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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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

For the transition period from to

Commission File Number: 033-84580

RECKSON OPERATING PARTNERSHIP, L.P.
(Exact name of registrant as specified in its charter)

Delaware	**11-3233647**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

As of August 15, 2016, no common units of limited partnership interest of the Registrant were held by non-affiliates of the Registrant. There is no established trading market for such units.

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ITEM 1. FINANCIAL STATEMENTS

Reckson Operating Partnership, L.P.
Consolidated Balance Sheets
(in thousands)

	June 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ 1,851,014	$ 1,877,492
Building and improvements	4,513,116	4,477,073
Building leasehold and improvements	1,073,678	1,073,678
	7,437,808	7,428,243
Less: accumulated depreciation	(1,347,204)	(1,267,598)
	6,090,604	6,160,645
Cash and cash equivalents	73,143	50,026
Restricted cash	41,029	39,433
Tenant and other receivables, net of allowance of $5,384 and $5,593 in 2016 and 2015, respectively	31,905	35,256
Related party receivables	90,000	90,000
Deferred rents receivable, net of allowance of $15,015 and $14,788 in 2016 and 2015, respectively	227,914	217,730
Debt and preferred equity investments, net of discounts and deferred origination fees of $14,329 and $18,759 in 2016 and 2015, respectively	1,357,181	1,670,020
Investments in unconsolidated joint ventures	148,001	100,192
Deferred costs, net of accumulated amortization of $71,418 and $64,812 in 2016 and 2015, respectively	118,189	114,449
Other assets	414,822	355,566
Total assets	$ 8,592,788	$ 8,833,317
Liabilities		
Mortgages and other loans payable, net	$ 627,346	$ 745,728
Revolving credit facility, net	277,420	985,055
Term loan and senior unsecured notes, net	1,724,585	1,979,317
Accrued interest payable	14,447	18,396
Other liabilities	189,566	116,088
Accounts payable and accrued expenses	59,576	70,844
Deferred revenue	160,413	180,404
Deferred land leases payable	1,730	1,558
Dividends payable	807	807
Security deposits	39,880	39,007
Total liabilities	3,095,770	4,137,204
Commitments and contingencies	—	—
Preferred units	109,161	109,161
Capital		
General partner capital	5,000,482	4,201,872
Limited partner capital	—	—
Accumulated other comprehensive loss	(1,798)	(2,216)
Total ROP partner's capital	4,998,684	4,199,656
Noncontrolling interests in other partnerships	389,173	387,296
Total capital	5,387,857	4,586,952
Total liabilities and capital	$ 8,592,788	$ 8,833,317

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

Reckson Operating Partnership, L.P.
Consolidated Statements of Operations
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
		(as adjusted)		(as adjusted)
Revenues				
Rental revenue, net	**$ 160,276**	$ 153,082	**$ 319,894**	$ 302,477
Escalation and reimbursement	**25,699**	23,279	**50,015**	46,210
Investment income	**44,586**	45,338	**99,766**	86,960
Other income	**1,197**	12,932	**1,747**	13,652
Total revenues	**231,758**	234,631	**471,422**	449,299
Expenses				
Operating expenses, including related party expenses of $2,995 and $4,582 in 2016 and $2,093 and $3,925 in 2015	**38,809**	38,652	**80,770**	81,170
Real estate taxes	**37,302**	35,180	**74,526**	69,704
Ground rent	**5,235**	5,184	**10,470**	10,470
Interest expense, net of interest income	**26,443**	27,656	**58,644**	55,724
Amortization of deferred financing costs	**1,732**	1,303	**3,872**	3,256
Depreciation and amortization	**50,651**	50,241	**101,449**	99,669
Transaction related costs	**67**	18	**245**	(45)
Marketing, general and administrative	**265**	161	**449**	264
Total expenses	**160,504**	158,395	**330,425**	320,212
Income from continuing operations before equity in net income from unconsolidated joint ventures, loss on sale of real estate, and loss on early extinguishment of debt	**71,254**	76,236	**140,997**	129,087
Equity in net income from unconsolidated joint ventures	**3,666**	2,154	**6,123**	4,281
Loss on sale of real estate	**(6,899)**	—	**(6,899)**	—
Loss on early extinguishment of debt	**—**	—	**—**	(49)
Income from continuing operations	**68,021**	78,390	**140,221**	133,319
Net income from discontinued operations	**—**	—	**—**	—
Net income	**68,021**	78,390	**140,221**	133,319
Net income attributable to noncontrolling interests in other partnerships	**(2,062)**	(6,378)	**(2,074)**	(6,928)
Preferred units dividend	**(955)**	—	**(1,910)**	—
Net income attributable to ROP common unitholder	**$ 65,004**	$ 72,012	**$ 136,237**	$ 126,391

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

Reckson Operating Partnership, L.P.
Consolidated Statements of Comprehensive Income
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
		(as adjusted)		**(as adjusted)**
Net income attributable to ROP common unitholder	**$ 65,004**	$ 72,012	**$ 136,237**	$ 126,391
Other comprehensive income:				
Change in net unrealized gain on derivative instruments	**198**	220	**418**	404
Comprehensive income attributable to ROP common unitholder	**$ 65,202**	$ 72,232	**$ 136,655**	$ 126,795

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

Reckson Operating Partnership, L.P.
Consolidated Statement of Capital
(unaudited, in thousands)

	General Partner's Capital Class A Common Units	Limited Partner's Capital	Noncontrolling Interests In Other Partnerships	Accumulated Other Comprehensive (Loss) Income	Total Capital
Balance at December 31, 2015	$ 4,201,872	$ —	$ 387,296	$ (2,216)	$ 4,586,952
Contributions	2,797,191	—	—	—	2,797,191
Distributions	(2,134,818)	—	(197)	—	(2,135,015)
Net income	136,237	—	2,074	—	138,311
Other comprehensive income (loss)	—	—	—	418	418
Balance at June 30, 2016	**$ 5,000,482**	**$ —**	**$ 389,173**	**$ (1,798)**	**$ 5,387,857**

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

Reckson Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended June 30,	
	2016	**2015**
		(as adjusted)
Operating Activities		
Net income	**140,221**	133,319
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**105,321**	102,925
Equity in net income from unconsolidated joint venture	**(6,123)**	(4,281)
Distributions of cumulative earnings from unconsolidated joint ventures	**4,376**	4,280
Loss on sale of real estate	**6,899**	—
Loss on early extinguishment of debt	**—**	49
Deferred rents receivable	**(10,411)**	(10,260)
Other non-cash adjustments	**(21,545)**	(27,685)
Changes in operating assets and liabilities:		
Restricted cash—operations	**(8,721)**	702
Tenant and other receivables	**3,560**	(6,030)
Deferred lease costs	**(12,573)**	(25,470)
Other assets	**(3,855)**	(7,136)
Accounts payable, accrued expenses and other liabilities	**(4,196)**	1,357
Deferred revenue and land leases payable	**(7,591)**	(1,769)
Net cash provided by operating activities	**185,362**	160,001
Investing Activities		
Additions to land, buildings and improvements	**(53,065)**	(34,144)
Escrowed cash—capital improvements	**368**	388
Distributions from unconsolidated joint ventures	**(797)**	—
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**615**	10
Net proceeds from disposition of real estate/joint venture interest	**42,316**	—
Other investments	**4,974**	357
Origination of debt and preferred equity investments	**(227,482)**	(387,216)
Repayments or redemption of preferred equity investments	**418,371**	109,784
Net cash provided by (used in) investing activities	**185,300**	(310,821)
Financing Activities		
Proceeds from mortgages and other loans payable	**—**	106,421
Repayments of mortgages and other loans payable	**(119,165)**	(220,000)
Proceeds from credit facility and senior unsecured notes	**700,000**	1,055,000
Repayments of credit facility and senior unsecured notes	**(1,664,308)**	(735,007)
Distributions to noncontrolling interests in other partnerships	**(197)**	(558)
Contributions from noncontrolling interests in other partnerships	**—**	6,124
Contributions from common unitholder	**2,797,191**	1,191,587
Distributions to common and preferred unitholders	**(2,136,728)**	(1,267,739)
Other obligations related to loan participations	**76,500**	25,000
Deferred loan costs and capitalized lease obligation	**(838)**	(4,533)
Net cash (used in) provided by financing activities	**(347,545)**	156,295
Net increase in cash and cash equivalents	**23,117**	5,475
Cash and cash equivalents at beginning of period	**50,026**	34,691
Cash and cash equivalents at end of period	**$ 73,143**	$ 40,166
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Tenant improvements and capital expenditures payable	**8,973**	5,845
Deferred leasing payable	**677**	6,915
Change in fair value of hedge	**200**	226
Transfer to assets held for sale	**—**	138,421
Transfer to liabilities related to assets held for sale	**—**	5,770
Exchange of debt investment for equity in joint venture	**68,581**	—
Removal of fully depreciated commercial real estate properties	**8,281**	—

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

Reckson Operating Partnership, L.P.
Notes to Consolidated Financial Statements
June 30, 2016
(unaudited)

1. Organization and Basis of Presentation

Reckson Operating Partnership, L.P., or ROP, commenced operations on June 2, 1995. The sole general partner of ROP is Wyoming Acquisition GP LLC., or WAGP, a wholly-owned subsidiary of SL Green Operating Partnership, L.P., or the Operating Partnership. The sole limited partner of ROP is the Operating Partnership. The Operating Partnership is 95.70% owned by SL Green Realty Corp., or SL Green, as of June 30, 2016. SL Green is a self-administered and self-managed real estate investment trust, and is the sole managing general partner of the Operating Partnership. Unless the context requires otherwise, all references to "we," "our," "us" and the "Company" means ROP and all entities owned or controlled by ROP.

ROP is engaged in the acquisition, ownership, management and operation of commercial and residential real estate properties, principally office properties, and also owns land for future development, located in New York City, Westchester County, Connecticut and New Jersey, which collectively is also known as the New York Metropolitan area.

