation, including base salary and guaranteed bonus payments, associated with these employment agreements totals approximately $4.5 million for 2011. In addition, these employment agreements provide for deferred compensation awards based on our stock price and which were valued at approximately $1.0 million on the grant date. The value of these awards may change based on fluctuations in our stock price.

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, including terrorism, for the majority of the New York City properties in our portfolio. This policy expires on December 31, 2011. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2011. 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. Belmont has purchased reinsurance to reinsure the retained insurance risks not covered by other insurance.

Belmont is a form of self-insurance. We are responsible for the liquidity and capital resources of Belmont and its accounts are included in our consolidated financial statements. All losses required to be paid by Belmont are recorded as losses by us.

Belmont had loss reserves of approximately $6.1 million and $4.3 million as of December 31, 2010 and 2009, respectively.

In March 1998, we acquired an operating sub-leasehold position at 420 Lexington Avenue. The operating sub-leasehold position required annual ground lease payments totaling $6.0 million and sub-leasehold position payments totaling $1.1 million (excluding an operating sub-lease position purchased in January 1999). In June 2007, we renewed and extended the maturity date of the ground lease at 420 Lexington Avenue through December 31, 2029, with an option for further extension through 2080. Ground lease rent payments through 2029 will total approximately $10.9 million per year. Thereafter, the ground lease will be subject to a revaluation by the parties thereto.

In June 2009, we acquired an operating sub-leasehold position at 420 Lexington Avenue for approximately $7.7 million. These sub-leasehold positions were scheduled to mature in December 2029. In October 2009, we acquired the remaining sub-leasehold position for $7.6 million.

The property located at 711 Third Avenue operates under an operating sub-lease, which expires in 2083. Under the sub-lease, we are responsible for ground rent payments of $1.55 million annually through July 2011 on the 50% portion of the fee we do not own. The ground rent is reset after July 2011 based on the estimated fair market value of the property. In September 2010, we acquired the sub-leasehold position at 711 Third Avenue for approximately $3.7 million.

The property located at 461 Fifth Avenue operates under a ground lease (approximately $2.1 million annually) with a term expiration date of 2027 and with two options to renew for an additional 21 years each, followed by a third option for 15 years. We also have an option to purchase the ground lease for a fixed price on a specific date. The property located at 625 Madison Avenue operates under a ground lease (approximately $4.6 million annually) with a term expiration date of 2022 and with two options to renew for an additional 23 years.

The property located at 1185 Avenue of the Americas operates under a ground lease (approximately $8.5 million in 2010 and $6.9 million annually thereafter) with a term expiration of 2020 and with an option to renew for an additional 23 years.

In April 1988, the SL Green predecessor entered into a lease agreement for the property at 673 First Avenue, which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the fair market value of the property. The portion of the lease attributed to land is classified as an operating lease and the remainder as a capital lease. The initial lease term is 49 years with an option for an additional 26 years. Beginning in lease years 11 and 25, the lessor is entitled to additional rent as defined by the lease agreement.

We continue to lease the 673 First Avenue property, which has been classified as a capital lease with a cost basis of $12.2 million and cumulative amortization of $5.8 million and $5.5 million at December 31, 2010 and 2009, respectively.

The following is a schedule of future minimum lease payments under capital leases and non-cancellable operating leases with initial terms in excess of one year as of December 31, 2010 (in thousands):

December 31,	Capital Lease	Non-cancellable Operating Leases
2011	$ 1,555	$ 28,929
2012	1,555	28,179
2013	1,555	28,179
2014	1,555	28,179
2015	1,593	28,179
Thereafter	44,056	552,421
Total minimum lease payments	51,869	$694,066
Less amount representing interest	(34,825)	
Present value of net minimum lease payments	$ 17,044	

17 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 December 31, 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	$110,180	6.000%	2/2011	2/2012	$ 2
Interest Rate Cap	$139,672	5.000%	1/2010	1/2011	$ —
Interest Rate Cap	$139,672	5.000%	1/2011	1/2012	$ 2
Interest Rate Swap	$ 30,000	2.295%	7/2010	6/2016	$(132)
Currency Hedge	$ 20,748	1.55185GBP-USD	9/2010	12/2012	$ 131

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

On December 31, 2010, the derivative instruments were reported as an obligation at their fair value of approximately $3,000. This is included in Other Liabilities on the consolidated balance sheet at December 31, 2010. Included in Accumulated Other Comprehensive Loss at December 31, 2010 was approximately $14.0 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 $18.3 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 $14.0 million balance noted above. The balance in accumulated other comprehensive loss relating to derivatives was $32.3 million and $29.8 million at December 31, 2010 and 2009, respectively.

