

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____

Commission File Number: 1-13199 (SL Green Realty Corp.)

Commission File Number: 33-167793-02 (SL Green Operating Partnership, L.P.)

**SL GREEN REALTY CORP.
SL GREEN OPERATING PARTNERSHIP, L.P.**

(Exact name of registrant as specified in its charter)

SL Green Realty Corp.
SL Green Operating Partnership, L.P.

Maryland
Delaware

13-3956755
13-3960938

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

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

(212) 594-2700

(Registrant's telephone number, including area code)

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.

SL Green Realty Corp. Yes No SL Green Operating Partnership, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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).

SL Green Realty Corp. Yes No SL Green Operating Partnership, L.P. Yes No

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

SL Green Realty Corp.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a
smaller reporting
company)

SL Green Operating Partnership, L.P.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

SL Green Realty Corp. Yes No SL Green Operating Partnership, L.P. Yes No

As of November 8, 2016, 101,322,189 shares of SL Green Realty Corp.'s common stock, par value \$0.01 per share, were outstanding. As of November 8, 2016, 1,497,718 common units of limited partnership interest of SL Green Operating Partnership, L.P. were held by non-affiliates. There is no established trading market for such units.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2016 of SL Green Realty Corp. and SL Green Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to "SL Green Realty Corp.," the "Company" or "SL Green" mean SL Green Realty Corp. and its consolidated subsidiaries; and references to "SL Green Operating Partnership, L.P.," the "Operating Partnership" or "SLGOP" mean SL Green Operating Partnership, L.P. and its consolidated subsidiaries. The terms "we," "our" and "us" mean the Company and all the entities owned or controlled by the Company, including the Operating Partnership.

The Company is a Maryland corporation which operates as a self-administered and self-managed real estate investment trust, or REIT, and is the sole managing general partner of the Operating Partnership. As a general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

As of September 30, 2016, the Company owned 95.71% of the outstanding general and limited partnership interest in the Operating Partnership and noncontrolling investors held, in aggregate, a 4.29% limited partnership interest in the Operating Partnership. The Company also owns 9,200,000 Series I Preferred Units of the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one entity. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

Noncontrolling interests in the Operating Partnership, stockholders' equity of the Company and partners' capital of the Operating Partnership are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The common limited partnership interests in the Operating Partnership not owned by the Company are accounted for as noncontrolling interests, within mezzanine equity, in the Company's and the Operating Partnership's consolidated financial statements.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- Combined reports enhance investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Combined reports eliminate duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership; and
- Combined reports create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
 - Note 11, Noncontrolling Interests on the Company's Consolidated Financial Statements;
 - Note 12, Stockholders' Equity of the Company;
 - Note 13, Partners' Capital of the Operating Partnership;

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership, respectively, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Company, in both their capacity as the principal executive officer and principal financial officer of the Company and the principal executive officer and principal financial officer of the general partner of the Operating Partnership, have made the requisite certifications and that the Company and the Operating Partnership are compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended.

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PART I**ITEM 1.**

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

	September 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 3,347,482	\$ 4,779,159
Building and improvements	7,777,647	10,423,739
Building leasehold and improvements	1,436,287	1,431,259
Properties under capital lease	47,445	47,445
	<u>12,608,861</u>	<u>16,681,602</u>
Less: accumulated depreciation	(2,190,142)	(2,060,706)
	<u>10,418,719</u>	<u>14,620,896</u>
Assets held for sale	117,159	34,981
Cash and cash equivalents	405,896	255,399
Restricted cash	100,195	233,578
Investments in marketable securities	60,352	45,138
Tenant and other receivables, net of allowance of \$18,278 and \$17,618 in 2016 and 2015, respectively	55,976	63,491
Related party receivables	14,840	10,650
Deferred rents receivable, net of allowance of \$24,922 and \$21,730 in 2016 and 2015, respectively	430,642	498,776
Debt and preferred equity investments, net of discounts and deferred origination fees of \$14,630 and \$18,759 in 2016 and 2015, respectively	1,453,234	1,670,020
Investments in unconsolidated joint ventures	1,860,912	1,203,858
Deferred costs, net	252,179	239,920
Other assets	620,838	850,939
Total assets	<u>\$ 15,790,942</u>	<u>\$ 19,727,646</u>
Liabilities		
Mortgages and other loans payable, net	\$ 3,954,155	\$ 6,881,920
Revolving credit facility, net	—	985,055
Term loan and senior unsecured notes, net	2,303,657	2,308,478
Accrued interest payable	30,734	42,406
Other liabilities	211,513	168,477
Accounts payable and accrued expenses	178,946	196,213
Deferred revenue	237,548	399,102
Capital lease obligations	41,951	41,360
Deferred land leases payable	2,419	1,783
Dividend and distributions payable	81,392	79,790
Security deposits	67,709	68,023
Liabilities related to assets held for sale	65,520	29,000
Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	<u>7,275,544</u>	<u>11,301,607</u>

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

	September 30, 2016	December 31, 2015
	(unaudited)	
Commitments and contingencies	—	—
Noncontrolling interests in Operating Partnership	490,440	424,206
Preferred units	302,310	282,516
Equity		
SL Green stockholders' equity:		
Series I Preferred Stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at both September 30, 2016 and December 31, 2015	221,932	221,932
Common stock, \$0.01 par value, 160,000 shares authorized and 101,319 and 100,063 issued and outstanding at September 30, 2016 and December 31, 2015, respectively (including 1,055 and 87 shares held in treasury at September 30, 2016 and December 31, 2015, respectively)	1,013	1,001
Additional paid-in-capital	5,596,026	5,439,735
Treasury stock at cost	(124,049)	(10,000)
Accumulated other comprehensive loss	(14,074)	(8,749)
Retained earnings	1,612,707	1,643,546
Total SL Green stockholders' equity	7,293,555	7,287,465
Noncontrolling interests in other partnerships	429,093	431,852
Total equity	7,722,648	7,719,317
Total liabilities and equity	\$ 15,790,942	\$ 19,727,646

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

SL Green Realty Corp.
Consolidated Statements of Operations
(unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Rental revenue, net	\$ 281,482	\$ 318,465	\$ 1,043,898	\$ 926,020
Escalation and reimbursement	53,130	48,254	147,357	130,630
Investment income	75,396	49,328	174,347	136,588
Other income	6,673	16,019	124,137	44,201
Total revenues	<u>416,681</u>	<u>432,066</u>	<u>1,489,739</u>	<u>1,237,439</u>
Expenses				
Operating expenses, including \$5,042 and \$15,171 in 2016 and \$5,238 and \$13,415 in 2015 of related party expenses	79,425	78,648	234,269	225,539
Real estate taxes	64,133	61,009	187,931	173,018
Ground rent	8,338	8,252	24,953	24,526
Interest expense, net of interest income	72,565	84,141	256,326	235,694
Amortization of deferred financing costs	4,815	7,160	20,180	19,727
Depreciation and amortization	112,665	146,185	717,015	454,087
Transaction related costs	2,593	5,829	5,987	10,039
Marketing, general and administrative	25,458	23,475	73,974	72,139
Total expenses	<u>369,992</u>	<u>414,699</u>	<u>1,520,635</u>	<u>1,214,769</u>
Income (loss) from continuing operations before equity in net (loss) income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, gain on sale of real estate, net, depreciable real estate reserves, loss on sale of investment in marketable securities and loss on early extinguishment of debt	46,689	17,367	(30,896)	22,670
Equity in net (loss) income from unconsolidated joint ventures	(3,968)	3,627	11,969	10,651
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	225	15,281	43,588	16,050
Gain on sale of real estate, net	397	159,704	210,750	159,704
Depreciable real estate reserves	—	(19,226)	(10,387)	(19,226)
Loss on sale of investment in marketable securities	—	—	(83)	—
Loss on early extinguishment of debt	—	—	—	(49)
Income from continuing operations	<u>43,343</u>	<u>176,753</u>	<u>224,941</u>	<u>189,800</u>
Net income from discontinued operations	—	—	—	427
Gain on sale of discontinued operations	—	—	—	12,983
Net income	<u>43,343</u>	<u>176,753</u>	<u>224,941</u>	<u>203,210</u>
Net income attributable to noncontrolling interests:				
Noncontrolling interests in the Operating Partnership	(1,663)	(6,467)	(8,171)	(6,634)
Noncontrolling interests in other partnerships	(836)	(665)	(6,245)	(13,217)
Preferred units distributions	(2,854)	(2,225)	(8,382)	(4,316)
Net income attributable to SL Green	<u>37,990</u>	<u>167,396</u>	<u>202,143</u>	<u>179,043</u>
Perpetual preferred stock dividends	(3,738)	(3,738)	(11,213)	(11,214)
Net income attributable to SL Green common stockholders	<u>\$ 34,252</u>	<u>\$ 163,658</u>	<u>\$ 190,930</u>	<u>\$ 167,829</u>

SL Green Realty Corp.
Consolidated Statements of Operations
(unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Amounts attributable to SL Green common stockholders:				
Income (loss) from continuing operations before depreciable real estate reserves, gains on sale and discontinued operations	\$ 33,657	\$ 13,768	\$ (43,041)	\$ 4,357
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	215	14,705	41,805	15,439
Net income from discontinued operations	—	—	—	411
Gain on sale of discontinued operations	—	—	—	12,489
Gain on sale of real estate	380	153,687	202,128	153,628
Depreciable real estate reserves	—	(18,502)	(9,962)	(18,495)
Net income attributable to SL Green common stockholders	<u>\$ 34,252</u>	<u>\$ 163,658</u>	<u>\$ 190,930</u>	<u>\$ 167,829</u>
Basic earnings per share:				
Income (loss) from continuing operations before depreciable real estate reserves, gains on sale and discontinued operations	\$ 0.34	\$ 0.14	\$ (0.43)	\$ 0.04
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	—	0.15	0.42	0.16
Net income from discontinued operations	—	—	—	—
Gain on sale of discontinued operations	—	—	—	0.13
Gain on sale of real estate	—	1.54	2.02	1.55
Depreciable real estate reserves	—	(0.19)	(0.10)	(0.19)
Net income attributable to SL Green common stockholders	<u>\$ 0.34</u>	<u>\$ 1.64</u>	<u>\$ 1.91</u>	<u>\$ 1.69</u>
Diluted earnings per share:				
Income (loss) from continuing operations before depreciable real estate reserves, gains on sale and discontinued operations	\$ 0.34	\$ 0.14	\$ (0.43)	\$ 0.04
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	—	0.15	0.42	0.16
Net income from discontinued operations	—	—	—	—
Gain on sale of discontinued operations	—	—	—	0.13
Gain on sale of real estate	—	1.54	2.01	1.54
Depreciable real estate reserves	—	(0.19)	(0.10)	(0.19)
Net income attributable to SL Green common stockholders	<u>\$ 0.34</u>	<u>\$ 1.64</u>	<u>\$ 1.90</u>	<u>\$ 1.68</u>
Dividends per share	<u>\$ 0.72</u>	<u>\$ 0.60</u>	<u>\$ 2.16</u>	<u>\$ 1.80</u>
Basic weighted average common shares outstanding	<u>100,233</u>	<u>99,621</u>	<u>100,140</u>	<u>99,205</u>
Diluted weighted average common shares and common share equivalents outstanding	<u>105,143</u>	<u>103,929</u>	<u>104,761</u>	<u>103,609</u>

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

SL Green Realty Corp.
Consolidated Statements of Comprehensive Income
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 43,343	\$ 176,753	\$ 224,941	\$ 203,210
Other comprehensive income (loss):				
Change in net unrealized gain (loss) on derivative instruments, including SL Green's share of joint venture net unrealized gain (loss) on derivative instruments	2,632	(5,423)	(4,682)	(8,853)
Change in unrealized (loss) gain on marketable securities	(30)	317	(900)	(337)
Other comprehensive income (loss)	2,602	(5,106)	(5,582)	(9,190)
Comprehensive income	45,945	171,647	219,359	194,020
Net income attributable to noncontrolling interests and preferred units distributions	(5,353)	(9,357)	(22,798)	(24,167)
Other comprehensive (loss) income attributable to noncontrolling interests	(118)	191	257	349
Comprehensive income attributable to SL Green	\$ 40,474	\$ 162,481	\$ 196,818	\$ 170,202

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

SL Green Realty Corp.
Consolidated Statement of Equity
(unaudited, in thousands, except per share data)

SL Green Realty Corp. Stockholders									
	Series I Preferred Stock	Common Stock			Treasury Stock	Accumulated Other Comprehensive (Loss)	Retained Earnings	Noncontrolling Interests	Total
		Shares	Par Value	Additional Paid-In-Capital					
Balance at December 31, 2015	\$ 221,932	99,976	\$ 1,001	\$ 5,439,735	\$ (10,000)	\$ (8,749)	\$ 1,643,546	\$ 431,852	\$ 7,719,317
Net income							202,143	6,245	208,388
Other comprehensive loss						(5,325)			(5,325)
Preferred dividends							(11,213)		(11,213)
DRSPP proceeds		1		146					146
Conversion of units of the Operating Partnership to common stock		118	1	12,745					12,746
Reallocation of noncontrolling interest in the Operating Partnership							(4,959)		(4,959)
Deferred compensation plan and stock award, net		12		(2,086)					(2,086)
Amortization of deferred compensation plan				19,230					19,230
Issuance of common stock			10	113,999	(114,049)				(40)
Proceeds from stock options exercised		157	1	12,257					12,258
Contributions to consolidated joint venture interests								2,019	2,019
Cash distributions to noncontrolling interests								(11,023)	(11,023)
Cash distributions declared (\$2.16 per common share, none of which represented a return of capital for federal income tax purposes)							(216,810)		(216,810)
Balance at September 30, 2016	\$ 221,932	100,264	\$ 1,013	\$ 5,596,026	\$ (124,049)	\$ (14,074)	\$ 1,612,707	\$ 429,093	\$ 7,722,648