In 2015, SL Green transferred two properties and SL Green's tenancy in common interest in a fee interest with a total value of $395.0 million to ROP. Additionally, in 2015, SL Green transferred one entity that held debt investments and financing receivables with an aggregate carrying value of $1.7 billion to ROP. These transfers were made to further diversify ROP's portfolio. Under the business combinations guidance (Accounting Standard Codification, or ASC, 805-50), these transfers were determined to be transfers of businesses between the indirect parent company and its wholly-owned subsidiary. As such, the assets and liabilities of the properties were transferred at their carrying values and were recorded as of the beginning of the current reporting period as though the assets and liabilities had been transferred at that date. The financial statements and financial information presented for all prior periods have been retrospectively adjusted to furnish comparative information.

As of June 30, 2016, we owned the following interests in properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Type	Number of Properties	Approximate Square Feet (unaudited)	Weighted Average Occupancy(1) (unaudited)
Commercial:				
Manhattan	Office	16	8,463,245	95.6%
	Retail(2)(3)	5	352,892	97.6%
	Fee Interest	2	197,654	100.0%
		23	9,013,791	95.8%
Suburban	Office	19	3,287,800	81.6%
	Retail	1	52,000	100.0%
		20	3,339,800	81.9%
Total commercial properties		43	12,353,591	92.0%
Residential:				
Manhattan	Residential(2)	—	222,855	92.8%
Total portfolio		43	12,576,446	92.0%

(1) The weighted average occupancy for commercial properties represents the total leased square feet divided by total acquisition square footage. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.
(2) As of June 30, 2016, we owned a building that was comprised of approximately 270,132 square feet of retail space and approximately 222,855 square feet of residential space. For the purpose of this report, we have included the building in the retail properties count and have bifurcated the square footage into the retail and residential components.
(3) Includes two unconsolidated joint venture retail properties at 131-137 Spring Street comprised of approximately 68,342 square feet.

As of June 30, 2016, we held debt and preferred equity investments with a book value of $1.7 billion, including $0.3 billion of debt and preferred equity investments and other financing receivables that are included in other balance sheet line items.

Basis of Quarterly Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principals generally accepted in the Unites States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position of the Company at June 30, 2016 and the results of operations for the periods presented have been included. The operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2015.

The consolidated balance sheet at December 31, 2015 have been derived from the audited financial statements as of that date but do not include all the information and footnotes required by accounting principals generally accepted in the Unites States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method. See Note 5, "Debt and Preferred Equity Investments." ROP's investments in majority-owned and controlled real estate joint ventures are reflected in the financial statements on a consolidated basis with a reduction for the noncontrolling partners' interests. All significant intercompany balances and transactions have been eliminated.

We consolidate a variable interest entity, or VIE, in which we are considered the primary beneficiary. The primary beneficiary is the entity that 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. Included in commercial real estate properties on our consolidated balance sheets as of June 30, 2016 and December 31, 2015 are $1.4 billion and $0.3 billion, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets as of June 30, 2016 and December 31, 2015 are $493.6 million and none, respectively, collateralized by the real estate assets of the related consolidated VIEs.

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 us. Noncontrolling interests are required to be presented as a separate component of capital in the consolidated balance sheet and the presentation of net income is modified to present earnings and other comprehensive income 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 and our partner approve, among other things, the annual budget, receive a detailed monthly reporting package from us, meet on a quarterly basis to review the results of the joint venture, review and approve the joint venture's tax return before filing, and approve 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 the joint venture. Our joint venture agreements typically contain certain protective rights such as requiring 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

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be other than temporarily impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property.

We also evaluate our real estate properties for potential impairment when a real estate property has been classified as held for sale. Real estate assets held for sale are valued at the lower of either their carrying value or fair value less costs to sell. We do not believe that there were any indicators of impairment at any of our consolidated properties at June 30, 2016.

We allocate the purchase price of real estate to land and building (inclusive of tenant improvements) and, if determined to be material, intangibles, such as the value of the above- and below-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building (inclusive of tenant improvements) over their estimated useful lives, which generally range from three to 40 years. We amortize the amount allocated to the above- and below-market leases over the remaining term of the associated lease, which generally range from one to 14 years, and record it as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income. We amortize the amount allocated to the values associated with in-place leases over the expected term of the associated lease, which generally ranges 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. To the extent acquired leases contain fixed rate renewal options that are below-market and determined to be material, we amortize such below-market lease value into rental income over the renewal period.

We recognized an increase of $3.8 million, $7.8 million, $6.9 million, and $12.6 million in rental revenue for the three and six months ended June 30, 2016 and 2015, 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.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016	December 31, 2015
Identified intangible assets (included in other assets):		
Gross amount	**$ 306,575**	$ 307,824
Accumulated amortization	**(244,350)**	(235,040)
Net	**$ 62,225**	$ 72,784
Identified intangible liabilities (included in deferred revenue):		
Gross amount	**$ 517,657**	$ 523,228
Accumulated amortization	**(359,258)**	(346,857)
Net	**$ 158,399**	$ 176,371

Fair Value Measurements

See Note 12, "Fair Value Measurements."

Investments in Unconsolidated Joint Ventures

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 ventures' projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at June 30, 2016.

We may originate loans for real estate acquisition, development and construction, where we expect to receive some or all of the residual profit from such projects. When the risk and rewards of these arrangements are essentially the same as an investor or joint venture partner, we account for these arrangements as real estate investments under the equity method of accounting for investments. Otherwise, we account for these arrangements consistent with our loan accounting for our debt and preferred equity investments.

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, we record amounts funded to construct the tenant improvements as a capital asset. For these tenant improvements, we record amounts reimbursed by tenants as a reduction of the capital asset. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, we record our contribution towards those improvements as a lease incentive, which is included in deferred costs, net 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 consolidated 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 consolidated balance sheets is net of such allowance.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. Electricity is most often supplied by the landlord either on a sub-metered basis, or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) are typically 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 accrued based on the contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. 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 is 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.

Deferred origination fees, original issue discounts and loan origination costs, if any, are recognized as an adjustment to the interest income over the terms of the related investments using the effective interest method. Fees received in connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Discounts or premiums associated with the purchase of loans are amortized or accreted into interest income as a yield adjustment on the effective interest method based on expected cashflows through the expected maturity date of the related investment. 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 into income 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. For debt investments acquired at a discount for credit quality, the difference between contractual cash flows and expected cash flows at acquisition is not accreted. Anticipated exit fees, the collection of which is expected, are also recognized over the term of the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status 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 interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity investment 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.

We may syndicate a portion of the loans that we originate or sell these loans individually. When a transaction meets the criteria for sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, original issue discounts, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income on the consolidated statement of operations. Any fees received at the time of sale or syndication are recognized as part of investment income.

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, product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish a 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 continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If the additional information obtained reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during the three and six months ended June 30, 2016 and 2015.

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 investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, 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 investment.

Income Taxes

ROP is a partnership and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective income tax returns. No provision has been made for income taxes in the consolidated financial statements since such taxes, if any, are the responsibility of the individual partners.

Shares Contributed by Parent Company

We present shares of SL Green common stock as a contra equity account in our financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 located in New York City. See Note 5, "Debt and Preferred Equity Investments." 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 a space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. No tenant in the portfolio accounted for more than 5.0% of our share of annualized cash rent, including our share of joint venture annualized cash rent, at June 30, 2016. For the three months ended June 30, 2016, 14.9%, 9.6%, 8.2%, 7.7%, 7.4%, 7.0%, 6.7% and 6.6% of our share of annualized cash rent was attributable to 1185 Avenue of the Americas, 625 Madison Avenue, 919 Third Avenue, 750 Third Avenue, 810 Seventh Avenue, 1350 Avenue of the Americas, 125 Park Avenue and 555 West 57th Street, respectively. Annualized cash rent for all other consolidated properties was below 5.0%.

Reclassification

Certain prior year balances have been reclassified to conform to our current year presentation.

Accounting Standards Updates

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The guidance changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The guidance replaces the current 'incurred loss' model with an 'expected loss' approach. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted after December 2018. The Company has not yet adopted this new guidance and is currently evaluating the impact of adopting this new accounting standard on the Company's consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update (ASU) 2016-07, Investments Equity Method and Joint Ventures (Topic 323). The guidance eliminates the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The guidance is effective for all entities for fiscal years beginning after 15 December 2016 and interim periods within those years. Early adoption is permitted in any interim or annual period. The Company has not yet adopted this new guidance and is currently evaluating the impact of adopting this new accounting standard on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The guidance requires lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under the previous standard. The accounting applied by a lessor is largely unchanged from that applied under the previous standard. The Guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company has not yet adopted this new guidance and is currently evaluating the impact of adopting this new accounting standard on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 (ASU825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. The guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and to record changes in instruments-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. The guidance is effective for fiscal years beginning after December 15, 2017, and for interim periods therein. The Company has not yet adopted this new guidance and is currently evaluating the impact of adopting this new accounting standard on the Company's consolidated financial statements.

In April 2015, the FASB issued final guidance to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability (ASU 2015-03). The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The Company adopted the guidance effective January 1, 2016. Accordingly, as of June 30, 2016 and December 31, 2015, $22.8 million and $25.4 million, respectively of deferred debt issuance costs, net of amortization are presented as a direct reduction within Mortgages and other loans payable, Revolving credit facility, Term loan and senior unsecured notes on the Company's consolidated balance sheets.

In February 2015, the FASB issued guidance that amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities (ASU 2015-02). Under this analysis, limited partnerships and other similar entities will be considered a VIE unless the limited partners hold substantive kick-out rights or participating rights. The Company adopted the guidance effective January 1, 2016. Under the revised guidance, certain entities, now qualify as variable interest entities. The change in designation did not have a material impact on our consolidated financial statements and did not change the consolidation conclusion on these entities.