Over time, the realized and unrealized gains and losses held in Accumulated Other Comprehensive Loss will be reclassified into earnings as a reduction to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $1.4 million of the current balance held in Accumulated Other Comprehensive Income will be reclassified into earnings within the next 12 months.

We are hedging exposure to variability in future cash flows for forecasted transactions in addition to anticipated future interest payments on existing debt.

The following table presents the effect of our derivative financial instruments and our share of our joint venture's derivative financial instruments on the Statements of Income as of December 31, 2010 and 2009 (in thousands):

		Amount of (Loss) or Gain Recognized in Other Comprehensive Loss (Effective Portion) For the Year Ended		Amount of (Loss) or Gain Reclassified from Accumulated Other Comprehensive Loss into Interest Expense/Equity in Net Income of Unconsolidated Joint Ventures (Effective Portion) For the Year Ended		Amount of (Loss) or Gain Recognized in in Interest Expense (Ineffective Portion) For the Year Ended	
Designation/ Cash Flow	Derivative	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Qualifying	Interest Rate Swaps/Caps	**$(17,619)**	$(15,560)	**$(12,661)**	$(12,293)	**$(1,329)**	$(1)

18 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.

19 SEGMENT INFORMATION

We are a REIT engaged in owning, managing, leasing, acquiring and repositioning commercial office and retail properties in the New York Metropolitan area and have two reportable segments, real estate and debt and preferred equity investments. Our investment in Gramercy and its related earnings are included in the debt and preferred equity 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 Metropolitan 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 debt and preferred equity investments.

Selected results of operations for the years ended December 31, 2010, 2009 and 2008, and selected asset information as of December 31, 2010 and 2009, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total revenues			
Year ended:			
December 31, 2010	**$ 953,320**	**$147,926**	**$ 1,101,246**
December 31, 2009	930,239	65,608	995,847
December 31, 2008	954,096	110,919	1,065,015
Income (loss) from continuing operations before equity in net gain on sale of unconsolidated joint venture/partial interest:			
Year ended:			
December 31, 2010	**$ 28,744**	**$120,585**	**$ 149,329**
December 31, 2009	155,700	(89,659)	66,041
December 31, 2008	(31,587)	(26,503)	(58,090)
Total assets			
As of:			
December 31, 2010	**$10,330,043**	**$970,251**	**$11,300,294**
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 debt and preferred equity segment. Interest costs for the debt and preferred equity segment are imputed assuming 100% leverage at our unsecured revolving credit facility borrowing cost. We also allocate loan loss reserves to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses (approximately $75.9 million, $74.0 million and $104.6 million for the years ended December 31, 2010, 2009 and 2008, respectively) to the debt and preferred equity 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 years ended December 31, 2010, 2009 and 2008 (in thousands):

	Years ended December 31,		
	2010	2009	2008
Income (loss) from continuing operations before equity in net gain on sale of unconsolidated joint venture/partial interest	**$149,329**	$ 66,041	$ (58,090)
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**128,922**	6,691	103,056
Income from continuing operations	**278,251**	72,732	44,966
Net income from discontinued operations	**5,420**	5,774	10,509
Gain (loss) on sale of discontinued operations	**35,485**	(6,841)	348,573
Net income	**319,156**	71,665	404,048
Net income attributable to noncontrolling interests in operating partnership	**(4,574)**	(1,221)	(14,561)
Net income attributable to noncontrolling interests in other partnerships	**(14,007)**	(12,900)	(8,677)
Net income attributable to SL Green	**300,575**	57,544	380,810
Preferred stock dividends	**(29,749)**	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	**$270,826**	$ 37,669	$360,935

20 SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

The following table provides information on non-cash investing and financing activities (in thousands):