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

SL Green Realty Corp.
Consolidated Statements of Cash Flows
(unaudited, in thousands, except per share data)

	Nine Months Ended September 30,	
	2016	2015
Operating Activities		
Net income	\$ 224,941	\$ 203,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	737,195	473,817
Equity in net income from unconsolidated joint ventures	(11,969)	(10,651)
Distributions of cumulative earnings from unconsolidated joint ventures	19,311	33,141
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(43,588)	(16,050)
Depreciable real estate reserves	10,387	19,226
Gain on sale of real estate	(210,750)	(159,704)
Gain on sale of discontinued operations	—	(12,983)
Loss on sale of investments in marketable securities	83	—
Loss on early extinguishment of debt	—	49
Deferred rents receivable	40,056	(99,015)
Other non-cash adjustments ⁽¹⁾	(155,558)	(16,140)
Changes in operating assets and liabilities:		
Restricted cash—operations	(12,855)	(23,437)
Tenant and other receivables	2,714	(8,498)
Related party receivables	(4,167)	646
Deferred lease costs	(47,036)	(46,673)
Other assets	(30,899)	(43,736)
Accounts payable, accrued expenses and other liabilities and security deposits	(28,089)	6,119
Deferred revenue and land leases payable	19,016	23,678
Net cash provided by operating activities	<u>508,792</u>	<u>322,999</u>
Investing Activities		
Acquisitions of real estate property	(38,005)	(2,574,687)
Additions to land, buildings and improvements	(269,182)	(219,760)
Escrowed cash—capital improvements/acquisition deposits/deferred purchase price	85,983	(117,026)
Investments in unconsolidated joint ventures	(69,422)	(127,783)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	171,472	89,059
Net proceeds from disposition of real estate/joint venture interest	2,419,841	1,072,175
Proceeds from sale of marketable securities	6,868	432
Purchases of marketable securities	(23,062)	(7,769)
Other investments	8,232	(11,894)
Origination of debt and preferred equity investments	(554,803)	(461,257)
Repayments or redemption of debt and preferred equity investments	667,251	372,084
Net cash provided by (used in) investing activities	<u>2,405,173</u>	<u>(1,986,426)</u>

SL Green Realty Corp.
Consolidated Statements of Cash Flows
(unaudited, in thousands, except per share data)

	Nine Months Ended September 30,	
	2016	2015
Financing Activities		
Proceeds from mortgages and other loans payable	\$ 256,207	\$ 1,706,018
Repayments of mortgages and other loans payable	(1,786,034)	(681,286)
Proceeds from revolving credit facility and senior unsecured notes	1,260,300	2,130,000
Repayments of revolving credit facility and senior unsecured notes	(2,269,604)	(1,466,007)
Proceeds from stock options exercised and DRIP issuance	12,404	112,399
Proceeds from sale of common stock	—	124,794
Redemption of preferred stock	(2,999)	(200)
Distributions to noncontrolling interests in other partnerships	(11,023)	(113,595)
Contributions from noncontrolling interests in other partnerships	2,019	11,931
Distributions to noncontrolling interests in the Operating Partnership	(9,245)	(7,017)
Dividends paid on common and preferred stock	(234,801)	(191,920)
Other obligations related to mortgage loan participations	59,150	25,000
Deferred loan costs and capitalized lease obligation	(39,842)	(23,739)
Net cash (used in) provided by financing activities	(2,763,468)	1,626,378
Net increase (decrease) in cash and cash equivalents	150,497	(37,049)
Cash and cash equivalents at beginning of year	255,399	281,409
Cash and cash equivalents at end of period	\$ 405,896	\$ 244,360

(1) Included in Other non-cash adjustments is \$172.4 million for the nine months ended September 30, 2016 for the amortization of the below-market lease at 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale.

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Issuance of units in the Operating Partnership relating to the investment in unconsolidated joint ventures	\$ 51,647	\$ —
Redemption of units in the Operating Partnership for stock	12,746	41,605
Exchange of debt investment for equity in joint venture	68,581	10,151
Transfer of restricted cash to operating cash and cash equivalents as a result of sale	—	21,578
Acquisition of subsidiary interest from noncontrolling interest	—	20,630
Issuance of preferred units relating to a real estate acquisition	22,793	211,601
Tenant improvements and capital expenditures payable	4,281	14,470
Fair value adjustment to noncontrolling interest in Operating Partnership	4,959	31,664
Capital lease assets	—	20,000
Reclassification of development costs from other assets to real estate	—	47,519
Transfer of assets related to assets held for sale	2,048,376	117,885
Transfer of liabilities related to assets held for sale	1,677,528	94
Deferred leasing payable	1,208	6,176
Removal of fully depreciated commercial real estate properties	22,179	—
Deconsolidation of a subsidiary ⁽²⁾	1,173,570	27,435
Issuance of common stock	—	2,228
Issuance of common stock to consolidated joint venture	114,049	10,000
Contribution to consolidated joint venture by noncontrolling interest	—	22,504
Receivable from sale of unconsolidated joint venture interest	—	15,129

(2) The 2016 amount relates to 11 Madison for which in August 2016 we closed on the sale of a 40% interest. The sale did not meet the criteria for sale accounting and as a result the property is being accounted for under the profit sharing method.

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

SL Green Operating Partnership, L.P.
Consolidated Balance Sheets
(in thousands, except per unit data)

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 3,347,482	\$ 4,779,159
Building and improvements	7,777,647	10,423,739
Building leasehold and improvements	1,436,287	1,431,259
Property under capital lease	47,445	47,445
	<u>12,608,861</u>	<u>16,681,602</u>
Less: accumulated depreciation	(2,190,142)	(2,060,706)
	<u>10,418,719</u>	<u>14,620,896</u>
Assets held for sale	117,159	34,981
Cash and cash equivalents	405,896	255,399
Restricted cash	100,195	233,578
Investments in marketable securities	60,352	45,138
Tenant and other receivables, net of allowance of \$18,278 and \$17,618 in 2016 and 2015, respectively	55,976	63,491
Related party receivables	14,840	10,650
Deferred rents receivable, net of allowance of \$24,922 and \$21,730 in 2016 and 2015, respectively	430,642	498,776
Debt and preferred equity investments, net of discounts and deferred origination fees of \$14,630 and \$18,759 in 2016 and 2015, respectively	1,453,234	1,670,020
Investments in unconsolidated joint ventures	1,860,912	1,203,858
Deferred costs, net	252,179	239,920
Other assets	620,838	850,939
Total assets	<u>\$ 15,790,942</u>	<u>\$ 19,727,646</u>
Liabilities		
Mortgages and other loans payable, net	\$ 3,954,155	\$ 6,881,920
Revolving credit facility, net	—	985,055
Term loan and senior unsecured notes, net	2,303,657	2,308,478
Accrued interest payable	30,734	42,406
Other liabilities	211,513	168,477
Accounts payable and accrued expenses	178,946	196,213
Deferred revenue	237,548	399,102
Capital lease obligations	41,951	41,360
Deferred land leases payable	2,419	1,783
Dividend and distributions payable	81,392	79,790
Security deposits	67,709	68,023
Liabilities related to assets held for sale	65,520	29,000
Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	<u>7,275,544</u>	<u>11,301,607</u>
Commitments and contingencies	—	—
Limited partner interests in SLGOP (4,495 and 3,746 limited partner common units outstanding at September 30, 2016 and December 31, 2015, respectively)	490,440	424,206
Preferred units	302,310	282,516

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
	(unaudited)	
Capital		
SLGOP partners' capital:		
Series I Preferred Units, \$25.00 liquidation preference, 9,200 issued and outstanding at both September 30, 2016 and December 31, 2015	221,932	221,932
SL Green partners' capital (1,047 and 1,035 general partner common units and 99,217 and 98,941 limited partner common units outstanding at September 30, 2016 and December 31, 2015, respectively)	7,085,697	7,074,282
Accumulated other comprehensive loss	(14,074)	(8,749)
Total SLGOP partners' capital	7,293,555	7,287,465
Noncontrolling interests in other partnerships	429,093	431,852
Total capital	7,722,648	7,719,317
Total liabilities and capital	\$ 15,790,942	\$ 19,727,646

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

SL Green Operating Partnership, L.P.
Consolidated Statements of Operations
(unaudited, in thousands, except per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Rental revenue, net	\$ 281,482	\$ 318,465	\$ 1,043,898	\$ 926,020
Escalation and reimbursement	53,130	48,254	147,357	130,630
Investment income	75,396	49,328	174,347	136,588
Other income	6,673	16,019	124,137	44,201
Total revenues	416,681	432,066	1,489,739	1,237,439
Expenses				
Operating expenses, including \$5,042 and \$15,171 in 2016 and \$5,238 and \$13,415 in 2015 of related party expenses	79,425	78,648	234,269	225,539
Real estate taxes	64,133	61,009	187,931	173,018
Ground rent	8,338	8,252	24,953	24,526
Interest expense, net of interest income	72,565	84,141	256,326	235,694
Amortization of deferred financing costs	4,815	7,160	20,180	19,727
Depreciation and amortization	112,665	146,185	717,015	454,087
Transaction related costs	2,593	5,829	5,987	10,039
Marketing, general and administrative	25,458	23,475	73,974	72,139
Total expenses	369,992	414,699	1,520,635	1,214,769
Income (loss) from continuing operations before equity in net (loss) income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, gain on sale of real estate, net, depreciable real estate reserves, loss on sale of investment in marketable securities and loss on early extinguishment of debt	46,689	17,367	(30,896)	22,670
Equity in net (loss) income from unconsolidated joint ventures	(3,968)	3,627	11,969	10,651
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	225	15,281	43,588	16,050
Gain on sale of real estate, net	397	159,704	210,750	159,704
Depreciable real estate reserves	—	(19,226)	(10,387)	(19,226)
Loss on sale of investment in marketable securities	—	—	(83)	—
Loss on early extinguishment of debt	—	—	—	(49)
Income from continuing operations	43,343	176,753	224,941	189,800
Net income from discontinued operations	—	—	—	427
Gain on sale of discontinued operations	—	—	—	12,983
Net income	43,343	176,753	224,941	203,210
Noncontrolling interests in other partnerships	(836)	(665)	(6,245)	(13,217)
Preferred units distributions	(2,854)	(2,225)	(8,382)	(4,316)
Net income attributable to SLGOP	39,653	173,863	210,314	185,677
Perpetual preferred unit distributions	(3,738)	(3,738)	(11,213)	(11,214)
Net income attributable to SLGOP common unitholders	\$ 35,915	\$ 170,125	\$ 199,101	\$ 174,463

SL Green Operating Partnership, L.P.
Consolidated Statements of Operations
(unaudited, in thousands, except per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Amounts attributable to SLGOP common unitholders:				
Income (loss) from continuing operations before depreciable real estate reserves, gains on sale and discontinued operations	\$ 35,293	\$ 14,366	\$ (44,850)	\$ 4,525
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	225	15,281	43,588	16,050
Net income from discontinued operations	—	—	—	427
Gain on sale of discontinued operations	—	—	—	12,983
Gain on sale of real estate	397	159,704	210,750	159,704
Depreciable real estate reserves	—	(19,226)	(10,387)	(19,226)
Net income (loss) attributable to SLGOP common unitholders	\$ 35,915	\$ 170,125	\$ 199,101	\$ 174,463
Basic earnings per unit:				
Income (loss) from continuing operations before depreciable real estate reserves, gains on sale and discontinued operations	\$ 0.34	\$ 0.14	\$ (0.43)	\$ 0.04
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	—	0.15	0.42	0.16
Net income from discontinued operations	—	—	—	—
Gain on sale of discontinued operations	—	—	—	0.13
Gain on sale of real estate	—	1.54	2.02	1.55
Depreciable real estate reserves	—	(0.19)	(0.10)	(0.19)
Net income (loss) attributable to SLGOP common unitholders	\$ 0.34	\$ 1.64	\$ 1.91	\$ 1.69
Diluted earnings per unit:				
Income (loss) from continuing operations before depreciable real estate reserves, gains on sale and discontinued operations	\$ 0.34	\$ 0.14	\$ (0.43)	\$ 0.04
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	—	0.15	0.42	0.16
Net income from discontinued operations	—	—	—	—
Gain on sale of discontinued operations	—	—	—	0.13
Gain on sale of real estate	—	1.54	2.01	1.54
Depreciable real estate reserves	—	(0.19)	(0.10)	(0.19)
Net income (loss) attributable to SLGOP common unitholders	\$ 0.34	\$ 1.64	\$ 1.90	\$ 1.68
Dividends per unit	\$ 0.72	\$ 0.60	\$ 2.16	1.80
Basic weighted average common units outstanding	104,730	103,522	104,412	103,129
Diluted weighted average common units and common unit equivalents outstanding	105,143	103,929	104,761	103,609