In May 2014, the FASB issued a new comprehensive revenue recognition guidance which requires us to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services (ASU 2014-09). The guidance also requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized.

In March 2016, the FASB issued implementation guidance which clarifies principal versus agent considerations in reporting revenue gross versus net (ASU 2016-08).

In April 2016, the FASB issued implementation guidance which clarifies the identification of performance obligations (ASU 2016-10).

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In April 2016, the FASB amended its new revenue recognition guidance on identifying performance obligations to allow entities to disregard items that are immaterial and clarify when a good or service is separately identifiable (ASU 2016-10).

In May 2016, the FASB issued implementation guidance relating to transition, collectability, noncash consideration and presentation matters (ASU 2016-12).

These ASUs are effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. The new guidance can be applied either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption. The Company has not yet adopted this guidance and is currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

3. Property Acquisition

We did not acquire any properties during the three or six months ended June 30, 2016.

4. Property Disposition

Property Dispositions

The following table summarizes the properties sold during the six months ended June 30, 2016:

Property	Disposition Date	Property Type	Approximate Square Feet	Sales Price[(1)] (in millions)	Loss on Sale (in millions)
7 International Drive	May 2016	Land	31 Acres	20.0	(6.9)

(1) Sales price represents the gross sales price for a property or the gross asset valuation for interests in a property.

5. Debt and Preferred Equity Investments

During the six months ended June 30, 2016 and 2015, our debt and preferred equity investments, net of discounts and deferred origination fees, increased $255.0 million and $386.2 million, respectively, due to originations, purchases, advances under future funding obligations, discount and fee amortization, and paid-in-kind interest, net of premium amortization. We recorded repayments, participations and sales of $567.9 million and $109.8 million during the six months ended June 30, 2016 and 2015, respectively, which offset the increases in debt and preferred equity investments.

Certain debt investments that were participated out but did not meet the conditions for sale accounting are included in other assets and other liabilities on the consolidated balance sheets.

Debt Investments

As of June 30, 2016 and December 31, 2015, we held the following debt investments, with an aggregate weighted average current yield of 9.55% at June 30, 2016 (in thousands):

Loan Type	June 30, 2016 Future Funding Obligations	June 30, 2016 Senior Financing	June 30, 2016 Carrying Value [(1)]	December 31, 2015 Carrying Value [(1)]	Maturity Date [(2)]
Fixed Rate Investments:					
Mezzanine Loan	$ —	$ **165,000**	$ **72,271**	$ 72,102	October 2016
Jr. Mortgage Participation/Mezzanine Loan	—	**1,109,000**	**189,380**	104,661	March 2017
Mezzanine Loan[(3a)]	**10,000**	**502,100**	**55,988**	41,115	June 2017
Mortgage Loan[(4)]	—	—	**26,284**	26,262	February 2019
Mortgage Loan	—	—	**447**	513	August 2019
Mezzanine Loan	—	**15,000**	**3,500**	3,500	September 2021
Mezzanine Loan[(3b)]	—	**89,527**	**19,939**	19,936	November 2023
Mezzanine Loan[(3c)]	—	**115,000**	**12,921**	24,916	June 2024
Mezzanine Loan	—	**95,000**	**30,000**	30,000	January 2025
Mezzanine Loan[(5)]	—	—	—	49,691	

Loan Type	June 30, 2016 Future Funding Obligations	June 30, 2016 Senior Financing	June 30, 2016 Carrying Value (1)	December 31, 2015 Carrying Value (1)	Maturity Date (2)
Jr. Mortgage Participation(6)	—	—	—	49,000	
Other(6)(7)	—	—	—	23,510	
Other(6)(7)	—	—	—	66,183	
Total fixed rate	$ 10,000	$ 2,090,627	$ 410,730	$ 511,389	
Floating Rate Investments:					
Mortgage/Mezzanine Loan(8)	—	—	105,278	94,901	October 2016
Mezzanine Loan	—	360,000	99,811	99,530	November 2016
Mezzanine Loan	8,459	136,384	52,827	49,751	December 2016
Mezzanine Loan	281	39,201	13,761	13,731	December 2016
Mortgage/Mezzanine Loan(3d)	43,572	—	137,150	134,264	January 2017
Mezzanine Loan	1,127	118,949	28,796	28,551	January 2017
Mezzanine Loan(3e)(9)	—	40,000	15,212	68,977	June 2017
Mortgage/Mezzanine Loan	—	—	32,679	—	June 2017
Mortgage/Mezzanine Loan	—	—	22,919	22,877	July 2017
Mortgage/Mezzanine Loan	—	—	16,931	16,901	September 2017
Mortgage/Mezzanine Loan	4,234	—	19,607	19,282	October 2017
Mezzanine Loan	—	60,000	14,931	14,904	November 2017
Mezzanine Loan(3f)	—	85,000	15,011	29,505	December 2017
Mezzanine Loan(3g)	—	65,000	14,542	28,563	December 2017
Mortgage/Mezzanine Loan(3h)	795	—	14,998	14,942	December 2017
Jr. Mortgage Participation	—	40,000	19,880	19,846	April 2018
Mezzanine Loan	—	175,000	34,785	34,725	April 2018
Jr. Mortgage Participation/Mezzanine Loan(3i)	—	55,000	10,512	20,510	July 2018
Mortgage/Mezzanine Loan(10)	523	20,523	10,829	31,210	August 2018
Mezzanine Loan	2,325	45,025	34,318	—	October 2018
Mezzanine Loan	—	33,000	26,812	26,777	December 2018
Mezzanine Loan	4,560	156,383	54,731	52,774	December 2018
Mezzanine Loan	23,456	217,202	55,217	49,625	December 2018
Mezzanine Loan	6,383	16,383	5,363	—	January 2019
Mezzanine Loan	—	38,000	21,869	21,845	March 2019
Mezzanine Loan	—	265,000	24,646	—	April 2019
Mezzanine Loan(11)	—	—	—	22,625	
Mezzanine Loan(12)	—	—	—	74,700	
Mezzanine Loan(13)	—	—	—	66,398	
Jr. Mortgage Participation/Mezzanine Loan(6)	—	—	—	18,395	
Mezzanine Loan(14)	—	—	—	40,346	
Total floating rate	$ 95,715	$ 1,966,050	$ 903,415	$ 1,116,455	
Total	$ 105,715	$ 4,056,677	$ 1,314,145	$ 1,627,844	

(1) Carrying value is net of discounts, premiums, original issue discounts and deferred origination fees.
(2) Represents contractual maturity, excluding any unexercised extension options.
(3) Carrying value is net of the following amount that was participated out, which is included in other assets and other liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting: (a) $41.3 million, (b) $5.0 million, (c) $12.0 million, (d) $36.3 million, (e) $14.5 million, (f) $14.6 million, (g) $14.1 million, (h) $5.1 million and (i) $10.0 million.
(4) In September 2014, we acquired a $26.4 million mortgage loan at a $0.2 million discount and a $5.7 million junior mortgage participation at a $5.7 million

discount. The junior mortgage participation was a nonperforming loan at acquisition and is currently on non-accrual status.
(5) In April 2016, we closed on an option to acquire a 20% interest in the underlying asset at a previously agreed upon purchase option valuation, and our mezzanine loan was simultaneously repaid.
(6) These loans were repaid in March 2016.
(7) These loans were collateralized by defeasance securities.
(8) In April 2016, the maturity date was extended to October 2016.
(9) In March 2016, the mortgage was sold.
(10) In January 2016, the loans were modified. In March 2016, the mortgage was sold.
(11) This loan was repaid in June 2016.
(12) This loan was repaid in May 2016.
(13) In March 2016, we contributed our interest in the loan in exchange for a joint venture interest which is now accounted for under the equity method of accounting. It is included in unconsolidated joint ventures on the consolidated balance sheets.
(14) These loans were repaid in February 2016.

Preferred Equity Investments

As of June 30, 2016 and December 31, 2015, we held the following preferred equity investments with an aggregate weighted average current yield of 7.97% at June 30, 2016 (in thousands):

Type	June 30, 2016 Future Funding Obligations	June 30, 2016 Senior Financing	June 30, 2016 Carrying Value (1)	December 31, 2015 Carrying Value (1)	Initial Mandatory Redemption
Preferred equity	$ —	$ 71,486	$ 9,974	$ 9,967	March 2018
Preferred equity	4,779	59,966	33,062	32,209	November 2018
	$ 4,779	$ 131,452	$ 43,036	$ 42,176	

(1) Carrying value is net of deferred origination fees.

At June 30, 2016 and December 31, 2015, all debt and preferred equity investments were performing in accordance with the terms of the relevant investments, with the exception of a junior mortgage participation acquired in September 2014, which has a carrying value of zero.

We have determined that we have one portfolio segment of financing receivables at June 30, 2016 and 2015 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 $168.6 million and $168.3 million at June 30, 2016 and December 31, 2015, respectively. No financing receivables were 90 days past due at June 30, 2016.

6. Investments in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners. As of June 30, 2016 none of our investments in unconsolidated joint ventures are VIEs. The table below provides general information on each of our joint ventures as of June 30, 2016:

Property	Partner	Ownership Interest	Economic Interest	Approximate Square Feet	Acquisition Date	Acquisition Price(1) (in thousands)
131-137 Spring Street	Invesco Real Estate	20.00%	20.00%	68,342	August 2015	$ 277,750
76 11th Avenue(2)	Oxford/Vornado	33.33%	36.58%	764,000	March 2016	138,240

(1) Acquisition price represents the actual or implied gross purchase price for the joint venture, which is not adjusted for subsequent acquisitions of additional interests.
(2) The joint venture owns two mezzanine notes secured by interests in the entity that owns 76 11th Avenue. The difference between our ownership interest and our economic interest results from our right to 50% of the total exit fee while each of our partners is entitled to receive 25% of the total exit fee.