	Years ended December 31,	
	2010	2009
Issuance of common stock as deferred compensation	**$ 537**	$ 583
Redemption of units in the operating partnership	**12,091**	29,150
Derivative instruments at fair value	**15,299**	21,991
Tenant improvements and capital expenditures payable	**1,981**	1,146
Debt and preferred equity and other investments acquired	**30,000**	13,831
Other non-cash adjustments—investing	**302,187**	—
Fair value adjustment to noncontrolling interest in operating partnership	**18,948**	23,217
Mortgage assigned upon asset sale	**—**	113,517
Assumption of mortgage loans	**803,921**	—
Deconsolidation of real estate investments—assets	**60,783**	—
Deconsolidation of real estate investments—liabilities	**47,533**	—

21 QUARTERLY FINANCIAL DATA (UNAUDITED)

We are providing updated summary selected quarterly financial information, which is included below reflecting the prior period reclassification as discontinued operations of the properties sold during 2010.

Quarterly data for the last two years is presented in the tables below (in thousands).

2010 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	$267,245	$323,280	$255,845	$254,876
Income net of noncontrolling interests and before gains on sale	12,346	81,564	17,342	20,906
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1,633	520	126,769	—
Loss on early extinguishment of debt	—	(511)	(1,276)	(113)
Gain (loss) on equity investment in marketable securities	775	—	—	(285)
Net income from discontinued operations	—	1,987	1,748	1,685
Gain on sale of discontinued operations	—	35,485	—	—
Net income attributable to SL Green	14,754	119,045	144,583	22,193
Preferred stock dividends	(7,545)	(7,545)	(7,545)	(7,114)
Net income attributable to SL Green common stockholders	$ 7,209	$111,500	$137,038	$ 15,079
Net income per common share—Basic	$ 0.09	$ 1.43	$ 1.76	$ 0.19
Net income per common share—Diluted	$ 0.09	$ 1.42	$ 1.75	$ 0.19

2009 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	$243,040	$245,769	$248,251	$258,787
Income (loss) net of noncontrolling interests and before gains on sale	(380)	4,099	(10,242)	(26,600)
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	—	(157)	(2,693)	9,541
Gain on early extinguishment of debt	606	8,368	29,321	47,712
Gain (loss) on equity investment in marketable securities	(232)	(52)	127	(807)
Net income from discontinued operations	1,593	1,863	999	1,319
Gain (loss) on sale of discontinued operations	(1,741)	(11,672)	—	6,572
Net income (loss) attributable to SL Green	(154)	2,449	17,512	37,737
Preferred stock dividends	(4,969)	(4,969)	(4,969)	(4,969)
Net income (loss) attributable to SL Green common stockholders	$ (5,123)	$ (2,520)	$ 12,543	$ 32,768
Net income (loss) per common share—Basic	$ (0.07)	$ (0.03)	$ 0.19	$ 0.57
Net income (loss) per common share—Diluted	$ (0.07)	$ (0.03)	$ 0.18	$ 0.57

22 SUBSEQUENT EVENTS

In January 2011, we purchased CIF's 49.9% interest in 521 Fifth Avenue, thereby assuming full ownership of the building. The transaction values the consolidated interest at approximately $245.7 million.

In January 2011, we repaid our $84.8 million, 5.15% unsecured notes at par on their maturity date.

In January 2011, we, along with The Moinian Group, completed the recapitalization of 3 Columbus Circle. The recapitalization included a $138 million equity investment by SL Green, a portion of which was in the form of SL Green Operating Partnership Units. We believe the property is now fully capitalized for all costs necessary to complete the redevelopment and lease-up of the building. The previously existing mortgage has been refinanced with a bridge loan provided by SL Green and Deutsche Bank, which we intend to be further refinanced by third-party lenders at a later date.

On February 10, 2011, the Company and the operating partnership entered into ATM Equity Offering Sales Agreements with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, to sell shares of the Company's common stock, from time to time, through a $250.0 million "at the market" equity offering program under which Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated are acting as sales agents. As of February 22, 2011, we sold approximately 2.0 million shares our common stock through the program for aggregate proceeds of $144.1 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF SL GREEN REALTY CORP.

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, equity and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011, expressed an unqualified opinion thereon.

Ernst + Young LLP

New York, New York
February 28, 2011

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF SL GREEN REALTY CORP.:

We have audited SL Green Realty Corp.'s (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2010 and 2009, and the related consolidated statements of income, equity and cash flows for each of the three years in the period ended December 31, 2010 of the Company and our report dated February 28, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
February 28, 2011

REPORT OF MANAGEMENT

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 as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2010.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2010 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes in our internal control over financial reporting during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reports.