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

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net income	\$ 43,343	\$ 176,753	\$ 224,941	\$ 203,210
Other comprehensive income (loss):				
Change in net unrealized gain (loss) on derivative instruments, including SLGOP's share of joint venture net unrealized gain (loss) on derivative instruments	2,632	(5,423)	(4,682)	(8,853)
Change in unrealized (loss) gain on marketable securities	(30)	317	(900)	(337)
Other comprehensive income (loss)	2,602	(5,106)	(5,582)	(9,190)
Comprehensive income	45,945	171,647	219,359	194,020
Net income attributable to noncontrolling interests	(836)	(665)	(6,245)	(13,217)
Other comprehensive (loss) income attributable to noncontrolling interests	(118)	191	257	349
Comprehensive income attributable to SLGOP	<u>\$ 44,991</u>	<u>\$ 171,173</u>	<u>\$ 213,371</u>	<u>\$ 181,152</u>

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

SL Green Operating Partnership, L.P.
Consolidated Statement of Capital
(unaudited, in thousands, except per unit data)

	SL Green Operating Partnership Unitholders					
	Series I Preferred Units	Partners' Interest		Accumulated Other Comprehensive (Loss)	Noncontrolling Interests	Total
		Common Units	Common Unitholders			
Balance at December 31, 2015	\$ 221,932	99,976	\$ 7,074,282	\$ (8,749)	\$ 431,852	\$ 7,719,317
Net income			202,143		6,245	208,388
Other comprehensive (loss)				(5,325)		(5,325)
Preferred distributions			(11,213)			(11,213)
DRSPP proceeds		1	146			146
Conversion of common units		118	12,746			12,746
Reallocation of noncontrolling interests in the operating partnership			(4,959)			(4,959)
Deferred compensation plan and stock award, net		12	(2,086)			(2,086)
Amortization of deferred compensation plan			19,230			19,230
Issuance of common stock			(40)			(40)
Contribution to consolidated joint venture interests					2,019	2,019
Contributions - proceeds from stock options exercised		157	12,258			12,258
Cash distributions to noncontrolling interests					(11,023)	(11,023)
Cash distributions declared (\$2.16 per common unit, none of which represented a return of capital for federal income tax purposes)			(216,810)			(216,810)
Balance at September 30, 2016	<u>\$ 221,932</u>	<u>100,264</u>	<u>\$ 7,085,697</u>	<u>\$ (14,074)</u>	<u>\$ 429,093</u>	<u>\$ 7,722,648</u>

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

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

	Nine Months Ended September 30,	
	2016	2015
Operating Activities		
Net income	\$ 224,941	\$ 203,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	737,195	473,817
Equity in net income from unconsolidated joint ventures	(11,969)	(10,651)
Distributions of cumulative earnings from unconsolidated joint ventures	19,311	33,141
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(43,588)	(16,050)
Depreciable real estate reserves	10,387	19,226
Gain on sale of real estate	(210,750)	(159,704)
Gain on sale of discontinued operations	—	(12,983)
Loss on sale of investment in marketable securities	83	—
Loss on early extinguishment of debt	—	49
Deferred rents receivable	40,056	(99,015)
Other non-cash adjustments ⁽¹⁾	(155,558)	(16,140)
Changes in operating assets and liabilities:		
Restricted cash—operations	(12,855)	(23,437)
Tenant and other receivables	2,714	(8,498)
Related party receivables	(4,167)	646
Deferred lease costs	(47,036)	(46,673)
Other assets	(30,899)	(43,736)
Accounts payable, accrued expenses and other liabilities and security deposits	(28,089)	6,119
Deferred revenue and land leases payable	19,016	23,678
Net cash provided by operating activities	<u>508,792</u>	<u>322,999</u>
Investing Activities		
Acquisitions of real estate property	(38,005)	(2,574,687)
Additions to land, buildings and improvements	(269,182)	(219,760)
Escrowed cash—capital improvements/acquisition deposits/deferred purchase price	85,983	(117,026)
Investments in unconsolidated joint ventures	(69,422)	(127,783)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	171,472	89,059
Net proceeds from disposition of real estate/joint venture interest	2,419,841	1,072,175
Proceeds from sale of marketable securities	6,868	432
Purchases of marketable securities	(23,062)	(7,769)
Other investments	8,232	(11,894)
Origination of debt and preferred equity investments	(554,803)	(461,257)
Repayments or redemption of debt and preferred equity investments	667,251	372,084
Net cash provided by (used in) investing activities	<u>2,405,173</u>	<u>(1,986,426)</u>

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

	Nine Months Ended September 30,	
	2016	2015
Financing Activities		
Proceeds from mortgages and other loans payable	\$ 256,207	\$ 1,706,018
Repayments of mortgages and other loans payable	(1,786,034)	(681,286)
Proceeds from revolving credit facility, term loan and senior unsecured notes	1,260,300	2,130,000
Repayments of revolving credit facility, term loan and senior unsecured notes	(2,269,604)	(1,466,007)
Proceeds from stock options exercised and DRIP issuance	12,404	112,399
Net proceeds from sale of common stock	—	124,794
Redemption of preferred units	(2,999)	(200)
Distributions to noncontrolling interests in other partnerships	(11,023)	(113,595)
Contributions from noncontrolling interests in other partnerships	2,019	11,931
Distributions paid on common and preferred units	(244,046)	(198,937)
Other obligations related to mortgage loan participations	59,150	25,000
Deferred loan costs and capitalized lease obligation	(39,842)	(23,739)
Net cash (used in) provided by financing activities	(2,763,468)	1,626,378
Net increase (decrease) in cash and cash equivalents	150,497	(37,049)
Cash and cash equivalents at beginning of year	255,399	281,409
Cash and cash equivalents at end of period	\$ 405,896	\$ 244,360

(1) Included in Other non-cash adjustments is \$172.4 million for the nine months ended September 30, 2016 for the amortization of the below-market lease at 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale.

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Issuance of units in the Operating Partnership relating to the investment in unconsolidated joint ventures	\$ 51,647	\$ —
Redemption of units in the Operating Partnership for stock	12,746	41,605
Exchange of debt investment for equity in joint venture	68,581	10,151
Transfer of restricted cash to operating cash and cash equivalents as a result of sale	—	21,578
Acquisition of subsidiary interest from noncontrolling interest	—	20,630
Issuance of preferred units relating to the real estate acquisition	22,793	211,601
Tenant improvements and capital expenditures payable	4,281	14,470
Capital lease assets	—	20,000
Reclassification of development costs from other assets to real estate	—	47,519
Transfer of assets related to assets held for sale	2,048,376	117,885
Transfer of liabilities related to assets held for sale	1,677,528	94
Deferred leasing payable	1,208	6,176
Removal of fully depreciated commercial real estate properties	22,179	—
Deconsolidation of a subsidiary (2)	1,173,570	27,435
Issuance of common stock	—	2,228
Issuance of common stock to consolidated joint venture	114,049	10,000
Contribution to consolidated joint venture by noncontrolling interest	—	22,504
Receivable from sale of unconsolidated joint venture interest	—	15,129

(2) The 2016 amount relates to 11 Madison for which in August 2016 we closed on the sale of a 40% interest. The sale did not meet the criteria for sale accounting and as a result the property is being accounted for under the profit sharing method.

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

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements
September 30, 2016

1. Organization and Basis of Presentation

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation. All of the management, leasing and construction services that are provided to the properties that are wholly-owned by us and that are provided to certain joint ventures are conducted through SL Green Management LLC which is 100% owned by the Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and all of our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of September 30, 2016, noncontrolling investors held, in the aggregate, a 4.29% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. The Operating Partnership is considered a variable interest entity, or VIE, in which we are the primary beneficiary. See Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements".

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of SL Green Realty Corp.

As of September 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, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Property Type	Consolidated		Unconsolidated		Total		Weighted Average Occupancy ⁽¹⁾ (unaudited)
		Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	
Commercial:								
Manhattan	Office	24	16,054,606	7	6,558,139	31	22,612,745	95.4%
	Retail	10 ⁽²⁾	418,093	9	347,970	19	766,063	87.6%
	Development/Redevelopment	3	42,635	3	767,311	6	809,946	35.5%
	Fee Interest	1	176,530	1	26,926	2	203,456	86.8%
			38	16,691,864	20	7,700,346	58	24,392,210
Suburban	Office	25	4,113,800	2	640,000	27	4,753,800	82.0%
	Retail	1	52,000	—	—	1	52,000	100.0%
	Development/Redevelopment	1	1,000	1	—	2	1,000	100.0%
			27	4,166,800	3	640,000	30	4,806,800
Total commercial properties		65	20,858,664	23	8,340,346	88	29,199,010	91.4%
Residential:								
Manhattan	Residential	4 ⁽²⁾⁽³⁾	762,587	17	2,957,282	21	3,719,869	81.4%
Suburban	Residential	—	—	—	—	—	—	—%
Total residential properties		4	762,587	17	2,957,282	21	3,719,869	81.4%
Total portfolio ⁽³⁾		69	21,621,251	40	11,297,628	109	32,918,879	90.3%

(1) The weighted average occupancy for commercial properties represents the total occupied square feet divided by the total acquisition square footage. The weighted average occupancy for residential properties represents the total occupied units divided by the total available units.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

- (2) As of September 30, 2016, we owned a building that was comprised of approximately 270,132 square feet (unaudited) of retail space and approximately 222,855 square feet (unaudited) 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 the property at 400 East 57th Street, which is classified as held for sale at September 30, 2016.

As of September 30, 2016, we also managed an office building of approximately 336,000 square foot (unaudited), which is owned by a third party and held debt and preferred equity investments with a book value of \$1.8 billion, including \$0.3 billion of debt and preferred equity investments and other financing receivables that are included in other balance sheet line items.

Partnership Agreement

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

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 principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position of the Company and the Operating Partnership at September 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 the Annual Report on Form 10-K for the year ended December 31, 2015 of the Company and the Operating Partnership.

The consolidated balance sheets 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 principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method. See Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures." 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 September 30, 2016 and December 31, 2015 are \$1.6 billion and \$200.7 million, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets as of September 30, 2016 and December 31, 2015 are \$605.8 million and \$101.1 million, respectively, collateralized by the real estate assets of the related consolidated VIEs. As of September 30, 2016, assets held for sale and liabilities related to assets held for sale on the consolidated balance sheets did not include amounts related to 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 equity 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

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

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, 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 September 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 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 \$(0.2) million and \$191.4 million of rental revenue for the three and nine months ended September 30, 2016, and \$10.2 million and \$32.9 million of rental revenue for the three and nine months ended September 30, 2015 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. Included in rental revenue is zero and \$172.4 million for the three and nine months ended September 30, 2016 for the amortization of the below-market lease at 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale. For the three and nine months ended September 30, 2016, we recognized as a reduction to interest expense the amortization of the above-market rate mortgages assumed of \$0.7 million and \$2.0 million, respectively. For the three and nine months ended September 30, 2015, we recognized as a reduction to interest expense the amortization of the above-market rate mortgages assumed of \$0.6 million and \$1.7 million, respectively.

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

	September 30, 2016	December 31, 2015
Identified intangible assets (included in other assets):		
Gross amount	\$ 624,557	\$ 939,518
Accumulated amortization	(397,148)	(403,747)
Net ⁽¹⁾	\$ 227,409	\$ 535,771
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$ 648,583	\$ 866,561
Accumulated amortization	(455,568)	(486,928)
Net ⁽¹⁾	\$ 193,015	\$ 379,633

(1) As of September 30, 2016 and December 31, 2015, \$0.3 million and \$0.2 million, respectively and \$0.8 million and \$0.1 million, respectively, of net intangible assets and net intangible liabilities, were reclassified to assets held for sale and liabilities related to assets held for sale.

In February 2016, we closed on the sale of 885 Third Avenue but did not meet the criteria for sale accounting under the full accrual method in ASC 360-20, Property, Plant and Equipment - Real Estate Sales. As a result the property remains on our consolidated balance sheet until the criteria is met.

Fair Value Measurements

See Note 16, "Fair Value Measurements."

Investment in Marketable Securities

We designate a security as held-to-maturity, available-for-sale, or trading at acquisition. As of September 30, 2016, we did not have any securities designated as held-to-maturity or trading. We account for our available-for-sale securities at fair value pursuant to Accounting Standards Codification, or ASC, 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive income or loss. Any unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component.

The cost of bonds and marketable securities sold is determined using the specific identification method.

At September 30, 2016 and December 31, 2015, we held the following marketable securities (in thousands):

	September 30, 2016	December 31, 2015
Equity marketable securities	\$ 23,213	\$ 4,704
Commercial mortgage-backed securities	37,139	40,434
Total marketable securities available-for-sale	\$ 60,352	\$ 45,138

The cost basis of the commercial mortgage-backed securities was \$36.1 million and \$38.7 million at September 30, 2016 and December 31, 2015, respectively. These securities mature at various times through 2049.

During the three and nine months ended September 30, 2016, we disposed of marketable securities for aggregate net proceeds of \$1.7 million and \$6.9 million, respectively. During the three and nine months ended September 30, 2015, we disposed of marketable securities for aggregate net proceeds of \$0.1 million, and \$0.4 million, respectively.

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 September 30, 2016.

We may originate loans for real estate acquisition, development and construction, where we expect to receive some 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.

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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 provided that 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. Some 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

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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 the 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.