Acquisition, Development and Construction Arrangement

Based on the characteristics of the following arrangements, which are similar to those of an investment, combined with the expected residual profit of not greater than 50%, we have accounted for these debt and preferred equity investments under the equity method. As of June 30, 2016 and December 31, 2015, the carrying value for acquisition, development and construction arrangements were as follows (in thousands):

Loan Type	June 30, 2016		December 31, 2015		Maturity Date
Mezzanine loan and preferred equity	**$**	**100,000**	$	99,936	March 2017
	$	**100,000**	$	99,936	

Sale of Joint Venture Interest or Property

We did not sell any joint venture interest or property during the six months ended June 30, 2016.

Mortgages and Other Loans Payable

We generally finance our joint ventures with non-recourse debt. However, in certain cases we have provided guarantees or master leases for tenant space. These guarantees and master leases terminate upon the satisfaction of specified circumstances or repayment of the underlying loans. The first mortgage notes and other loans payable collateralized by the respective joint venture properties and assignment of leases at June 30, 2016 and December 31, 2015, respectively, are as follows (amounts in thousands):

Property	Maturity Date	Interest Rate(1)	June 30, 2016		December 31, 2015	
Floating Rate Debt:						
131-137 Spring Street	August 2020	1.99%	**$**	**141,000**	$	141,000
Total joint venture mortgages and other loans payable			**$**	**141,000**	$	141,000
Deferred financing costs, net				**(4,524)**		(5,077)
Total joint venture mortgages and other loans payable, net			**$**	**136,476**	$	135,923

(1) Effective weighted average interest rate for the three months ended June 30, 2016, taking into account interest rate hedges in effect during the period.

The combined balance sheets for the unconsolidated joint ventures, at June 30, 2016 and December 31, 2015 are as follows (in thousands):

	June 30, 2016		December 31, 2015	
Assets				
Commercial real estate property, net	**$**	**282,520**	$	285,689
Debt and preferred equity investments, net		**243,177**		99,936
Other assets		**18,891**		16,897
Total assets	**$**	**544,588**	$	402,522
Liabilities and members' equity				
Mortgages and other loans payable, net	**$**	**136,476**	$	135,923
Other liabilities		**23,685**		25,462
Members' equity		**384,427**		241,137
Total liabilities and members' equity	**$**	**544,588**	$	402,522
Company's investments in unconsolidated joint ventures	**$**	**148,001**	$	100,192

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The combined statements of operations for the unconsolidated joint ventures, from acquisition date through the three and six months ended June 30, 2016 and 2015, are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	2016	**2015**	**2016**	**2015**
Total revenues	**$ 16,946**	$ 2,159	**$ 23,883**	$ 4,292
Operating expenses	**804**	5	**1,178**	5
Real estate taxes	**565**	—	**848**	—
Interest expense, net of interest income	**1,409**	—	**2,107**	—
Amortization of deferred financing costs	**554**	—	**831**	—
Transaction related costs	**—**	—	**—**	6
Depreciation and amortization	**4,202**	—	**6,303**	
Total expenses	**$ 7,534**	$ 5	**$ 11,267**	$ 11
Net income	**$ 9,412**	$ 2,154	**$ 12,616**	$ 4,281
Company's equity in net income from unconsolidated joint ventures	3,666	2,154	6,123	4,281

7. Mortgages and Other Loans Payable

The first mortgages and other loans payable collateralized by the respective properties and assignment of leases or debt investments at June 30, 2016 and December 31, 2015, respectively, were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate(1)	June 30, 2016	December 31, 2015
Fixed Rate Debt:				
919 Third Avenue(2)	June 2023	5.12%	**$ 500,000**	$ 500,000
Floating Rate Debt:				
Master Repurchase Agreement	July 2016	3.59%	**134,259**	253,424
Total mortgages and other loans payable			**$ 634,259**	$ 753,424
Deferred financing costs, net of amortization			**(6,913)**	(7,696)
Total mortgages and other loans payable, net			**$ 627,346**	$ 745,728

(1) Effective weighted average interest rate for the three months ended June 30, 2016.
(2) We own a 51.0% controlling interest in the joint venture that is the borrower on this loan.

Master Repurchase Agreement

The Master Repurchase Agreement, as amended in December 2013, or MRA, provides us with the ability to sell certain debt investments with a simultaneous agreement to repurchase the same at a certain date or on demand. This MRA has a maximum facility capacity of $300.0 million and bears interest ranging from 250 and 325 basis points over 30-day LIBOR depending on the pledged collateral. Since December 6, 2015, we have been required to pay monthly in arrears a 25 basis point fee on the excess of $150.0 million over the average daily balance during the period if the average daily balance is less than $150.0 million. We seek to mitigate risks associated with our repurchase agreement by managing the credit quality of our assets, early repayments, interest rate volatility, liquidity, and market value. The margin call provisions under our repurchase facility permit valuation adjustments based on capital markets activity, and are not limited to collateral-specific credit marks. To monitor credit risk associated with our debt investments, our asset management team regularly reviews our investment portfolio and is in contact with our borrowers in order to monitor the collateral and enforce our rights as necessary. The risk associated with potential margin calls is further mitigated by our ability to recollateralize the facility with additional assets from our portfolio of debt investments, our ability to satisfy margin calls with cash or cash equivalents and access to additional liquidity through the 2012 credit facility, as defined below.

At June 30, 2016 and December 31, 2015, the gross book value of the properties and debt and preferred equity investments collateralizing the mortgages and other loans payable, not including assets held for sale, was approximately $1.8 billion and $2.0 billion, respectively.

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In July 2016, we entered into a new Master Repurchase Agreement, with a maximum facility capacity of $300.0 million that bears interest ranging from 225 and 400 basis points over 30-day LIBOR depending on the pledged collateral. The new MRA has an initial maturity date of July 2018, with an extension term of one additional year.

8. Corporate Indebtedness

2012 Credit Facility

In July 2015, we entered into the third amendment to the credit facility that was originally entered into by the Company in November 2012, referred to as the 2012 credit facility. As of June 30, 2016, the 2012 credit facility, as amended, consisted of a $1.6 billion revolving credit facility and a $933.0 million term loan, with a maturity date of March 29, 2019 and June 30, 2019, respectively. The revolving credit facility has an as-of-right extension to March 29, 2020. We also have an option, subject to customary conditions, to increase the capacity under the revolving credit facility to $3.0 billion at any time prior to the maturity date for the revolving credit facility without the consent of existing lenders, by obtaining additional commitments from our existing lenders and other financial institutions.

As of June 30, 2016, the 2012 credit facility bore interest at a spread over LIBOR ranging from (i) 87.5 basis points to 155 basis points for loans under the revolving credit facility and (ii) 95 basis points to 190 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP.

At June 30, 2016, the applicable spread was 125 basis points for the revolving credit facility and 140 basis points for the term loan facility. At June 30, 2016, the effective interest rate was 1.69% for the revolving credit facility and 1.85% for the term loan facility. We are required to pay quarterly in arrears a 12.5 to 30 basis point facility fee on the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. As of June 30, 2016, the facility fee was 25 basis points.

As of June 30, 2016, we had $73.6 million of outstanding letters of credit, $285.0 million drawn under the revolving credit facility and $933.0 million outstanding under the term loan facility, with total undrawn capacity of $1.2 billion under the 2012 credit facility. At June 30, 2016 and December 31, 2015, the revolving credit facility had a carrying value of $277.4 million and $985.1 million, respectively, net of deferred financing costs. At June 30, 2016 and December 31, 2015, the term loan facility had a carrying value of $930.0 million and $929.5 million, respectively, net of deferred financing costs.

We, SL Green and the Operating Partnership are all borrowers jointly and severally obligated under the 2012 credit facility. None of SL Green's other subsidiaries are obligors under the 2012 credit facility.

The 2012 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures as of June 30, 2016 and December 31, 2015, respectively, by scheduled maturity date (dollars in thousands):

Issuance	June 30, 2016 Unpaid Principal Balance	June 30, 2016 Accreted Balance	December 31, 2015 Accreted Balance	Coupon Rate(1)	Effective Rate	Term (in Years)	Maturity Date
August 5, 2011(2)	**$ 250,000**	**$ 249,845**	$ 249,810	5.00%	5.00%	7	August 2018
March 16, 2010(2)	**250,000**	**250,000**	250,000	7.75%	7.75%	10	March 2020
November 15, 2012(2)	**200,000**	**200,000**	200,000	4.50%	4.50%	10	December 2022
December 17, 2015(2)	**100,000**	**100,000**	100,000	4.27%	4.27%	10	December 2025
March 31, 2006 (3)	**—**	**—**	255,296				
	$ 800,000	**$ 799,845**	$ 1,055,106				
Deferred financing costs, net		**(5,260)**	(5,303)				
		$ 794,585	$ 1,049,803				

(1) Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.
(2) Issued by SL Green, the Operating Partnership and ROP, as co-obligors.
(3) This note was repaid in March 2016.

ROP also provides a guaranty of the Operating Partnership's obligations under its 3.00% Exchangeable Senior Notes due 2017.

Restrictive Covenants

The terms of the 2012 credit facility, as amended, and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, SL Green's ability to pay dividends, make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that SL Green will not during any time when a default is continuing, make distributions with respect to SL Green's common stock or other equity interests, except to enable SL Green to continue to qualify as a REIT for Federal income tax purposes. As of June 30, 2016 and 2015, we were in compliance with all such covenants.