Marc Holliday
Chief Executive Officer

James Mead
Chief Financial Officer

CORPORATE DIRECTORY

OUTSIDE DIRECTORS

John H. Alschuler, Jr.
Lead Independent Director;
Executive Committee;
Audit Committee;
Compensation Committee, Chairman;
Nominating and Corporate Governance Committee;
President, HRA Advisors Inc.

Edwin Thomas Burton, III
Audit Committee, Chairman;
Compensation Committee;
Nominating and Corporate Governance Committee;
Professor of Economics, University of Virginia

Craig M. Hatkoff
Nominating and Corporate Governance Committee;
Co-Founder, Tribeca Film Festival;
Chairman, Turtle Pond Publications, LLC

John S. Levy
Audit Committee;
Compensation Committee;
Nominating and Corporate Governance Committee, Chairman; Private Investor

EMPLOYEE DIRECTORS

Stephen L. Green
Chairman of the Board;
Chairman Executive Committee
Executive Officer

Marc Holliday
Chief Executive Officer;
Executive Committee

OTHER EXECUTIVE OFFICERS

Andrew W. Mathias
President

James E. Mead
Chief Financial Officer

Andrew S. Levine
Chief Legal Officer,
General Counsel

COUNSEL

Skadden, Arps, Slate, Meagher & Flom LLP
New York, NY

AUDITORS

Ernst & Young LLP
New York, NY

REGISTRAR & TRANSFER AGENT

BNY Mellon Shareowner Services
Address Shareholder Inquiries to:
BNY Mellon,
Shareholder Relations Department
P.O. Box 358015
Pittsburgh, PA 15252-8015
or
480 Washington Boulevard,
Jersey City, NJ 07310-1900
866-230-9138
TDD for Hearing Impaired:
800-231-5469

Foreign Shareowners:
201-680-6578

TDD Foreign Shareowners:
201-680-6610

Web Site address:
www.bnymellon.com/shareowner/equityaccess/

STOCK LISTING

NYSE Symbol:
SLG, SLG PrC, SLG PrD

INVESTOR RELATIONS

420 Lexington Avenue
New York, NY 10170
Tel: 212-216-1654
E-mail: heidi.gillette@slgreen.com

ANNUAL REPORT, FORM 10-K

To request a copy of the annual report on Form 10-K, free of charge, from the Company, contact Investor Relations.

ANNUAL MEETING

Wednesday, June 15, 2011,
11:00 a.m., at
The Grand Hyatt New York
109 East 42nd Street
at Madison Avenue,
New York, NY

SHAREHOLDERS

On March 31, 2011, the Company had approximately 18,844 beneficial shareholders.

EXECUTIVE OFFICES

420 Lexington Avenue
New York, NY 10170
Tel: 212-594-2700
Fax: 212-216-1785
www.slgreen.com

STOCK MARKET INFORMATION

Our common stock began trading on the New York Stock Exchange, or the NYSE, on August 15, 1997 under the symbol "SLG." On March 31, 2011, the reported closing sale price per share of common stock on the NYSE was $75.20 and there were approximately 391 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions paid by us with respect to the periods indicated.

	2009			**2010**		
Quarter Ended	High	Low	Dividends	**High**	**Low**	**Dividends**
March 31	$25.83	$ 8.69	$0.375	**$57.60**	**$44.18**	**$0.10**
June 30	$26.70	$10.68	$0.100	**$67.69**	**$55.04**	**$0.10**
September 30	$46.81	$18.66	$0.100	**$66.61**	**$50.41**	**$0.10**
December 31	$52.74	$37.72	$0.100	**$70.27**	**$61.50**	**$0.10**

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

NYSE DISCLOSURE REQUIREMENTS

Our Chief Executive Officer has submitted the NYSE Section 303A annual certification for 2010, and our Chief Executive Officer and Chief Financial Officer have filed with the SEC their Sarbanes-Oxley Section 302 certifications as exhibits to our Annual Report on Form 10-K for 2010.

DESIGN Addison www.addison.com
PRINCIPAL PHOTOGRAPHY Nikolas Koenig

SL GREEN REALTY CORP.

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