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

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 include geographic trends, product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish a provision for possible credit loss 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 additional information reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during the three and nine months ended September 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

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

The Operating Partnership 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. The only provision for income taxes included in the consolidated statements of operations relates to the Operating Partnership's consolidated taxable REIT subsidiaries. The Operating Partnership may also be subject to certain state, local and franchise taxes.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may elect in the future, to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRSs. In general, TRSs may perform non-customary services for the tenants of the Company, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. The TRSs generate income, resulting in Federal and state income tax liability for these entities.

During the three and nine months ended September 30, 2016, we recorded Federal, state and local tax provisions of \$0.9 million and \$1.9 million, respectively. During the three and nine months ended September 30, 2015, we recorded Federal, state and local tax provisions of \$1.1 million and \$2.5 million, respectively.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination.

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Measurement (step two) determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

Stock-Based Employee Compensation Plans

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

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

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

For share-based awards with a performance or market measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date the compensation committee of SL Green's board of directors authorizes the award, adopts any relevant performance measures and communicates the award to the employees. For programs with awards that vest based on the achievement of a performance condition or market condition, we determine whether it is probable that the performance condition will be met, and estimate compensation cost based on the fair value of the award at the applicable reporting date estimated using a binomial model or market quotes. For share-based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of the Company's common stock, at the current quoted market price, from certain key employees to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

Awards can also be made in the form of a separate series of units of limited partnership interest in the Operating Partnership called long-term incentive plan units, or LTIP units. LTIP units, which can be granted either as free-standing awards or in tandem with other awards under our stock incentive plan, are valued by reference to the value of the Company's common stock at the time of grant, and are subject to such conditions and restrictions as the compensation committee of the Company's board of directors may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

Earnings per Share of the Company

The Company presents both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income or loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. Diluted EPS also includes units of limited partnership interest. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

Earnings per Unit of the Operating Partnership

The Operating Partnership presents both basic and diluted earnings per unit, or EPU. Basic EPU excludes dilution and is computed by dividing net income or loss attributable to common unitholders by the weighted average number of common units outstanding during the period. Basic EPU includes participating securities, consisting of unvested restricted units that receive nonforfeitable dividends similar to shares of common units. Diluted EPU reflects the potential dilution that could occur if securities or other contracts to issue common units were exercised or converted into common units, where such exercise or conversion would result in a lower EPU amount. The dilutive effect of unit options is reflected in the weighted average diluted outstanding units calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

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Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is 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 revenue and the costs associated with re-tenanting a space. The properties in our real estate portfolio are primarily located in Manhattan. We also have properties located in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. Other than two tenants, who account for 7.8% and 6.8% of our share of annualized cash rent, no other tenant in our portfolio accounted for more than 5.0% of our share of annualized cash rent, including our share of joint venture annualized rent, at September 30, 2016. For the three months ended September 30, 2016, 9.7%, 7.9%, 7.5%, 6.6%, 5.7%, and 5.1% of our share of annualized cash rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas, 420 Lexington Avenue, One Madison Avenue and 485 Lexington Avenue, 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 August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The ASU provides final guidance on eight cash flow issues, including debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, distributions received from equity method investees, separately identifiable cash flows and application of the predominance principle, and others. The amendments in the ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim 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 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) No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The guidance simplifies the accounting for share-based payment award transactions including: income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2016, 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 March 2016, the FASB issued 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.

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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 September 30, 2016 and December 31, 2015, \$101.5 million and \$130.3 million, respectively, of deferred debt issuance cost, 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, including the Operating Partnership, now qualify as variable interest entities while some of our entities originally classified as variable interest entities no longer meet the criteria. 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).

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.

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3. Property Acquisitions**2016 Acquisitions**

During the nine months ended September 30, 2016, the property listed below was acquired from a third party. The following summarizes our preliminary allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of this acquisition (in thousands):

	183 Broadway⁽¹⁾
Acquisition Date	March 2016
Ownership Type	Fee Interest
Property Type	Retail/Residential
Purchase Price Allocation:	
Land	\$ 26,640
Building and building leasehold	2,960
Above-market lease value	—
Acquired in-place leases	—
Other assets, net of other liabilities	—
Assets acquired	<u>29,600</u>
Mark-to-market assumed debt	—
Below-market lease value	—
Derivatives	—
Liabilities assumed	<u>—</u>
Purchase price	<u>\$ 29,600</u>
Net consideration funded by us at closing, excluding consideration financed by debt	<u>\$ 29,600</u>
Equity and/or debt investment held	<u>\$ —</u>
Debt assumed	<u>\$ —</u>

(1) We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets such as above- and below-market lease or in-place leases.

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2015 Acquisitions

During nine months ended September 30, 2016, we finalized the purchase price allocations based on facts and circumstances that existed at the acquisition dates for the following 2015 acquisitions (in thousands):

	187 Broadway and 5 & 7 Dey Street ⁽¹⁾	110 Greene Street ⁽¹⁾	Upper Eastside Residential ⁽¹⁾	11 Madison Avenue ⁽¹⁾	1640 Flatbush Avenue⁽¹⁾
Acquisition Date	August 2015	July 2015	June 2015	August 2015	March 2015
Ownership Type	Fee Interest	Fee Interest	Fee Interest	Fee Interest	Fee Interest
Property Type	Residential/Retail	Office	Residential/Retail	Office	Retail
Purchase Price Allocation:					
Land	\$ 20,266	\$ 45,120	\$ 48,152	\$ 675,776	\$ 6,226
Building and building leasehold	42,468	215,470	—	1,553,602	501
Above-market lease value	17	—	—	19,764	—
Acquired in-place leases	3,621	8,967	1,922	366,949	146
Other assets, net of other liabilities	—	—	—	—	—
Assets acquired	<u>66,372</u>	<u>269,557</u>	<u>50,074</u>	<u>2,616,091</u>	<u>6,873</u>
Mark-to-market assumed debt	—	—	—	—	—
Below-market lease value	(3,226)	(14,557)	—	(187,732)	(73)
Derivatives	—	—	—	—	—
Liabilities assumed	<u>(3,226)</u>	<u>(14,557)</u>	<u>—</u>	<u>(187,732)</u>	<u>(73)</u>
Purchase price	<u>\$ 63,146</u>	<u>\$ 255,000</u>	<u>\$ 50,074</u>	<u>\$ 2,428,359</u>	<u>\$ 6,800</u>
Net consideration funded by us at closing, excluding consideration financed by debt	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Equity and/or debt investment held	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Debt assumed	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Based on our preliminary analysis of the purchase price, we had allocated \$22.1 million and \$41.0 million to land and building, respectively, at 187 Broadway and 5 & 7 Dey Street, \$89.3 million and \$165.8 million to land and building, respectively, at 110 Greene Street, \$17.5 million and \$32.5 million to land and building, respectively, at the Upper Eastside Residential Property, \$849.9 million and \$1.6 billion to land and building, respectively, at 11 Madison Avenue, and \$6.1 million and \$0.7 million to land and building, respectively, at 1640 Flatbush Avenue. The impact to our consolidated statement of operations for the nine months ended September 30, 2016 to adjust for the finalized purchase price allocations was \$8.0 million in rental revenue for the amortization of aggregate below-market leases and \$17.9 million of depreciation expense.

4. Properties Held for Sale and Property Dispositions

Properties Held for Sale

During the three months ended September 30, 2016, we determined that the held for sale criteria was met for 400 East 57th Street. In October we closed on the sale of a 49% interest in the property, in which we previously held a 90% interest.

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September 30, 2016

Property Dispositions

The following table summarizes the properties sold during the nine months ended September 30, 2016:

Property	Disposition Date	Property Type	Approximate Square Feet	Sales Price ⁽¹⁾ (in millions)	Gain on Sale ⁽²⁾ (in millions)
248-252 Bedford Avenue	February 2016	Residential	66,611	\$ 55.0	\$ 15.3
885 Third Avenue ⁽³⁾	February 2016	Land	607,000	453.0	—
7 International Drive	May 2016	Land	31 Acres	20.0	(6.9)
388 Greenwich	June 2016	Office	2,635,000	2,002.3	206.5
500 West Putnam	July 2016	Office	121,500	41.0	(10.4)
11 Madison Avenue ⁽⁴⁾	August 2016	Office	2,314,000	2,600.0	—

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

(2) The gain on sale for 248-252 Bedford Avenue and 388 Greenwich are net of \$1.3 million and \$1.6 million, respectively in employee compensation awards accrued in connection with the realization of the investment gain as a bonus to certain employees that were instrumental in realizing the gain on sale. Additionally, amounts do not include adjustments for expenses recorded in subsequent periods.

(3) In February 2016, we closed on the sale of 885 Third Avenue. The sale did not meet the criteria for sale accounting and, as a result, the property remains on our consolidated balance sheet until the criteria is met. An estimated loss relating to the sale of \$6.6 million was recorded in December 2015. We expect to meet the criteria for sale accounting in 2017 at which time we will recognize the sale and start recognizing investment income on our \$135.0 million 5.75% senior equity investment in the property.

(4) In August 2016, we sold an 40% interest in 11 Madison Avenue. The sale did not meet the criteria for sale accounting and, as a result, the property is being accounted for under the profit sharing method. See Note 6, "Investments in Unconsolidated Joint Ventures."

Discontinued Operations

The Company adopted ASU 2014-08 effective January 1, 2015 which raised the threshold for disposals to qualify as discontinued operations to include only dispositions that represent a strategic shift in an entity's operations. The guidance was applied prospectively for new disposals. As a result, the results of operations for 400 East 57th Street, which was classified as held for sale at September 30, 2016 along with 570-574 Fifth Avenue and 140-150 Grand Street, which were classified as held for sale at September 30, 2015, are included in continuing operations for all periods presented.

Discontinued operations for the nine months ended September 30, 2016 included the results of operations of 180 Maiden Lane, which was held for sale at December 31, 2014 and sold in January 2015, as follows (in thousands):

	Nine Months Ended September 30, 2015
Revenues	
Rental revenue	\$ 236
Escalation and reimbursement revenues	(127)
Total revenues	109
Operating expenses	(631)
Real estate taxes	250
Transaction related costs	(49)
Depreciable real estate reserves	109
Interest expense, net of interest income	3
Total expenses	(318)
Net income from discontinued operations	\$ 427

5. Debt and Preferred Equity Investments

During the nine months ended September 30, 2016 and 2015, our debt and preferred equity investments, net of discounts and deferred origination fees, increased \$590.4 million and \$464.9 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 \$807.2 million and \$372.1 million during the nine months ended September 30, 2016 and 2015, respectively, which offset the increases in debt and preferred equity investments.

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September 30, 2016

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 September 30, 2016 and December 31, 2015 we held the following debt investments with an aggregate weighted average current yield of 9.29% at September 30, 2016 (in thousands):

Loan Type	September 30, 2016 Future Funding Obligations	September 30, 2016 Senior Financing	September 30, 2016 Carrying Value ⁽¹⁾	December 31, 2015 Carrying Value ⁽¹⁾	Maturity Date ⁽²⁾
Fixed Rate Investments:					
Jr. Mortgage Participation/Mezzanine Loan	\$ —	\$ 1,109,000	\$ 189,250	\$ 104,661	March 2017
Mezzanine Loan ^(3a)	5,000	502,100	61,059	41,115	June 2017
Mortgage Loan ⁽⁴⁾	—	—	26,297	26,262	February 2019
Mortgage Loan	—	—	414	513	August 2019
Mezzanine Loan	—	15,000	3,500	3,500	September 2021
Mezzanine Loan ^(3b)	—	88,944	12,691	19,936	November 2023
Mezzanine Loan ^(3c)	—	115,000	12,923	24,916	June 2024
Mezzanine Loan	—	95,000	30,000	30,000	January 2025
Mezzanine Loan ⁽⁵⁾	—	—	—	72,102	
Mezzanine Loan ⁽⁶⁾	—	—	—	49,691	
Jr. Mortgage Participation ⁽⁷⁾	—	—	—	49,000	
Other ⁽⁷⁾⁽⁸⁾	—	—	—	23,510	
Other ⁽⁷⁾⁽⁸⁾	—	—	—	66,183	
Total fixed rate	\$ 5,000	\$ 1,925,044	\$ 336,134	\$ 511,389	
Floating Rate Investments:					
Mezzanine Loan	—	360,000	99,945	99,530	November 2016
Mezzanine Loan	7,939	144,008	53,405	49,751	December 2016
Mezzanine Loan	281	39,201	11,024	13,731	December 2016
Mortgage/Mezzanine Loan ^(3d)	40,086	—	140,920	134,264	January 2017
Mezzanine Loan	1,127	118,949	28,834	28,551	January 2017
Mezzanine Loan ^{(3e)(9)}	—	40,000	15,290	68,977	June 2017
Mortgage/Mezzanine Loan	—	—	32,763	—	June 2017
Mortgage/Mezzanine Loan	—	—	22,939	22,877	July 2017
Mortgage/Mezzanine Loan	—	—	16,946	16,901	September 2017
Mortgage/Mezzanine Loan	4,038	—	19,834	19,282	October 2017
Mezzanine Loan	—	60,000	14,944	14,904	November 2017
Mezzanine Loan ^(3f)	—	85,000	15,075	29,505	December 2017
Mezzanine Loan ^(3g)	—	65,000	14,598	28,563	December 2017
Mortgage/Mezzanine Loan ^(3h)	795	—	15,024	14,942	December 2017
Jr. Mortgage Participation	—	40,000	19,896	19,846	April 2018
Mezzanine Loan	—	175,000	34,814	34,725	April 2018
Mortgage/Mezzanine Loan ⁽¹⁰⁾	523	24,818	10,846	31,210	August 2018
Mortgage Loan	—	—	19,815	—	August 2018
Mezzanine Loan	—	65,000	14,862	—	August 2018
Mezzanine Loan	—	—	14,599	—	September 2018
Mezzanine Loan	2,325	45,025	34,411	—	October 2018