Principal Maturities

Combined aggregate principal maturities of our mortgages and other loans payable, 2012 credit facility and senior unsecured notes as of June 30, 2016, including as-of-right extension options and put options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Unsecured Term Loan	Senior Unsecured Notes	Total
Remaining 2016	$ 3,566	$ 134,259	$ —	$ —	$ —	137,825
2017	7,411	—	—	—	—	7,411
2018	7,799	—	—	—	250,000	257,799
2019	8,207	—	—	933,000	—	941,207
2020	8,637	—	285,000	—	250,000	543,637
Thereafter	22,786	441,594	—	—	300,000	764,380
	$ 58,406	$ 575,853	$ 285,000	$ 933,000	$ 800,000	$ 2,652,259

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest expense	**$ 26,773**	$ 27,982	**$ 59,087**	$ 56,843
Interest capitalized	**(328)**	(321)	**(437)**	(1,107)
Interest income	**(2)**	(5)	**(6)**	(12)
Interest expense, net	**$ 26,443**	$ 27,656	**$ 58,644**	$ 55,724

9. Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Alliance Building Services, or Alliance, and its affiliates are partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors, and provide services to certain properties owned by us. Alliance's affiliates include First Quality Maintenance, L.P., or First Quality, Classic Security LLC, Bright Star Couriers LLC and Onyx Restoration Works, and provide cleaning, extermination, security, messenger, and restoration services, respectively. 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. An affiliate of ours 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. Income earned from profit participation, which is included in other income on the consolidated statements of operations, was $0.8 million and $1.7 million for both the three and six months ended June 30, 2016 and 2015. We also recorded expenses, inclusive of capitalized expenses, of $3.1 million, $4.8 million, $2.1 million and $4.0 million for the three and six months ended June 30, 2016 and 2015, respectively, for these services (excluding services provided directly to tenants).

Allocated Expenses from SL Green

Property operating expenses include an allocation of salary and other operating costs from SL Green based on square footage of the related properties. Such amount was approximately $2.8 million, $5.4 million, $2.5 million and $4.9 million for the three and six months ended June 30, 2016 and 2015, respectively.

Insurance

We obtained insurance coverage through an insurance program administered by SL Green. In connection with this program, we incurred insurance expense of approximately $1.4 million, $3.0 million, $1.7 million and $3.3 million for the three and six months ended June 30, 2016 and 2015.

10. Preferred Units

Through a consolidated subsidiary, we have authorized up to 109,161 3.5% Series A Preferred Units of limited partnership interest, or the Greene Series A Preferred Units, with a liquidation preference of $1,000.00 per unit. In August 2015, the Company issued 109,161 Greene Series A Preferred Units in conjunction with an acquisition. The Greene Series A Preferred unitholders receive annual dividends of $35.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Greene Series A Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible on a one-for-one basis, into the Series B Preferred Units of limited partnership interest, or the Greene Series B Preferred Units. The Greene Series B Preferred Units can be converted at any time, at the option of the unitholder, into a number of common stock equal to 6.71348 shares of SL Green common stock for each Greene Series B Preferred Unit. As of June 30, 2016, no Greene Series B Preferred Units have been issued.

ASC 815 Derivatives and Hedging requires bifurcation of certain embedded derivative instruments, such as conversion features in convertible equity instruments, and their measurement at fair value for accounting purposes. The conversion feature embedded in the Greene Series A Preferred Units was evaluated, and it was determined that the conversion feature should be bifurcated from its host instrument and accounted for as a freestanding derivative. The derivative is reported as a derivative liability in accrued interest and other liabilities on the accompanying consolidated balance sheet and is adjusted to its fair value at each reporting date, with a corresponding adjustment to interest expense, net of interest income. The embedded derivative for the Greene Series A Preferred Units was initially recorded at a fair value of zero on July 22, 2015, the date of issuance. At December 31, 2015, the carrying amount of the derivative was adjusted to its fair value of zero, with a corresponding adjustment to preferred units and interest expense, net of interest income. At June 30, 2016 the carrying amount and fair value of the derivative remained at zero.

11. Partners' Capital

Since consummation of the Merger on January 25, 2007, the Operating Partnership has owned all the economic interests in ROP either by direct ownership or by indirect ownership through our general partner, which is its wholly-owned subsidiary.

Intercompany transactions between SL Green and ROP are generally recorded as contributions and distributions.

12. Fair Value Measurements

We are required to disclose fair value information with regard to our financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate fair value. The FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. We measure and/or disclose the estimated fair value of financial assets and liabilities based on a hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity’s own assumptions about market participant assumptions. This hierarchy consists of three broad levels: Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date; Level 2 - inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 - unobservable inputs for the asset or liability that are used when little or no market data is available. We follow this hierarchy for our assets and liabilities measured at fair value on a recurring and nonrecurring basis. In instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Our assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

We determine other than temporary impairment in real estate investments and debt and preferred equity investments, including intangibles, utilizing cash flow projections that apply, among other things, estimated revenue and expense growth rates, discount rates and capitalization rates, which are classified as Level 3 inputs.

The fair value of derivative instruments is based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well-recognized financial principles and reasonable estimates about relevant future market conditions, which are classified as Level 2 inputs.

The financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, debt and preferred equity investments, mortgages and other loans payable and other secured and unsecured debt. The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued expenses reported in our consolidated balance sheets approximates fair value due to the short term nature of these instruments. The fair value of debt and preferred equity investments, which is classified as Level 3, 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. The fair value of borrowings, which is classified as Level 3, is estimated by discounting the contractual cash flows of each debt instrument to their present value using adjusted market interest rates, which is provided by a third-party specialist.

The following table provides the carrying value and fair value of these financial instruments as of June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt and preferred equity investments	$ 1,357,181	(1)	$ 1,670,020	(1)
Fixed rate debt	$ 1,799,844	$ 1,940,517	$ 1,585,106	$ 1,663,078
Variable rate debt	852,259	855,754	2,150,424	2,164,673
	$ 2,652,103	$ 2,796,271	$ 3,735,530	$ 3,827,751

(1) At June 30, 2016, debt and preferred equity investments had an estimated fair value ranging between $1.4 billion and $1.5 billion. At December 31, 2015, debt and preferred equity investments had an estimated fair value ranging between $1.7 billion and $1.8 billion.

Disclosure about fair value of financial instruments was based on pertinent information available to us as of June 30, 2016 and December 31, 2015. 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.

13. Financial Instruments: Derivatives and Hedging

In the normal course of business, we use a variety of commonly used derivative instruments, such as interest rate swaps, caps, collar and floors, to manage, or hedge interest rate risk. We hedge our exposure to variability in future cash flows for forecasted transactions in addition to anticipated future interest payments on existing debt. We recognize all derivatives on the balance sheets at fair value. Derivatives that are not hedges are 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 hedge 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 capital 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. Currently, all of our designated derivative instruments are effective hedging instruments. As of June 30, 2016, the Company had not designated any interest rate swap agreements on any debt investment.

Gains and losses on terminated hedges are included in the accumulated other comprehensive loss, and are recognized into earnings over the term of the related senior unsecured notes. As of June 30, 2016 and December 31, 2015, the deferred net losses from these terminated hedges, which are included in accumulated other comprehensive loss relating to net unrealized loss on derivative instrument, was approximately $1.8 million and $2.0 million, respectively.

Over time, the realized and unrealized gains and losses held in accumulated other comprehensive loss will be reclassified into earnings as an adjustment to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $0.4 million of the current balance held in accumulated other comprehensive loss will be reclassified into interest expense within the next 12 months.

The following table presents the effect of our derivative financial instrument that is designated and qualify as a hedging instrument on the consolidated statements of operations for the three months ended June 30, 2016 and 2015, respectively (in thousands):

Derivative	Amount of Loss Recognized in Other Comprehensive Loss (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized into Income (Ineffective Portion)	
	Three Months Ended June 30,			Three Months Ended June 30,			Three Months Ended June 30,	
	2016	2015		2016	2015		2016	2015
		(as adjusted)			(as adjusted)			(as adjusted)
Interest Rate Swap	$ (1)	$ (27)	Interest expense	$ 199	$ 250	Interest expense	$ 1	$ 1

The following table presents the effect of our derivative financial instrument that is designated and qualify as a hedging instrument on the consolidated statements of operations for the six months ended June 30, 2016 and 2015, respectively (in thousands):

Derivative	Amount of Loss Recognized in Other Comprehensive Loss (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized into Income (Ineffective Portion)	
	Six Months Ended June 30,			Six Months Ended June 30,			Six Months Ended June 30,	
	2016	2015		2016	2015		2016	2015
		(as adjusted)			(as adjusted)			(as adjusted)
Interest Rate Swap	$ (13)	$ (95)	Interest expense	$ 431	$ 499	Interest expense	$ 3	$ 2

14. Commitments and Contingencies

Legal Proceedings

As of June 30, 2016, we were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio which if adversely determined could have a material adverse impact on us.

Guarantees

During the year ended December 31, 2015, Belmont Insurance Company, or Belmont, a New York licensed captive insurance company and an affiliate of SL Green, became a member of the Federal Home Loan Bank of New York, or FHLBNY. As a member Belmont may borrow funds from the FHLBNY in the form of secured advances. Belmont's membership will terminate in February 2017 at which point Belmont will be required to repay all funds borrowed. As of June 30, 2016 certain commercial real estate properties and debt and preferred equity investments of the Company were pledged as collateral to secure advances under the FHLBNY facility. If Belmont or SL Green are unable to repay the advances upon the termination of Belmont's membership, the maximum potential amount of future payments the Company could be required to make under the secured advances is $229.0 million. The Company incurred approximately $4.6 million of costs in conjunction with pledging assets as collateral under the FHLBNY. These costs were reimbursed to the Company by Belmont.

Environmental Matters

The Company believes that its 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 our properties were sold.

Ground Leases Arrangements

The following is a schedule of future minimum lease payments under non-cancellable operating leases with initial terms in excess of one year as of June 30, 2016 (in thousands):

	Non-cancellable operating leases
Remaining 2016	$ 10,272
2017	20,586
2018	20,586
2019	20,586
2020	20,586
Thereafter	328,088
Total minimum lease payments	$ 420,704

15. Segment Information

We are engaged in all aspects of property ownership and management including investment, leasing, operations, capital improvements, development, redevelopment, financing, construction and maintenance in the New York Metropolitan area and have two reportable segments, real estate and debt and preferred equity investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

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, "Debt and Preferred Equity Investments," for additional details on our debt and preferred equity investments.