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Loan Type	September 30, 2016 Future Funding Obligations	September 30, 2016 Senior Financing	September 30, 2016 Carrying Value ⁽¹⁾	December 31, 2015 Carrying Value ⁽¹⁾	Maturity Date ⁽²⁾
Mezzanine Loan	—	33,000	26,831	26,777	December 2018
Mezzanine Loan	4,097	156,383	55,264	52,774	December 2018
Mezzanine Loan	18,883	246,758	59,917	49,625	December 2018
Mezzanine Loan	6,383	16,383	5,387	—	January 2019
Mezzanine Loan	—	38,000	21,880	21,845	March 2019
Mezzanine Loan	—	265,000	24,677	—	April 2019
Mortgage/Jr. Mortgage Participation Loan	34,500	180,740	64,549	—	August 2019
Mezzanine Loan	2,500	187,500	37,307	—	September 2019
Mortgage/Mezzanine Loan	87,620	—	107,060	—	September 2019
Jr. Mortgage Participation/Mezzanine Loan	—	30,000	15,599	—	July 2021
Mortgage/Mezzanine Loan ⁽¹¹⁾	—	—	—	94,901	
Jr. Mortgage Participation/Mezzanine Loan ⁽⁵⁾	—	—	—	20,510	
Mezzanine Loan ⁽¹²⁾	—	—	—	22,625	
Mezzanine Loan ⁽¹³⁾	—	—	—	74,700	
Mezzanine Loan ⁽¹⁴⁾	—	—	—	66,398	
Jr. Mortgage Participation/Mezzanine Loan ⁽⁷⁾	—	—	—	18,395	
Mezzanine Loan ⁽¹⁵⁾	—	—	—	40,346	
Total floating rate	\$ 211,097	\$ 2,415,765	\$ 1,069,255	\$ 1,116,455	
Total	\$ 216,097	\$ 4,340,809	\$ 1,405,389	\$ 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 amounts that were participated out, which are included in other assets and other liabilities on the consolidated balance sheets as a result of the transfers 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, and (h) \$5.1 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) These loans were repaid in July 2016.

(6) 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.

(7) These loans were repaid in March 2016.

(8) These loans were collateralized by defeasance securities.

(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 September 2016.

(12) This loan was repaid in June 2016.

(13) This loan was repaid in May 2016.

(14) 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.

(15) This loan was repaid in February 2016.

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September 30, 2016

Preferred Equity Investments

As of September 30, 2016 and December 31, 2015, we held the following preferred equity investments with an aggregate weighted average current yield of 7.32% at September 30, 2016 (in thousands):

Type	September 30, 2016 Future Funding Obligations	September 30, 2016 Senior Financing	September 30, 2016 Carrying Value ⁽¹⁾	December 31, 2015 Carrying Value ⁽¹⁾	Initial Mandatory Redemption
Preferred Equity	\$ —	\$ 71,486	\$ 9,978	\$ 9,967	March 2018
Preferred Equity	—	59,034	37,867	32,209	November 2018
Total	\$ —	\$ 130,520	\$ 47,845	\$ 42,176	

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

At September 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 September 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 \$101.4 million and \$121.5 million at September 30, 2016 and December 31, 2015, respectively. No financing receivables were 90 days past due at September 30, 2016.

6. Investments in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners. As of September 30, 2016, 650 Fifth Avenue, 800 Third Avenue, 21 East 66th Street, 605 West 42nd Street, 333 East 22nd Street, and certain properties within the Stonehenge Portfolio are VIEs in which we are not the primary beneficiary. Our net equity investment in these VIEs was \$220.7 million as of September 30, 2016. As of December 31, 2015, 650 Fifth Avenue and 33 Beekman were VIEs in which we were not the primary beneficiary. Our net equity investment in these VIEs was \$39.7 million as of December 31, 2015. Our maximum loss is limited to the amount of our equity investment in these VIEs. All other investments below are voting interest entities. As we do not control the joint ventures listed below, we account for them under the equity method of accounting.

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The table below provides general information on each of our joint ventures as of September 30, 2016:

Property	Partner	Ownership Interest	Economic Interest	Approximate Square Feet	Acquisition Date	Acquisition Price ⁽¹⁾ (in thousands)
100 Park Avenue	Prudential Real Estate Investors	49.90%	49.90%	834,000	January 2000	\$ 95,800
717 Fifth Avenue	Jeff Sutton/Private Investor	10.92%	10.92%	119,500	September 2006	251,900
800 Third Avenue	Private Investors	60.52%	60.52%	526,000	December 2006	285,000
1745 Broadway	Ivanhoe Cambridge, Inc.	56.88%	56.88%	674,000	April 2007	520,000
Jericho Plaza ⁽²⁾	Onyx Equities/Private Investor	11.67%	11.67%	640,000	April 2007	210,000
11 West 34th Street	Private Investor/ Jeff Sutton	30.00%	30.00%	17,150	December 2010	10,800
3 Columbus Circle ⁽³⁾	The Moinian Group	48.90%	48.90%	741,500	January 2011	500,000
280 Park Avenue	Vornado Realty Trust	50.00%	50.00%	1,219,158	March 2011	400,000
1552-1560 Broadway ⁽⁴⁾	Jeff Sutton	50.00%	50.00%	35,897	August 2011	136,550
724 Fifth Avenue	Jeff Sutton	50.00%	50.00%	65,040	January 2012	223,000
10 East 53rd Street	Canadian Pension Plan Investment Board	55.00%	55.00%	354,300	February 2012	252,500
521 Fifth Avenue	Plaza Global Real Estate Partners LP	50.50%	50.50%	460,000	November 2012	315,000
21 East 66th Street ⁽⁵⁾	Private Investors	32.28%	32.28%	16,736	December 2012	75,000
650 Fifth Avenue ⁽⁶⁾	Jeff Sutton	50.00%	50.00%	32,324	November 2013	
121 Greene Street	Jeff Sutton	50.00%	50.00%	7,131	September 2014	27,400
175-225 Third Street Brooklyn, New York	KCLW 3rd Street LLC/LIVWRK LLC	95.00%	95.00%	—	October 2014	74,600
55 West 46th Street	Prudential Real Estate Investors	25.00%	25.00%	347,000	November 2014	295,000
Stonehenge Portfolio	Various	Various	Various	2,046,733	Various	36,668
131-137 Spring Street	Invesco Real Estate	20.00%	20.00%	68,342	August 2015	277,750
76 11th Avenue ⁽⁷⁾	Oxford/Vornado	33.33%	36.58%	764,000	March 2016	138,240
605 West 42nd Street ⁽⁸⁾	The Moinian Group	20.00%	20.00%	927,358	April 2016	759,000
11 Madison Avenue ⁽⁹⁾	PGIM Real Estate	60.00%	60.00%	2,314,000	August 2016	2,605,000
333 East 22nd Street ⁽¹⁰⁾	Private Investors	33.33%	33.33%	26,926	August 2016	—

(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) Our ownership percentage was reduced in the first quarter of 2016, from 77.78% to 11.67%, upon completion of the restructuring of the joint venture.

(3) As a result of the sale of a condominium interest in September 2012, Young & Rubicam, Inc., or Y&R, owns floors three through eight at the property. Because the joint venture has an option to repurchase these floors, the gain associated with this sale was deferred.

(4) The purchase price represents only the purchase of the 1552 Broadway interest which comprised approximately 13,045 square feet. The joint venture also owns a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway.

(5) We hold a 32.28% interest in three retail and two residential units at the property and a 16.14% interest in three residential units at the property.

(6) The joint venture owns a long-term leasehold interest in the retail space at 650 Fifth Avenue. In connection with the ground lease obligation, SLG provided a performance guaranty and our joint venture partner executed a contribution agreement to reflect its pro rata obligation. In the event the property is converted into a condominium unit and the landlord elects the purchase option, the joint venture shall be obligated to acquire the unit at the then fair value.

(7) 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.

(8) The Company was granted an option to purchase the interest at an agreed upon valuation in July 2014 when it originated a \$50.0 million mezzanine loan to the project's developer. The mezzanine loan was repaid prior to the closing of the Company's acquisition of its joint venture interest.

(9) In August 2016, we closed on the sale of a 40% interest in 11 Madison. The sale did not meet the criteria for sale accounting and as a result the property is being accounted for under the profit sharing method. Under the profit sharing method the Company recognizes its share of the operations of the property and also recognizes the other partner's share of depreciation. Included in equity in net income from unconsolidated joint ventures is \$4.7 million of depreciation for the three and nine months ended September 30, 2016 representing the other partner's share of depreciation. Included in Investment in Unconsolidated Joint Ventures at September 30, 2016 are \$2.7 billion of assets net of \$1.5 billion of liabilities, net of the \$482.0 million consideration received at closing for this property. Sale accounting will be met upon the lender group consenting to certain modifications to the mortgage on the property which we expect

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September 30, 2016

will be granted during the fourth quarter of 2016. If the modification is not obtained this may result in the Company repurchasing the sold interest from PGIM Real Estate at the sale price. The achievement of sale accounting will discontinue recognition of PGIM Real Estate's share of depreciation from that date and will have no effect on the balance sheet presentation of the investment.

(10) The joint venture entered into a ground lease for the property commencing in October 2016.

Acquisition, Development and Construction Arrangements

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 September 30, 2016 and December 31, 2015, the carrying value for acquisition, development and construction arrangements were as follows (in thousands):

Loan Type	September 30, 2016	December 31, 2015	Initial Maturity Date
Mezzanine Loan and Preferred Equity	\$ 100,000	\$ 99,936	March 2017
Mezzanine Loan	24,119	—	July 2036 ⁽¹⁾
Mezzanine Loan ⁽²⁾	45,675	45,942	February 2022
	<u>\$ 169,794</u>	<u>\$ 145,878</u>	

(1) The Company has the ability to convert this loan into an equity position starting in 2021 and the borrower is able to force this conversion in 2024.

(2) We have an option to convert our loan to an equity interest subject to certain conditions. We have determined that our option to convert the loan to equity is not a derivative financial instrument pursuant to GAAP.

Sale of Joint Venture Interest or Property

The following table summarizes the investments in unconsolidated joint ventures sold during the nine months ended September 30, 2016:

Property	Ownership Percentage	Disposition Date	Type of Sale	Gross Asset Valuation (in thousands) ⁽¹⁾	Gain on Sale (in thousands) ⁽²⁾
1 Jericho Plaza ⁽³⁾	66.11%	February 2016	Office	\$ 95,200	\$ 3,300
7 Renaissance Square	50.00%	March 2016	Office	20,700	4,200
EOP Denver	4.79%	March 2016	Office	180,700	2,800
33 Beekman ⁽⁴⁾	45.90%	May 2016	Residential	196,000	33,000
EOP Denver	0.48%	September 2016	Office	180,700	300

(1) Represents implied gross valuation for the joint venture or sales price of the property.

(2) Represents the Company's share of the gain. The gain on sale is net of \$1.1 million employee compensation awards accrued in connection with the realization of these investment gains as a bonus to certain employees that were instrumental in realizing the gains on sale.

(3) Our ownership percentage was reduced in the first quarter of 2016, from 77.78% to 11.67%, upon completion of the restructuring of the joint venture.

(4) In connection with the sale of the property, we also recognized a promote of \$10.8 million.