Selected results of operations for the three and six months ended June 30, 2016 and 2015, and selected asset information as of June 30, 2016 and December 31, 2015, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total revenues:			
Three months ended:			
June 30, 2016	$ 183,596	$ 48,162	$ 231,758
June 30, 2015, as adjusted	187,140	47,491	234,631
Six months ended:			
June 30, 2016	$ 365,728	$ 105,694	$ 471,422
June 30, 2015, as adjusted	$ 358,059	$ 91,240	$ 449,299
Income from continuing operations before loss on sale of real estate:			
Three months ended:			
June 30, 2016	$ 69,654	$ 5,266	$ 74,920
June 30, 2015, as adjusted	$ 78,199	$ 191	$ 78,390
Six months ended:			
June 30, 2016	$ 132,791	$ 14,329	$ 147,120
June 30, 2015, as adjusted	$ 124,587	$ 8,732	$ 133,319

Reckson Operation Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
June 30, 2016
(unaudited)

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total assets			
As of:			
June 30, 2016	$ 6,677,267	$ 1,915,521	$ 8,592,788
December 31, 2015	$ 6,892,079	$ 1,941,238	$ 8,833,317

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 includes actual costs incurred for investments collateralizing the MRA. Interest is imputed on the remaining investments using our 2012 revolving credit facility and corporate borrowing cost. We also allocate loan loss reserves, net of recoveries and transaction related costs to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses (totaling $0.3 million, $0.4 million, $0.2 million, and $0.3 million, for the three and six months ended June 30, 2016 and 2015, 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Reckson Operating Partnership, L.P., or ROP, commenced operations on June 2, 1995. The sole general partner of ROP is Wyoming Acquisition GP LLC., or WAGP, a wholly-owned subsidiary of SL Green Operating Partnership, L.P., or the Operating Partnership. The sole limited partner of ROP is the Operating Partnership. SL Green Realty Corp., or SL Green, is the general partner of the Operating Partnership. Unless the context requires otherwise, all references to "we," "our," "us" and the "Company" means ROP and all entities owned or controlled by ROP.

ROP is engaged in the acquisition, ownership, management and operation of commercial and residential real estate properties, principally office properties, and also owns land for future development, located in New York City, Westchester County, Connecticut and New Jersey, which collectively is also known as the New York Metropolitan area.

In 2015, SL Green transferred two properties and SL Green's tenancy in common interest in a fee interest with a total value of $395.0 million to ROP. Additionally, in 2015, SL Green transferred one entity that held debt investments and financing receivables with an aggregate carrying value of $1.7 billion to ROP. These transfers were made to further diversify ROP's portfolio. Under the business combinations guidance (Accounting Standard Codification, or ASC, 805-50), these transfers were determined to be transfers of businesses between the indirect parent company and its wholly-owned subsidiary. As such, the assets and liabilities of the properties were transferred at their carrying values and were recorded as of the beginning of the current reporting period as though the assets and liabilities had been transferred at that date. The financial statements and financial information presented for all prior periods have been retrospectively adjusted to furnish comparative information.

As of June 30, 2016, we owned the following interests in properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Type	Number of Properties	Approximate Square Feet (unaudited)	Weighted Average Occupancy(1) (unaudited)
Commercial:				
Manhattan	Office	16	8,463,245	95.6%
	Retail(2)(3)	5	352,892	97.6%
	Fee Interest	2	197,654	100.0%
		23	9,013,791	95.8%
Suburban	Office	19	3,287,800	81.6%
	Retail	1	52,000	100.0%
		20	3,339,800	81.9%
Total commercial properties		43	12,353,591	92.0%
Residential:				
Manhattan	Residential(2)	—	222,855	92.8%
Total portfolio		43	12,576,446	92.0%

(1) The weighted average occupancy for commercial properties represents the total leased square feet divided by total acquisition square footage. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.
(2) As of June 30, 2016, we owned a building that was comprised of approximately 270,132 square feet of retail space and approximately 222,855 square feet of residential space. For the purpose of this report, we have included the building in the retail properties count and have bifurcated the square footage into the retail and residential components.
(3) Includes two unconsolidated joint venture retail properties at 131-137 Spring Street comprised of approximately 68,342 square feet (unaudited).

Critical Accounting Policies

Refer to our 2015 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include investment in commercial real estate properties, investment in unconsolidated joint ventures, revenue recognition, allowance for doubtful accounts, reserve for possible credit losses and derivative instruments. There have been no changes to these accounting policies during the three months and six months ended June 30, 2016.

Results of Operation

Comparison of the three months ended June 30, 2016 to the three months ended June 30, 2015

The following section compares the results of operations for the three months ended June 30, 2016 to the three months ended June 30, 2015. Any assets sold or held for sale are excluded from income from continuing operations.

(in thousands)	2016	2015	$ Change	% Change
		(as adjusted)		
Rental revenue, net	$ 160,276	$ 153,082	$ 7,194	4.7 %
Escalation and reimbursement	25,699	23,279	2,420	10.4 %
Investment income	44,586	45,338	(752)	(1.7)%
Other income	1,197	12,932	(11,735)	(90.7)%
Total revenues	231,758	234,631	(2,873)	(1.2)%
Property operating expenses	81,346	79,016	2,330	2.9 %
Transaction related costs	67	18	49	272.2 %
Marketing, general and administrative	265	161	104	64.6 %
	81,678	79,195	2,483	3.1 %
Net operating income	150,080	155,436	(5,356)	(3.4)%
Interest expense and amortization of financing costs, net of interest income	(28,175)	(28,959)	784	(2.7)%
Depreciation and amortization	(50,651)	(50,241)	(410)	0.8 %
Equity in net income from unconsolidated joint venture	3,666	2,154	1,512	70.2 %
Loss on sale of real estate	(6,899)	—	(6,899)	— %
Income from continuing operations	68,021	78,390	(10,369)	(13.2)%
Net income from discontinued operations	—	—	—	— %
Net income	$ 68,021	$ 78,390	$ (10,369)	(13.2)%

Rental, Escalation and Reimbursement Revenues

Rental revenue increased primarily as a result of the acquisitions of 110 Greene Street in July 2015 ($2.7 million), as well as increased occupancy at 125 Park Avenue ($2.2 million), and 810 Seventh Avenue ($1.4 million), partially offset by the sale of an 80% interest in 131-137 Spring Street in the third quarter of 2015 ($2.0 million)

Escalation and reimbursement revenue increased primarily as a result of higher real estate tax recoveries ($1.2 million) and higher utility recoveries ($1.2 million).

Occupancy in our Manhattan office operating properties was 96.1% at June 30, 2016 compared to 95.5% at June 30, 2015. Occupancy in our Suburban office operating properties was 81.6% at June 30, 2016 compared to 81.9% at June 30, 2015. At June 30, 2016, approximately 1.4% and 2.9% of the space leased at our Manhattan and Suburban operating properties, respectively, is expected to expire during the remainder of 2016. Based on our estimates, the current market asking rents on all our Manhattan operating properties for leases that are expected to expire during the remainder of 2016 would be approximately 6.1% higher than the existing in-place fully escalated rents while the current market asking rents on all our Manhattan operating properties for leases that are scheduled to expire in future years would be approximately 9.0% higher than the existing in-place fully escalated rents. Based on our estimates, the current market asking rents on all our Suburban operating properties for leases that are expected to expire during the remainder of 2016 would be approximately 3.9% higher than the existing in-place fully escalated rents while the current market asking rents on all our Suburban operating properties for leases that are scheduled to expire in future years would be approximately 7.0% higher than the existing in-place fully escalated rents.

Investment Income

Investment income decreased primarily as a result of a smaller portfolio of debt and preferred equity investments and lower weighted average yield during the three months ended June 2016. For the three months ended June 30, 2016, the weighted average debt and preferred equity investment balance outstanding and weighted average yield were $1.4 billion and 9.5%, respectively, compared to $1.7 billion and 10.2%, respectively, for the same period in 2015. As of June 30, 2016, the debt and preferred equity investments had a weighted average term to maturity of 1.4 years. This decrease was partially offset by accelerated recognition of income on the early repayment of certain debt positions ($4.9 million).

Other Income

Other income decreased primarily as a result of a lease termination fee received at 919 Third Avenue in 2015 ($11.3 million).

Property Operating Expenses

Property operating expenses increased primarily as a result of higher real estate taxes resulting from higher assessed values and tax rates ($1.8 million).

Interest Expense and Amortization of Financing Costs, Net of Interest Income

Interest expense and amortization of financing costs, net of interest income, decreased primarily as a result of the repayment of the senior unsecured notes that matured in March 2016 ($3.8 million) offset by increased borrowings on the revolving credit facility ($1.5 million), senior unsecured notes ($1.1 million), and term loan ($1.0 million).

Equity in Net Income from Unconsolidated Joint Venture

Equity in net income from unconsolidated joint ventures increased primarily as a result of the contribution of a debt investment to an unconsolidated joint venture in March 2016.

Loss on Sale of Real Estate

During the three months ended June 30, 2016 we recognized a loss on the sale of 7 International Drive, Westchester County, NY ($6.9 million).

Comparison of the six months ended June 30, 2016 to the six months ended June 30, 2015

The following section compares the results of operations for the six months ended June 30, 2016 to the six months ended June 30, 2015. Any assets sold or held for sale are excluded from income from continuing operations.

(in thousands)	2016	2015	$ Change	% Change
		(as adjusted)		
Rental revenue, net	$ 319,894	$ 302,477	$ 17,417	5.8 %
Escalation and reimbursement	50,015	46,210	3,805	8.2 %
Investment income	99,766	86,960	12,806	14.7 %
Other income	1,747	13,652	(11,905)	(87.2)%
Total revenues	471,422	449,299	22,123	4.9 %
Property operating expenses	165,766	161,344	4,422	2.7 %
Transaction related costs	245	(45)	290	(644.4)%
Marketing, general and administrative	449	264	185	70.1 %
	166,460	161,563	4,897	3.0 %
Net operating income	304,962	287,736	17,226	6.0 %
Loss on early extinguishment of debt	—	(49)	49	
Interest expense and amortization of financing costs, net of interest income	(62,516)	(58,980)	(3,536)	6.0 %
Depreciation and amortization	(101,449)	(99,669)	(1,780)	1.8 %
Equity in net income from unconsolidated joint venture	6,123	4,281	1,842	43.0 %
Loss on sale of real estate	(6,899)	—	(6,899)	— %
Income from continuing operations	140,221	133,319	6,902	5.2 %
Net income from discontinued operations	—	—	—	— %
Net income	$ 140,221	$ 133,319	$ 6,902	

Rental, Escalation and Reimbursement Revenues

Rental revenue increased primarily as a result of an increase in occupancy and rents ($17.4 million), which is inclusive of 125 Park Avenue ($2.2 million), and 810 Seventh Avenue ($1.4 million), the acquisition of 110 Greene Street ($2.7 million), partially offset by the sale of an 80% interest in 131-137 Spring Street in the third quarter of 2015 ($2.0 million), and the sale of 140-150 Grand Street in the fourth quarter of 2015 ($1.2 million).

Escalation and reimbursement revenue increased primarily as a result of higher real estate tax recoveries ($2.7 million) and higher utility recoveries ($0.6 million).

Occupancy in our Manhattan office operating properties was 96.1% at June 30, 2016 compared to 95.5% at June 30, 2015. Occupancy in our Suburban office operating properties was 81.6% at June 30, 2016 compared to 81.9% at June 30, 2015. At June 30, 2016, approximately 1.4% and 2.9% of the space leased at our Manhattan and Suburban operating properties, respectively, is expected to expire during the remainder of 2016. Based on our estimates, the current market asking rents on all our Manhattan operating properties for leases that are expected to expire during the remainder of 2016 would be approximately 6.1% higher than the existing in-place fully escalated rents while the current market asking rents on all our Manhattan operating properties for leases that are scheduled to expire in future years would be approximately 9.0% higher than the existing in-place fully escalated rents. Based on our estimates, the current market asking rents on all our Suburban operating properties for leases that are expected to expire during the remainder of 2016 would be approximately 3.9% higher than the existing in-place fully escalated rents while the current market asking rents on all our Suburban operating properties for leases that are scheduled to expire in future years would be approximately 7.0% higher than the existing in-place fully escalated rents.

Investment Income

Investment income increased primarily as a result of accelerated recognition of income on the early repayment of certain debt positions ($14.7 million). This increase was partially offset by a lower invested balance and lower weighted average yield during the first six months of 2016. For the six months ended June 30, 2016, the weighted average debt and preferred equity investment balance outstanding and weighted average yield were $1.5 billion and 9.9%, respectively, compared to $1.7 billion and 10.3%, respectively, for the same period in 2015. As of June 30, 2016, the debt and preferred equity investments had a weighted average term to maturity of 1.4 years.

Property Operating Expenses

Property operating expenses increased primarily as a result of higher real estate taxes resulting from higher assessed values and tax rates ($4.3 million), partially offset by lower repairs and maintenance costs ($0.5 million).

Interest Expense and Amortization of Financing Costs, Net of Interest Income

Interest expense and amortization of financing costs, net of interest income, increased primarily as a result of increased borrowings on the revolving credit facility ($3.3 million), senior unsecured notes ($2.1 million), and term loan ($2.0 million), offset by the repayment of the senior unsecured notes that matured in March 2016 ($3.8 million).

Depreciation and Amortization

Depreciation and amortization increased primarily as a result of 110 Greene Street being placed into service during the third quarter of 2015 ($2.1 million), partially offset by the sale of 140 Grand Street in December of 2015.

Equity in Net Income from Unconsolidated Joint Venture

Equity in net income from unconsolidated joint ventures increased primarily as a result of the contribution of a debt investment to an unconsolidated joint venture in March 2016.

Loss on Sale of Real Estate

During the six months ended June 30, 2016, we recognized a loss on the sale of 7 International Drive, Westchester County, NY ($6.9 million).

Liquidity and Capital Resources

On January 25, 2007, we were acquired by SL Green. See Item 7 "Management's Discussion and Analysis Liquidity and Capital Resources" in SL Green and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2015 for a complete discussion of additional sources of liquidity available to us due to our indirect ownership by SL Green.

We currently expect that our principal sources of funds to meet our short-term and long-term liquidity requirements for working capital and funds for acquisition and development or redevelopment of properties, tenant improvements, leasing costs, repurchases or repayments of outstanding indebtedness (which may include exchangeable debt) and for debt and preferred equity investments will include:

(1) cash flow from operations;
(2) cash on hand;
(3) borrowings under the 2012 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 debt offerings by us.

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, operating escalations and recoveries from our tenants and the level of operating and other costs. Additionally, we believe that our preferred equity investment program will continue to serve as a source of operating cash flow.

We believe that our sources of working capital, specifically our cash flow from operations and SL Green's liquidity are adequate for us to meet our short-term and long-term liquidity requirements for the foreseeable future.

Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in "Item 1. Financial Statements" and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Cash and cash equivalents were $73.1 million and $40.1 million at June 30, 2016 and 2015, respectively, representing a increase of $33.0 million. The increase was a result of the following changes in cash flows (in thousands):

	Six Months Ended June 30,		
	2016	2015	Change
		(as adjusted)	
Net cash provided by operating activities	**$ 185,362**	$ 160,001	$ 25,361
Net cash provided by (used in) investing activities	**$ 185,300**	$ (310,821)	$ 496,121
Net cash (used in) provided by financing activities	**$ (347,545)**	$ 156,295	$ (503,840)

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 make distributions to SL Green. At June 30, 2016, our operating portfolio was 92.0% occupied. Our debt and preferred investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, development or 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 six months ended June 30, 2016, when compared to the six months ended June 30, 2015, we received cash primarily for the following investing activities (in thousands):

Additions to land, buildings and improvements	$ (18,921)
Escrowed cash—capital improvements	(20)
Distributions from unconsolidated joint ventures	$ (797)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	605
Net proceeds from disposition of real estate/joint venture interest	$ 42,316
Other investments	4,617
Origination of preferred equity investments	$ 159,734
Repayments or redemption of preferred equity investments	308,587
Increase in net cash provided by investing activities	$ 496,121

Funds spent on capital expenditures, which comprise building and tenant improvements, increased from $34.1 million for the six months ended June 30, 2015 compared to $53.1 million for the six months ended June 30, 2016 and relates primarily to increased costs incurred in connection with the redevelopment of properties.

We generally fund our investment activity through property-level financing, our 2012 credit facility, senior unsecured notes and sale of real estate. During the six months ended June 30, 2016, when compared to the six months ended June 30, 2015, we used cash for the following financing activities (in thousands):

Proceeds from mortgages and other loans payable	$ (106,421)
Repayments of mortgages and other loans payable	100,835
Proceeds from credit facility and senior unsecured notes	(355,000)
Repayments of credit facility and senior unsecured notes	(929,301)
Distributions to noncontrolling interests in other partnerships	361
Contributions from noncontrolling interests in other partnerships	(6,124)
Contributions from common unitholder	1,605,604
Distributions to common and preferred unitholders	(868,989)
Other obligations related to loan participations	51,500
Deferred loan costs and capitalized lease obligation	3,695
Decrease in net cash used in financing activities	$ (503,840)

Capitalization

All of our issued and outstanding Class A common units are owned by Wyoming Acquisition GP LLC or the Operating Partnership.

Corporate Indebtedness

2012 Credit Facility

In July 2015, we entered into the third amendment to the credit facility that was originally entered into by the Company in November 2012, referred to as the 2012 credit facility. As of June 30, 2016, the 2012 credit facility, as amended, consisted of a $1.6 billion revolving credit facility and a $933.0 million term loan, with a maturity date of March 29, 2019 and June 30, 2019, respectively. The revolving credit facility has an as-of-right extension to March 29, 2020. We also have an option, subject to customary conditions, to increase the capacity under the revolving credit facility to $3.0 billion at any time prior to the maturity date for the revolving credit facility without the consent of existing lenders, by obtaining additional commitments from our existing lenders and other financial institutions.

As of June 30, 2016, the 2012 credit facility bore interest at a spread over LIBOR ranging from (i) 87.5 basis points to 155 basis points for loans under the revolving credit facility and (ii) 95 basis points to 190 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP.

At June 30, 2016, the applicable spread was 125 basis points for the revolving credit facility and 140 basis points for the term loan facility. At June 30, 2016, the effective interest rate was 1.69% for the revolving credit facility and 1.85% for the term loan facility. We are required to pay quarterly in arrears a 12.5 to 30 basis point facility fee on the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. As of June 30, 2016, the facility fee was 25 basis points.

As of June 30, 2016, we had $73.6 million of outstanding letters of credit, $285.0 million drawn under the revolving credit facility and $933.0 million outstanding under the term loan facility, with total undrawn capacity of $1.2 billion under the 2012 credit facility. At June 30, 2016 and December 31, 2015, the revolving credit facility had a carrying value of $277.4 million and $985.1 million, respectively, net of deferred financing costs. At June 30, 2016 and December 31, 2015, the term loan facility had a carrying value of $930.0 million and $929.5 million, respectively, net of deferred financing costs.

We, SL Green and the Operating Partnership are all borrowers jointly and severally obligated under the 2012 credit facility. None of SL Green's other subsidiaries are obligors under the 2012 credit facility.