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 September 30, 2016 and December 31, 2015, respectively, are as follows (amounts in thousands):

Property	Maturity Date	Interest Rate ⁽¹⁾	September 30, 2016	December 31, 2015
Fixed Rate Debt:				
1745 Broadway	January 2017	5.68%	\$ 340,000	\$ 340,000
521 Fifth Avenue	November 2019	3.73%	170,000	170,000
717 Fifth Avenue ⁽²⁾	July 2022	4.45%	300,000	300,000
717 Fifth Avenue ⁽²⁾	July 2022	5.50%	355,328	325,704

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Property	Maturity Date	Interest Rate ⁽¹⁾	September 30, 2016	December 31, 2015
21 East 66th Street	April 2023	3.60%	12,000	12,000
3 Columbus Circle	March 2025	3.61%	350,000	350,000
11 Madison Avenue	September 2025	3.84%	1,400,000	—
800 Third Avenue	February 2026	3.37%	177,000	20,910
Stonehenge Portfolio ⁽³⁾	Various	4.19%	364,255	430,627
280 Park Avenue			—	692,963
7 Renaissance Square			—	2,927
Total fixed rate debt			\$ 3,468,583	\$ 2,645,131
Floating Rate Debt:				
175-225 Third Street ⁽⁴⁾	December 2016	4.50%	\$ 40,000	\$ 40,000
10 East 53rd Street	February 2017	2.99%	125,000	125,000
724 Fifth Avenue	April 2017	2.91%	275,000	275,000
1552 Broadway ⁽⁵⁾	April 2017	4.71%	185,410	190,409
55 West 46th Street ⁽⁶⁾	October 2017	2.79%	151,536	150,000
Jericho Plaza ⁽⁷⁾	March 2018	4.64%	76,993	163,750
605 West 42nd Street	July 2018	2.85%	539,000	—
650 Fifth Avenue ⁽⁸⁾	August 2018	4.17%	65,000	65,000
280 Park Avenue	June 2019	2.49%	900,000	30,000
121 Greene Street	November 2019	1.99%	15,000	15,000
131-137 Spring Street	August 2020	2.04%	141,000	141,000
11 West 34th Street	January 2021	1.94%	23,000	23,000
100 Park Avenue	February 2021	2.24%	360,000	360,000
21 East 66th Street	June 2033	3.00%	1,746	1,805
Stonehenge Portfolio ⁽⁹⁾	Various	5.81%	65,664	10,500
33 Beekman			—	73,518
Total floating rate debt			\$ 2,964,349	\$ 1,663,982
Total joint venture mortgages and other loans payable			\$ 6,432,932	\$ 4,309,113
Deferred financing costs, net			(100,426)	(42,565)
Total joint venture mortgages and other loans payable, net			\$ 6,332,506	\$ 4,266,548

- (1) Effective weighted average interest rate for the three months ended September 30, 2016, taking into account interest rate hedges in effect during the period.
- (2) These loans are comprised of a \$300.0 million fixed rate mortgage loan and \$355.3 million mezzanine loan. The mezzanine loan is subject to accretion based on the difference between contractual interest rate and contractual pay rate.
- (3) Amount is comprised of \$13.2 million, \$34.6 million, \$140.3 million, and \$176.1 million in fixed-rate mortgages that mature in April 2017, November 2017, August 2019, and June 2024, respectively.
- (4) In October 2016, the loan was extended to December 2017.
- (5) These loans are comprised of a \$145.0 million mortgage loan and a \$41.5 million mezzanine loan. As of September 30, 2016, \$0.6 million of the mortgage loan and \$0.5 million of the mezzanine loan were unfunded.
- (6) This loan has a committed amount of \$190.0 million, of which \$38.5 million was unfunded as of September 30, 2016.
- (7) We hold an 11.67% non-controlling interest in the joint venture and the property secures a two year \$100.0 million loan, of which \$77.0 million is currently outstanding.
- (8) This loan has a committed amount of \$97.0 million, of which \$32.0 million was unfunded as of September 30, 2016.
- (9) Amount is comprised of \$55.3 million and \$10.3 million in floating-rate mortgages that mature in June 2017 and December 2017, respectively.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, Jericho Plaza, 280 Park Avenue, 3 Columbus Circle, 21 East 66th Street, 175-225 Third Street, 605 West 42nd Street and the Stonehenge Portfolio. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to certain of our joint ventures. We earned \$2.0 million and \$4.5 million from these services for the three and nine months ended September 30, 2016, respectively. We earned \$1.9 million and \$6.8 million from these services for the three and nine months ended September 30, 2015, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

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

	September 30, 2016	December 31, 2015
Assets		
Commercial real estate property, net	\$ 8,927,385	\$ 6,122,468
Cash and restricted cash	320,318	258,564
Tenant and other receivables, related party receivables, and deferred rents receivable, net of allowance	227,937	208,802
Debt and preferred equity investments, net	332,506	145,878
Other assets	670,665	248,474
Total assets	\$ 10,478,811	\$ 6,984,186
Liabilities and members' equity		
Mortgages and other loans payable, net	\$ 6,332,506	\$ 4,266,548
Deferred revenue/gain	367,873	209,095
Other liabilities	374,198	314,065
Members' equity	3,404,234	2,194,478
Total liabilities and members' equity	\$ 10,478,811	\$ 6,984,186
Company's investments in unconsolidated joint ventures	\$ 1,860,912	\$ 1,203,858

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total revenues	\$ 184,221	\$ 150,638	\$ 498,308	\$ 423,089
Operating expenses	34,727	27,647	89,147	79,478
Ground rent	3,744	4,677	10,670	9,841
Real estate taxes	30,814	23,494	79,356	65,205
Interest expense, net of interest income	51,789	51,430	147,876	147,152
Amortization of deferred financing costs	7,155	3,473	17,667	9,628
Transaction related costs	5,359	604	5,359	615
Depreciation and amortization	56,890	38,144	132,035	109,022
Total expenses	190,478	149,469	482,110	420,941
Loss on early extinguishment of debt	—	(248)	(1,606)	(1,081)
Net (loss) income before gain on sale	\$ (6,257)	\$ 921	\$ 14,592	\$ 1,067
Company's equity in net (loss) income from unconsolidated joint ventures	\$ (3,968)	\$ 3,627	\$ 11,969	\$ 10,651

7. Deferred Costs

Deferred costs at September 30, 2016 and December 31, 2015 consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Deferred leasing	\$ 450,192	\$ 415,406
Less: accumulated amortization	(198,013)	(175,486)
Deferred costs, net	\$ 252,179	\$ 239,920

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8. 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 September 30, 2016 and December 31, 2015, respectively, were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate ⁽¹⁾	September 30, 2016	December 31, 2015
Fixed Rate Debt:				
Landmark Square	December 2016	4.00%	\$ 78,236	\$ 79,562
FHLB Facility	January 2017	1.03%	105,000	—
FHLB Facility	January 2017	0.80%	100,000	—
485 Lexington Avenue	February 2017	5.61%	450,000	450,000
762 Madison Avenue	February 2017	3.86%	7,739	7,872
Unsecured Loan	June 2018	4.81%	16,000	16,000
One Madison Avenue	May 2020	5.91%	524,814	542,817
100 Church Street	July 2022	4.68%	222,390	225,099
919 Third Avenue ⁽²⁾	June 2023	5.12%	500,000	500,000
400 East 57th Street ⁽³⁾	February 2024	4.13%	66,779	67,644
400 East 58th Street	February 2024	4.13%	28,620	28,990
420 Lexington Avenue	October 2024	3.99%	300,000	300,000
1515 Broadway	March 2025	3.93%	892,457	900,000
Series J Preferred Units ⁽⁴⁾	April 2051	3.75%	4,000	4,000
885 Third Avenue ⁽⁵⁾		6.26%	267,650	267,650
11 Madison Avenue ⁽⁶⁾			—	1,400,000
388-390 Greenwich Street ⁽⁷⁾			—	1,004,000
500 West Putnam Avenue ⁽⁸⁾			—	22,376
Total fixed rate debt			\$ 3,563,685	\$ 5,816,010
Floating Rate Debt:				
FHLB Facility	December 2016	0.77%	\$ 24,000	\$ 45,750
719 Seventh Avenue	February 2018	3.54%	32,823	—
183, 187 Broadway & 5-7 Dey Street	May 2018	3.19%	58,000	40,000
Master Repurchase Agreement	July 2018	3.01%	134,642	253,424
1080 Amsterdam	November 2018	4.24%	3,525	3,525
220 East 42nd Street	October 2020	2.09%	275,000	275,000
One Vanderbilt Avenue ⁽⁹⁾	September 2021	4.03%	—	—
600 Lexington Avenue			—	112,795
388-390 Greenwich Street ⁽⁷⁾			—	446,000
248-252 Bedford Avenue ⁽¹⁰⁾			—	29,000
Total floating rate debt			\$ 527,990	\$ 1,205,494
Total fixed rate and floating rate debt			\$ 4,091,675	\$ 7,021,504
Mortgages reclassified to liabilities related to assets held for sale ⁽³⁾⁽⁷⁾⁽¹⁰⁾			(66,779)	(29,000)
Total mortgages and other loans payable			\$ 4,024,896	\$ 6,992,504
Deferred financing costs, net of amortization			(70,741)	(110,584)
Total mortgages and other loans payable, net			\$ 3,954,155	\$ 6,881,920

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

(2) We own a 51.0% controlling interest in the consolidated joint venture that is the borrower on this loan.

(3) In October 2016, we closed on the sale of an interest in 400 East 57th Street. At September 30, 2016, this property was classified as a held for sale property and the related mortgage, net of deferred financing costs, net of amortization of \$2.1 million, was included in liabilities related to assets held for sale.

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- (4) In connection with the acquisition of a commercial real estate property, the Operating Partnership issued \$4.0 million, 3.75% Series J Preferred Units of limited partnership interest, or the Series J Preferred Units, with a mandatory liquidation preference of \$1,000 per unit. The Series J Preferred Units are accounted for as debt because they can be redeemed in cash by the Operating Partnership on the earlier of (i) the date of the sale of the property or (ii) April 30, 2051 or at the option of the unitholders as provided for in the related agreement.
- (5) In February 2016, we closed on the sale of 885 Third Avenue. The sale did not meet the criteria for sale accounting and as a result the property remains on our consolidated balance sheet until the criteria is met. The maturity date of the mortgage on the property, which was assumed by the buyer, is July 2017.
- (6) In August 2016, we closed on the sale of a 40.0% interest on 11 Madison Avenue. This property is now classified within unconsolidated joint ventures.
- (7) In June 2016, we closed on the sale of 388-390 Greenwich Street. At March 31, 2016, this property was classified as a held for sale property and the related mortgage, net of deferred financing costs, net of amortization of \$24.5 million, was included in liabilities related to assets held for sale.
- (8) In January 2016, the mortgage was repaid.
- (9) In September 2016, we closed on a \$1.5 billion construction facility in connection with the development of One Vanderbilt Avenue. This facility bears interest at 350 basis points over 30-day LIBOR, with reductions based on meeting certain conditions, and has an initial five-year term with two one-year extension options. Advances under the loan are subject to incurred costs, funded equity, loan to value thresholds, and entering into construction contracts.
- (10) The property at 248-252 Bedford Avenue in Brooklyn, New York was sold in February 2016. At December 31, 2015 this property was held for sale and the related mortgage, net of deferred financing, net of amortization costs of \$0.9 million, was included in liabilities related to assets held for sale.

Federal Home Loan Bank of New York Facility

The Company's wholly-owned subsidiary, Belmont Insurance Company, or Belmont, a New York licensed captive insurance company, is 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. As of September 30, 2016, we had \$229.0 million in outstanding secured advances with a weighted average borrowing rate of 0.90%.

On January 12, 2016, the Federal Housing Finance Agency, or FHFA, adopted a final regulation on Federal Home Loan Bank, or FHLB, membership. The rule excludes captive insurance entities from FHLB membership on a going-forward basis and provides termination rules for current captive insurance members. Unless the final rule is modified, Belmont's membership will terminate on February 19, 2017, at which point we would be required to repay all funds borrowed from the FHLBNY.

Master Repurchase Agreement

The Master Repurchase Agreement, 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 225 and 400 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 September 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 \$6.4 billion and \$10.8 billion, respectively.

9. Corporate Indebtedness

2012 Credit Facility

In August 2016, we entered into an 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 September 30, 2016, the 2012 credit facility, as amended, consisted of a \$1.6 billion revolving credit facility and a \$1.2 billion 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 September 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.

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At September 30, 2016, the applicable spread was 125 basis points for the revolving credit facility and 140 basis points for the term loan facility. At September 30, 2016, the effective interest rate was 1.73% for the revolving credit facility and 2.25% 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 September 30, 2016, the facility fee was 25 basis points.

As of September 30, 2016, we had \$56.5 million of outstanding letters of credit, zero drawn under the revolving credit facility and \$1.2 billion outstanding under the term loan facility, with total undrawn capacity of \$1.5 billion under the 2012 credit facility. At September 30, 2016 and December 31, 2015 the revolving credit facility had a carrying value of \$(6.9) million, representing deferred financing costs presented within other liabilities, and \$985.1 million, respectively, net of deferred financing costs. At September 30, 2016 and December 31, 2015, the term loan facility had a carrying value of \$1.2 billion and \$929.5 million, respectively, net of deferred financing costs.

The Company, the Operating Partnership and ROP are all borrowers jointly and severally obligated under the 2012 credit facility. None of our 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 September 30, 2016 and December 31, 2015, respectively, by scheduled maturity date (dollars in thousands):

Issuance	September 30, 2016 Unpaid Principal Balance	September 30, 2016 Accreted Balance	December 31, 2015 Accreted Balance	Coupon Rate ⁽¹⁾	Effective Rate	Term (in Years)	Maturity Date
October 12, 2010 ⁽²⁾	\$ 345,000	\$ 330,754	\$ 321,130	3.00%	3.00%	7	October 2017
August 5, 2011 ⁽³⁾	250,000	249,862	249,810	5.00%	5.00%	7	August 2018
March 16, 2010 ⁽³⁾	250,000	250,000	250,000	7.75%	7.75%	10	March 2020
November 15, 2012 ⁽³⁾	200,000	200,000	200,000	4.50%	4.50%	10	December 2022
December 17, 2015 ⁽³⁾	100,000	100,000	100,000	4.27%	4.27%	10	December 2025
March 26, 2007 ⁽⁴⁾	—	—	10,008				
March 31, 2006 ⁽⁵⁾	—	—	255,296				
	\$ 1,145,000	\$ 1,130,616	\$ 1,386,244				
Deferred financing costs, net		(6,163)	(7,280)				
	\$ 1,145,000	\$ 1,124,453	\$ 1,378,964				

(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 the Operating Partnership. Interest on these exchangeable notes is payable semi-annually on April 15 and October 15. The notes had an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of SL Green's common stock on October 6, 2010, or \$85.81. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 12.5697 shares of SL Green's common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of SL Green's common stock, if any, at our option. As a result of meeting specified events (as defined in the Indenture Agreement), these notes became exchangeable commencing January 1, 2016 and remained exchangeable through March 31, 2016. The notes are guaranteed by ROP. On the issuance date, \$78.3 million of the debt balance was recorded in equity. As of September 30, 2016, \$14.2 million remained to be amortized into the debt balance.