The 2012 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures as of June 30, 2016 and December 31, 2015, respectively, by scheduled maturity date (dollars in thousands):

Issuance	June 30, 2016 Unpaid Principal Balance	June 30, 2016 Accreted Balance	December 31, 2015 Accreted Balance	Coupon Rate[(1)]	Effective Rate	Term (in Years)	Maturity Date
August 5, 2011[(2)]	**250,000**	**249,845**	249,810	5.00%	5.00%	7	August 2018
March 16, 2010[(2)]	**250,000**	**250,000**	250,000	7.75%	7.75%	10	March 2020
November 15, 2012[(2)]	**200,000**	**200,000**	200,000	4.50%	4.50%	10	December 2022
December 17, 2015[(2)]	**100,000**	**100,000**	100,000	4.27%	4.27%	10	December 2025
March 31, 2006[(3)]	**—**	**—**	255,296				
	$ 800,000	**$ 799,845**	$ 1,055,106				
Deferred financing costs, net		**(5,260)**	(5,303)				
		$ 794,585	$ 1,049,803				

(1) Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.
(2) Issued by SL Green, the Operating Partnership and ROP, as co-obligors.
(3) This note was repaid in March 2016.

ROP also provides a guaranty of the Operating Partnership's obligations under its 3.00% Exchangeable Senior Notes due 2017.

Restrictive Covenants

The terms of the 2012 credit facility, as amended, and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, SL Green's ability to pay dividends, make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that SL Green will not during any time when a default is continuing, make distributions with respect to SL Green's common stock or other equity interests, except to enable SL Green to continue to qualify as a REIT for Federal income tax purposes. As of June 30, 2016 and 2015, we were in compliance with all such covenants.

Interest Rate Risk

We are exposed to changes in interest rates primarily from our variable rate debt. Our exposure to interest rate changes are managed through either the use of interest rate derivative instruments and/or through our variable rate preferred equity investments. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2016 would have decreased our annual interest cost, net of interest income from variable rate debt, by approximately $0.9 million. At June 30, 2016, $1.1 billion of our $1.7 billion debt and preferred equity portfolio is indexed to LIBOR.

We recognize most derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If a derivative is considered 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 immediately recognized in earnings.

We have $1.8 billion of long term debt that bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. Our variable rate debt as of June 30, 2016 bore interest based on a spread of LIBOR plus 125 basis points to LIBOR plus 310 basis points.

Contractual Obligations

Refer to our 2015 Annual Report on Form 10-K for a discussion of our contractual obligations. There have been no material changes, outside the ordinary course of business, to these contractual obligations during the three and six months ended June 30, 2016.

Off-Balance Sheet Arrangements

We have off-balance sheet investments, including preferred equity investments. These investments all have varying ownership structures. Our off-balance sheet arrangements are discussed in Note 5, "Preferred Equity Investments and Other Investments," in the accompanying consolidated financial statements.

Capital Expenditures

We estimate that for the year ending December 31, 2016, we expect to incur $6.3 million of recurring capital expenditures and $31.4 million of development or redevelopment expenditures, net of loan reserves, (including tenant improvements and leasing commissions) on existing properties. 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 our capital needs over the next twelve-months and thereafter will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional debt issuances.

Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Alliance Building Services, or Alliance, and its affiliates are partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors, and provide services to certain properties owned by us. Alliance’s affiliates include First Quality Maintenance, L.P., or First Quality, Classic Security LLC, Bright Star Couriers LLC and Onyx Restoration Works, and provide cleaning, extermination, security, messenger, and restoration services, respectively. 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. An affiliate of ours 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. Income earned from profit participation, which is included in other income on the consolidated statements of operations, was $0.8 million and $1.7 million for both the three and six months ended June 30, 2016 and 2015. We also recorded expenses, inclusive of capitalized expenses, of $3.1 million, $4.8 million, $2.1

million and $4.0 million for the three and six months ended June 30, 2016 and 2015, respectively, for these services (excluding services provided directly to tenants).

Allocated Expenses from SL Green

Property operating expenses include an allocation of salary and other operating costs from SL Green based on square footage of the related properties. Such amount was approximately $2.8 million, $5.4 million, $2.5 million and $4.9 million for the three and six months ended June 30, 2016 and 2015, respectively.

Insurance

SL Green maintains “all-risk” property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within three property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $950.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio and expires December 31, 2015. The second portfolio maintains a limit of $1.5 billion per occurrence, including terrorism, for several New York City properties and the majority of the Suburban properties and expires December 31, 2016. Each of these policies includes $100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. A third blanket property policy covers most of our residential assets and maintains a limit of $386.0 million per occurrence, including terrorism, for our residential properties and expires January 31, 2018. We maintain two 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, 2016 and January 31, 2017 and cover our commercial and residential properties, respectively. Additional coverage may be purchased on a stand-alone basis for certain assets.

In October 2006, SL Green 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 is a subsidiary of SL Green. 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.

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed December 31, 2005 and again on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. TRIPRA was not renewed by Congress and expired on December 31, 2014. However, on January 12, 2015, TRIPRA was reauthorized until December 31, 2020 (Terrorism Insurance Program Reauthorization and Extension Act of 2015).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, which will increase by $20 million per annum, commencing December 31, 2015. Our debt instruments, consisting of a non-recourse mortgage note secured by one of our properties, our 2012 credit facility, senior unsecured notes and other corporate obligations, as well as ground leases, 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 monitor all properties where insurance coverage is obtained by a third party and we do not control the coverage to ensure that tenants or other third parties, as applicable, are providing adequate coverage. Certain 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, we may not have sufficient coverage to replace certain properties.

We obtained insurance coverage through an insurance program administered by SL Green. In connection with this program, we incurred insurance expense of approximately $1.4 million, $3.0 million, $1.7 million, and $3.3 million for the three and six months ended June 30, 2016 and 2015.

Inflation

Substantially all of our 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 will 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, Westchester County, Connecticut 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 general economic, business and financial conditions, and their effect on the New York City real estate market in particular;
- dependence upon certain geographic markets;
- risks of real estate acquisitions, dispositions, developments and redevelopment, including the cost of construction delays and cost overruns;
- risks relating to debt and preferred equity 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;
- the Company's ability to comply with financial covenants in our debt instruments;
- SL Green's ability to maintain its status as a REIT;
- risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;
- the threat of terrorist attacks;
- 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 SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect ROP's business and financial performance. In addition, sections of SL Green and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2015 contain additional factors that could adversely affect our business and financial performance. Moreover, ROP operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on ROP's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For quantitative and qualitative disclosure about market risk, see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operation-Interest Rate Risk" in this Quarterly Report on Form 10-Q for the three months ended June 30, 2016 and Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2015. Our exposures to market risk have not changed materially since December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer of our general partner, 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 ROP to disclose material information otherwise required to be set forth in our periodic reports.

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 the President and Treasurer of our general partner, 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, the President and Treasurer of our general partner concluded that our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to ROP that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of June 30, 2016, we were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in “Part I. Item 1A. Risk Factors” in our 2015 Annual Report on Form 10-K. We encourage you to read “Part I. Item 1A. Risk Factors” in the 2015 Annual Report on Form 10-K for SL Green Realty Corp., our indirect parent company.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits:

31.1	Certification of Marc Holliday, President of Wyoming Acquisition GP LLC, the sole general partner of the Registrant, pursuant to Rule 13a-14(a) or Rule 15(d)-14(a), filed herewith.
31.2	Certification of Matthew J. DiLiberto, Treasurer of Wyoming Acquisition GP LLC, the sole general partner of the Registrant, pursuant to Rule 13a-14(a) or Rule 15(d)-14(a), filed herewith.
32.1	Certification of Marc Holliday, President of Wyoming Acquisition GP LLC, the sole general partner of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.
32.2	Certification of Matthew J. DiLiberto, Treasurer of Wyoming Acquisition GP LLC, the sole general partner of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.
101.1	The following financial statements from Reckson Operating Partnership, L.P.'s Quarterly Report on Form 10-Q for the three months ended June 30, 2016, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statement of Capital (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited), detail tagged and filed herewith.

SIGNATURES

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

RECKSON OPERATING PARTNERSHIP, L.P.

BY: WYOMING ACQUISITION GP LLC

By: /s/ MATTHEW J. DILIBERTO

Matthew J. DiLiberto

Treasurer

Date: August 15, 2016

Exhibit 31.1

CERTIFICATION

I, Marc Holliday, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reckson Operating Partnership, L.P. (the "Registrant");

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

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

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

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the Registrant's internal control over financial reporting; and

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

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 15, 2016

/s/ MARC HOLLIDAY

Name: Marc Holliday
Title: President
of Wyoming Acquisition GP LLC,
the sole general partner of the Registrant

Exhibit 31.2

CERTIFICATION

I, Matthew J. DiLiberto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reckson Operating Partnership, L.P. (the "Registrant");

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

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

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

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

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

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 15, 2016

/s/ MATTHEW J. DILIBERTO

Name: Matthew J. DiLiberto
Title: Treasurer
of Wyoming Acquisition GP LLC,
the sole general partner of the Registrant

Exhibit 32.1

CERTIFICATION

I, Marc Holliday, President of Wyoming Acquisition GP LLC, the sole general partner of Reckson Operating Partnership, L. P. (the "Registrant"), certify pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

/s/ MARC HOLLIDAY

Name: Marc Holliday
Title: President
of Wyoming Acquisition GP LLC,
the sole general partner of the Registrant

August 15, 2016

Exhibit 32.2

CERTIFICATION

I, Matthew J. DiLiberto, Treasurer and of Wyoming Acquisition GP LLC, the sole general partner of Reckson Operating Partnership, L. P. (the "Registrant"), certify pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

/s/ MATTHEW J. DILIBERTO

Name: Matthew J. DiLiberto
Title: Treasurer
of Wyoming Acquisition GP LLC,
the sole general partner of the Registrant

August 15, 2016