(3) Issued by the Company, the Operating Partnership and ROP, as co-obligors.

(4) Balance was repaid in September 2016.

(5) Issued by ROP, balance was repaid in March 2016.

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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, our 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 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, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable the Company to continue to qualify as a REIT for Federal income tax purposes. As of September 30, 2016 and 2015, we were in compliance with all such covenants.

Junior Subordinated Deferrable Interest Debentures

In June 2005, the Company and the Operating Partnership issued \$100.0 million in unsecured trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of the Operating Partnership. The securities mature in 2035 and bear interest at 125 basis points over the three-month LIBOR. Interest payments may be deferred for a period of up to eight consecutive quarters if the Operating Partnership exercises its right to defer such payments. The Trust preferred securities are redeemable at the option of the Operating Partnership, in whole or in part, with no prepayment premium. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our consolidated balance sheets and the related payments are classified as interest expense.

Principal Maturities

Combined aggregate principal maturities of mortgages and other loans payable, 2012 credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of September 30, 2016, including as-of-right extension options and put options, were as follows (in thousands):

	Scheduled Amortization	Principal	Revolving Credit Facility	Unsecured Term Loan	Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
Remaining 2016	\$ 12,694	\$ 101,936	\$ —	\$ —	\$ —	\$ —	\$ 114,630	\$ 38,253
2017	53,467	930,329	—	—	—	345,000	1,328,796	534,720
2018	56,320	244,990	—	—	—	250,000	551,310	41,933
2019	62,048	—	—	1,183,000	—	—	1,245,048	554,686
2020	44,162	679,531	—	—	—	250,000	973,693	30,298
Thereafter	124,818	1,781,380	—	—	100,000	300,000	2,306,198	1,494,287
	<u>\$ 353,509</u>	<u>\$ 3,738,166</u>	<u>\$ —</u>	<u>\$ 1,183,000</u>	<u>\$ 100,000</u>	<u>\$ 1,145,000</u>	<u>\$ 6,519,675</u>	<u>\$ 2,694,177</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense before capitalized interest	\$ 78,715	\$ 92,244	\$ 276,437	\$ 261,343
Interest capitalized	(6,084)	(7,327)	(18,135)	(23,496)
Interest income	(66)	(776)	(1,976)	(2,153)
Interest expense, net	<u>\$ 72,565</u>	<u>\$ 84,141</u>	<u>\$ 256,326</u>	<u>\$ 235,694</u>

10. 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

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non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements.

Income earned from profit participation, which is included in other income on the consolidated statements of operations, was \$0.8 million and \$2.6 million for the three and nine months ended September 30, 2016, respectively, and was \$0.9 million and \$2.9 million for the three and nine months ended September 30, 2015 respectively.

We also recorded expenses for these services, inclusive of capitalized expenses, of \$5.3 million and \$16.1 million for the three and nine months ended September 30, 2016, respectively, (excluding services provided directly to tenants), and \$5.7 million and \$14.3 million for the three and nine months ended September 30, 2015 respectively.

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. We received management fees from this entity of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2016. We received management fees from this entity of \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2015.

Other

Amounts due from related parties at September 30, 2016 and December 31, 2015 consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Due from joint ventures	\$ 1,727	\$ 1,334
Other	13,113	9,316
Related party receivables	<u>\$ 14,840</u>	<u>\$ 10,650</u>

11. Noncontrolling Interests on the Company's Consolidated Financial Statements

Noncontrolling interests represent the common and preferred units of limited partnership interest in the Operating Partnership not held by the Company as well as third party equity interests in our other consolidated subsidiaries. Noncontrolling interests in the Operating Partnership are shown in mezzanine equity while the noncontrolling interests in our other consolidated subsidiaries are shown in the equity section of the Company's consolidated financial statements.

Common Units of Limited Partnership Interest in the Operating Partnership

As of September 30, 2016 and December 31, 2015, the noncontrolling interest unit holders owned 4.29%, or 4,495,410 units, and 3.61%, or 3,745,766 units, of the Operating Partnership, respectively. As of September 30, 2016, 4,495,410 shares of SL Green's common stock were reserved for issuance upon the redemption of units of limited partnership interest of the Operating Partnership.

Noncontrolling interests in the Operating Partnership is recorded at the greater of its cost basis or fair market value based on the closing stock price of SL Green's common stock at the end of the reporting period.

Below is the rollforward analysis of the activity relating to the noncontrolling interests in the Operating Partnership as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Balance at beginning of period	\$ 424,206	\$ 469,524
Distributions	(9,245)	(9,710)
Issuance of common units	75,352	30,506
Redemption of common units	(12,746)	(55,697)
Net income	8,171	10,565
Accumulated other comprehensive income allocation	(257)	(67)
Fair value adjustment	4,959	(20,915)
Balance at end of period	<u>\$ 490,440</u>	<u>\$ 424,206</u>

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Preferred Units of Limited Partnership Interest in the Operating Partnership

The Operating Partnership has 1,902,000 4.50% Series G Preferred Units of limited partnership interest, or the Series G Preferred Units outstanding, with a liquidation preference of \$25.00 per unit, which were issued in January 2012 in conjunction with an acquisition. The Series G Preferred unitholders receive annual dividends of \$1.125 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series G Preferred Units are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$88.50. The common units of limited partnership interest in the Operating Partnership may be redeemed in exchange for SL Green's common stock on a 1-to-1 basis. The Series G Preferred Units also provide the holder with the right to require the Operating Partnership to repurchase the Series G Preferred Units for cash before January 31, 2022.

The Operating Partnership has 60 Series F Preferred Units outstanding with a mandatory liquidation preference of \$1,000.00 per unit.

The Operating Partnership has authorized up to 700,000 3.50% Series K Preferred Units of limited partnership interest, or the Series K Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2014, the Company issued 563,954 Series K Preferred Units in conjunction with an acquisition. The Series K Preferred unitholders receive annual dividends of \$0.875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series K Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$134.67.

The Operating Partnership has authorized up to 500,000 4.00% Series L Preferred Units of limited partnership interest, or the Series L Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2014, the Company issued 378,634 Series L Preferred Units in conjunction with an acquisition. The Series L Preferred unitholders receive annual dividends of \$1.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series L Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 1,600,000 3.75% Series M Preferred Units of limited partnership interest, or the Series M Preferred Units, with a liquidation preference of \$25.00 per unit. In February 2015, the Company issued 1,600,000 Series M Preferred Units in conjunction with the acquisition of ownership interests in and relating to certain residential and retail real estate properties. The Series M Preferred unitholders receive annual dividends of \$0.9375 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series M Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 552,303 3.00% Series N Preferred Units of limited partnership interest, or the Series N Preferred Units, with a liquidation preference of \$25.00 per unit. In June 2015, the Company issued 552,303 Series N Preferred Units in conjunction with an acquisition. The Series N Preferred unitholders receive annual dividends of \$0.75 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series N Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized an aggregate of one 6.25% Series O Preferred Unit of limited partnership interest, or the Series O Preferred Unit. In June 2015, the Company issued the Series O Preferred Unit in connection with an acquisition.

The Operating Partnership has authorized up to 200,000 4.00% Series P Preferred Units of limited partnership interest, or the Series P Preferred Units, with a liquidation preference of \$25.00 per unit. In July 2015, the Company issued 200,000 Series P Preferred Units in conjunction with an acquisition. The Series P Preferred unitholders receive annual dividends of \$1.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series P Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 268,000 3.50% Series Q Preferred Units of limited partnership interest, or the Series Q Preferred Units, with a liquidation preference of \$25.00 per unit. In July 2015, the Company issued 268,000 Series Q Preferred Units in conjunction with an acquisition. The Series Q Preferred unitholders receive annual dividends of \$0.875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series Q Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$148.95.

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The Operating Partnership has authorized up to 400,000 3.50% Series R Preferred Units of limited partnership interest, or the Series R Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2015, the Company issued 400,000 Series R Preferred Units in conjunction with an acquisition. The Series R Preferred unitholders receive annual dividends of \$0.875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series R Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$154.89.

The Operating Partnership has authorized up to 1,077,280 4.00% Series S Preferred Units of limited partnership interest, or the Series S Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2015, the Company issued 1,077,280 Series S Preferred Units in conjunction with an acquisition. The Series S Preferred unitholders receive annual dividends of \$1.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series S Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 230,000 2.75% Series T Preferred Units of limited partnership interest, or the Series T Preferred Units, with a liquidation preference of \$25.00 per unit. In March 2016, the Company issued 230,000 Series T Preferred Units in conjunction with an acquisition. The Series T Preferred unitholders receive annual dividends of \$0.6875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series T Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$119.02.

The Operating Partnership has authorized up to 680,000 4.50% Series U Preferred Units of limited partnership interest, or the Series U Preferred Units, with a liquidation preference of \$25.00 per unit. In March 2016, the Company issued 680,000 Series U Preferred Units in conjunction with an acquisition. The Series U Preferred unitholders initially receive annual dividends of \$1.125 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The annual dividend is subject to reduction upon the occurrence of certain circumstances set forth in the terms of the Series U Preferred Units. The minimum annual dividend is \$0.75 per unit. The Series U Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

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 common stock for each Greene Series B Preferred Unit. As of September 30, 2016, no Greene Series B Preferred Units have been issued.

Below is the rollforward analysis of the activity relating to the preferred units in the Operating Partnership as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Balance at beginning of period	\$ 282,516	\$ 71,115
Issuance of preferred units	22,793	211,601
Redemption of preferred units	(2,999)	(200)
Balance at end of period	<u>\$ 302,310</u>	<u>\$ 282,516</u>

12. Stockholders' Equity of the Company

Common Stock

Our authorized capital stock consists of 260,000,000 shares, \$0.01 par value per share, consisting of 160,000,000 shares of common stock, \$0.01 par value per share, 75,000,000 shares of excess stock, at \$0.01 par value per share, and 25,000,000 shares of preferred stock, par value \$0.01 per share. As of September 30, 2016, 100,264,253 shares of common stock and no shares of excess stock were issued and outstanding.

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In August 2016, our board of directors approved a stock repurchase plan under which we can buy up to \$1.0 billion of shares of our common stock. As of September 30, 2016, we have not repurchased any shares under the plan.

At-The-Market Equity Offering Program

In March 2015, the Company, along with the Operating Partnership, entered into a new "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$300.0 million of SL Green's common stock. During the year ended December 31, 2015, we sold 91,180 shares of our common stock for aggregate net proceeds of \$12.0 million. The net proceeds from these offerings were contributed to the Operating Partnership in exchange for 91,180 units of limited partnership interest of the Operating Partnership. The Company did not make any sales of its common stock under an ATM program in the first nine months of 2016.

Perpetual Preferred Stock

We have 9,200,000 shares of our 6.50% Series I Cumulative Redeemable Preferred Stock, or the Series I Preferred Stock, outstanding with a mandatory liquidation preference of \$25.00 per share. The Series I Preferred stockholders receive annual dividends of \$1.625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. We are entitled to redeem the Series I Preferred Stock at par for cash at our option on or after August 10, 2017. In August 2012, we received \$221.9 million in net proceeds from the issuance of the Series I Preferred Stock, which were recorded net of underwriters' discount and issuance costs, and contributed the net proceeds to the Operating Partnership in exchange for 9,200,000 units of 6.50% Series I Cumulative Redeemable Preferred Units of limited partnership interest, or the Series I Preferred Units.

Dividend Reinvestment and Stock Purchase Plan

In February 2015, the Company filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRSP, which automatically became effective upon filing. The Company registered 3,500,000 shares of SL Green's common stock under the DRSP. The DRSP commenced on September 24, 2015.

Earnings per Share

SL Green's earnings per share for the three and nine months ended September 30, 2016 and 2015 are computed as follows (in thousands):

Numerator	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic Earnings:				
Income attributable to SL Green common stockholders	\$ 34,252	\$ 163,658	\$ 190,930	\$ 167,829
Effect of Dilutive Securities:				
Redemption of units to common shares	1,663	6,467	8,171	6,634
Diluted Earnings:				
Income attributable to SL Green common stockholders	\$ 35,915	\$ 170,125	\$ 199,101	\$ 174,463
Denominator	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic Shares:				
Weighted average common stock outstanding	100,233	99,621	100,140	99,205
Effect of Dilutive Securities:				
Operating Partnership units redeemable for common shares	4,497	3,901	4,272	3,924
Stock-based compensation plans	413	407	349	480
Diluted weighted average common stock outstanding	105,143	103,929	104,761	103,609

SL Green has excluded 673,298 and 753,344 common stock equivalents from the diluted shares outstanding for the three and nine months ended September 30, 2016, respectively, as they were anti-dilutive. SL Green has excluded 263,236 and 231,970 common stock equivalents from the diluted shares outstanding for the three and nine months ended September 30, 2015, as they were anti-dilutive.

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13. Partners' Capital of the Operating Partnership

The Company is the sole general partner of the Operating Partnership and at September 30, 2016 owned 100,264,253 general and limited partnership interests in the Operating Partnership and 9,200,000 Series I Preferred Units. Partnership interests in the Operating Partnership are denominated as "common units of limited partnership interest" (also referred to as "OP Units") or "preferred units of limited partnership interest" (also referred to as "Preferred Units"). All references to OP Units and Preferred Units outstanding exclude such units held by the Company. A holder of an OP Unit may present such OP Unit to the Operating Partnership for redemption at any time (subject to restrictions agreed upon at the issuance of OP Units to particular holders that may restrict such right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, the Operating Partnership must redeem such OP Unit in exchange for the cash equal to the then value of a share of common stock of the Company, except that the Company may, at its election, in lieu of cash redemption, acquire such OP Unit for one share of common stock. Because the number of shares of common stock outstanding at all times equals the number of OP Units that the Company owns, one share of common stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of common stock. Each series of Preferred Units makes a distribution that is set in accordance with an amendment to the partnership agreement of the Operating Partnership. Preferred Units may also be convertible into OP Units at the election of the holder thereof or the Company, subject to the terms of such Preferred Units.

Net income (loss) allocated to the preferred unitholders and common unitholders reflects their pro-rata share of net income (loss) and distributions.

Limited Partner Units

As of September 30, 2016, limited partners other than SL Green owned 4.29%, or 4,495,410 common units, of the Operating Partnership.

Preferred Units

Preferred units not owned by SL Green are further described in Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements - Preferred Units of Limited Partnership Interest in the Operating Partnership."

Earnings per Unit

The Operating Partnership's earnings per unit for the three and nine months ended September 30, 2016 and 2015, respectively are computed as follows (in thousands):

Numerator	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic and Diluted Earnings:				
Net income attributable to SLGOP common unitholders	\$ 35,915	\$ 170,125	\$ 199,101	\$ 174,463
Denominator	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic units:				
Weighted average common units outstanding	104,730	103,522	104,412	103,129
Effect of Dilutive Securities:				
Stock-based compensation plans	413	407	349	480
Diluted weighted average common units outstanding	105,143	103,929	104,761	103,609

The Operating Partnership has excluded 673,298 and 753,344 common stock equivalents from the diluted shares outstanding for the three and nine months ended September 30, 2016, respectively, as they were anti-dilutive. SL Green has excluded 263,236 and 231,970 common unit equivalents from the diluted units outstanding for the three and nine months ended September 30, 2015, respectively, as they were anti-dilutive.

14. Share-based Compensation

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We have stock-based employee and director compensation plans. Our employees are compensated through the Operating Partnership. Under each plan, whenever the Company issues common or preferred stock, the Operating Partnership issues an equivalent number of units of limited partnership interest of a corresponding class to the Company.

Fourth Amended and Restated 2005 Stock Option and Incentive Plan

The Fourth Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by the Company's board of directors in April 2016 and its stockholders in June 2016 at the Company's annual meeting of stockholders. The 2005 Plan authorizes the issuance of stock options, stock appreciation rights, unrestricted and restricted stock, phantom shares, dividend equivalent rights, cash-based awards and other equity-based awards. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 27,030,000 fungible units may be granted under the 2005 Plan. Currently, different types of awards count against the limit on the number of fungible units differently, with (1) full-value awards (i.e., those that deliver the full value of the award upon vesting, such as restricted stock) granted after the effective date of the Fourth Amendment 2005 Plan counting as 3.74 Fungible Units per share subject to such awards, (2) stock options, stock appreciation rights and other awards that do not deliver full value and expire five years from the date of grant counting as 0.73 fungible units per share subject to such awards, and (3) all other awards (e.g., ten-year stock options) counting as 1.0 fungible units per share subject to such awards. Awards granted under the 2005 Plan prior to the approval of the fourth amendment and restatement in June 2016 continue to count against the fungible unit limit based on the ratios that were in effect at the time such awards were granted, which may be different than the current ratios. As a result, depending on the types of awards issued, the 2005 Plan may result in the issuance of more or less than 27,030,000 shares. If a stock option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of SL Green's common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Currently, unless the 2005 Plan has been previously terminated by the Company's board of directors, new awards may be granted under the 2005 Plan until June 2, 2026, which is the tenth anniversary of the date that the 2005 Plan was most recently approved by the Company's stockholders. As of September 30, 2016, 10.3 million fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan.

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model based on historical information with the following weighted average assumptions for grants during the nine months ended September 30, 2016 and the year ended December 31, 2015.

	September 30, 2016	December 31, 2015
Dividend yield	2.30%	1.97%
Expected life of option	4.2 years	3.6 years
Risk-free interest rate	1.08%	1.43%
Expected stock price volatility	29.08%	32.34%

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A summary of the status of the Company's stock options as of September 30, 2016 and December 31, 2015, and changes during the nine months ended September 30, 2016 and year ended December 31, 2015 are as follows:

	September 30, 2016		December 31, 2015	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of period	\$ 1,595,007	\$ 95.52	\$ 1,462,726	\$ 87.98
Granted	109,500	99.65	389,836	112.54
Exercised	(157,361)	77.90	(217,438)	74.69
Lapsed or cancelled	(48,117)	110.81	(40,117)	98.61
Balance at end of period	\$ 1,499,029	\$ 97.18	\$ 1,595,007	\$ 95.52
Options exercisable at end of period	794,797	\$ 90.29	589,055	\$ 89.85
Weighted average fair value of options granted during the period	\$ 2,258,336		\$ 9,522,613	

All options were granted with strike prices ranging from \$20.67 to \$137.18. The remaining weighted average contractual life of the options outstanding was 3.4 years and the remaining average contractual life of the options exercisable was 2.7 years.

During the three and nine months ended September 30, 2016, we recognized compensation expense for these options of \$2.5 million and \$6.4 million, respectively. During the three and nine months ended September 30, 2015, we recognized compensation expense for these options of \$1.9 million and \$5.8 million, respectively. As of September 30, 2016, there was \$9.8 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 1.4 years.

Stock-based Compensation

Effective January 1, 1999, the Company implemented a deferred compensation plan, or the Deferred Plan, where shares issued under the Deferred Plan were granted to certain employees, including our executives and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached.

A summary of the Company's restricted stock as of September 30, 2016 and December 31, 2015 and charges during the nine months ended September 30, 2016 and the year ended December 31, 2015, are as follows:

	September 30, 2016	December 31, 2015
Balance at beginning of period	3,137,881	3,000,979
Granted	14,550	143,053
Cancelled	(34,600)	(6,151)
Balance at end of period	3,117,831	3,137,881
Vested during the period	83,822	87,081
Compensation expense recorded	\$ 5,275,799	\$ 7,540,747
Weighted average fair value of restricted stock granted during the period	\$ 1,613,846	\$ 16,061,201

The fair value of restricted stock that vested during the nine months ended September 30, 2016 and the year ended December 31, 2015 was \$7.6 million and \$7.4 million, respectively. As of September 30, 2016 there was \$13.6 million of total unrecognized compensation cost related to restricted stock, which is expected to be recognized over a weighted average period of 2.1 years.

For the three and nine months ended September 30, 2016, \$1.5 million, \$4.4 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options. For the three and nine months ended September 30, 2015, \$1.5 million and \$4.9 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options.

We have granted LTIP Units, which include bonus, time-based and performance based awards, with a fair value of \$28.1 million and \$25.4 million as of September 30, 2016 and December 31, 2015, respectively. The grant date fair value of the LTIP Unit awards was calculated in accordance with ASC 718. A third party consultant determined the fair value of the LTIP Units to

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have a discount from SL Green's common stock price. The discount was calculated by considering the inherent uncertainty that the LTIP Units will reach parity with other common partnership units and the illiquidity due to transfer restrictions. As of September 30, 2016, there was \$6.0 million of total unrecognized compensation expense related to the time-based and performance based awards, which is expected to be recognized over a weighted average period of 1.2 years. During the three and nine months ended September 30, 2016, we recorded compensation expense related to bonus, time-based and performance based awards of \$2.3 million and \$15.1 million, respectively. During the three and nine months ended September 30, 2015, we recorded compensation expense related to bonus, time-based and performance based awards of \$2.7 million and \$19.0 million, respectively.

2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients could earn, in the aggregate, from \$15.0 million up to \$75.0 million of LTIP Units in the Operating Partnership based on the Company's stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, \$25.0 million of awards could be earned at any time after the beginning of the second year and an additional \$25.0 million of awards could be earned at any time after the beginning of the third year. In order to achieve maximum performance under the 2010 Long-Term Compensation Plan, the Company's aggregate stock price appreciation during the performance period had to equal or exceed 50%. The compensation committee determined that maximum performance had been achieved at or shortly after the beginning of each of the second and third years of the performance period and for the full performance period and, accordingly, 385,583 LTIP Units, 327,416 LTIP Units and 327,416 LTIP Units were earned under the 2010 Long-Term Compensation Plan in December 2010, 2011 and 2012, respectively. Substantially in accordance with the original terms of the program, 50% of these LTIP Units vested on December 17, 2012 (accelerated from the original January 1, 2013 vesting date), 25% of these LTIP Units vested on December 11, 2013 (accelerated from the original January 1, 2014 vesting date) and the remainder vested on January 1, 2015 based on continued employment. In accordance with the terms of the 2010 Long-Term Compensation Plan, distributions were not paid on any LTIP Units until they were earned, at which time we paid all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period.

The cost of the 2010 Long-Term Compensation Plan (\$31.7 million, subject to forfeitures) was amortized into earnings through the final vesting period of January 1, 2015.

2011 Outperformance Plan

In August 2011, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2011 Outperformance Plan, or the 2011 Outperformance Plan. Participants in the 2011 Outperformance Plan could earn, in the aggregate, up to \$85.0 million of LTIP Units in the Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2011. Under the 2011 Outperformance Plan, participants were entitled to share in a "performance pool" comprised of LTIP Units with a value equal to 10% of the amount by which our total return to stockholders during the three-year period exceeded a cumulative total return to stockholders of 25%, subject to the maximum of \$85.0 million of LTIP Units; provided that if maximum performance was achieved, one-third of each award could be earned at any time after the beginning of the second year and an additional one-third of each award could be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan were subject to vesting requirements, with 50% of any awards earned vested on August 31, 2014 and the remaining 50% vesting on August 31, 2015, based on continued employment with us through such dates. Participants were not entitled to distributions with respect to LTIP Units granted under the 2011 Outperformance Plan unless and until they were earned. For LTIP Units that were earned, each participant was also entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of additional LTIP Units. Thereafter, distributions are to be paid currently with respect to all earned LTIP Units, whether vested or unvested. In June 2014, the compensation committee determined that maximum performance had been achieved during the third year of the performance period and, accordingly, 560,908 LTIP Units, representing two-thirds of each award, were earned, subject to vesting, under the 2011 Outperformance Plan. In September 2014, the compensation committee determined that maximum performance had been achieved for the full three-year performance period and, accordingly, 280,454 LTIP units, representing the final third of each award, were earned, subject to vesting, under the 2011 Outperformance Plan.

The cost of the 2011 Outperformance Plan (\$26.7 million, subject to forfeitures) was amortized into earnings through the final vesting period. We recorded no compensation expense during the three and nine months ended September 30, 2016, and \$0.6 million, and \$4.5 million during the three and nine months ended September 30, 2015 related to the 2011 Outperformance Plan.

2014 Outperformance Plan

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In August 2014, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2014 Outperformance Plan, or the 2014 Outperformance Plan. Participants in the 2014 Outperformance Plan may earn, in the aggregate, up to 610,000 LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2014. For each individual award, two-thirds of the LTIP Units may be earned based on the Company's absolute total return to stockholders and one-third of the LTIP Units may be earned based on relative total return to stockholders compared to the constituents of the MSCI REIT Index. Awards earned based on absolute total return to stockholders will be determined independently of awards earned based on relative total return to stockholders. In the event the Company's performance reaches either threshold before the end of the three-year performance period, a pro-rata portion of the maximum award may be earned. For each component, if the Company's performance reaches the maximum threshold beginning with the 19th month of the performance period, participants will earn one-third of the maximum award that may be earned for that component. If the Company's performance reaches the maximum threshold during the third year of the performance period for a component, participants will earn two-thirds (or an additional one-third) of the maximum award that may be earned for that component. LTIP Units earned under the 2014 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2017 and the remaining 50% vesting on August 31, 2018, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2014 Outperformance Plan unless and until they are earned. If LTIP Units are earned, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of cash or additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

The cost of the 2014 Outperformance Plan (\$27.9 million, subject to forfeitures), based on the portion of the 2014 Outperformance Plan granted as of September 30, 2016, will be amortized into earnings through the final vesting period. We recorded compensation expense of \$1.8 million and \$6.6 million, during the three and nine months ended September 30, 2016, respectively, related to the 2014 Outperformance Plan. We recorded compensation expense of \$1.5 million, and \$4.4 million during the three and nine months ended September 30, 2015, respectively, related to the 2014 Outperformance Plan.

Deferred Compensation Plan for Directors

Under our Non-Employee Director's Deferral Program, which commenced July 2004, the Company's non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees, meeting fees and annual stock grant. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The program provides that a director's phantom stock units generally will be settled in an equal number of shares of common stock upon the earlier of (i) the January 1 coincident with or the next following such director's termination of service from the Board of Directors or (ii) a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of SL Green's common stock on the first business day of the respective quarter. Each participating non-employee director is also credited with dividend equivalents or phantom stock units based on the dividend rate for each quarter, which are either paid in cash currently or credited to the director's account as additional phantom stock units.

During the nine months ended September 30, 2016, 8,136 phantom stock units were earned and 9,014 shares of common stock were issued to our board of directors. We recorded compensation expense of \$0.1 million, \$1.9 million during the three and nine months ended September 30, 2016 related to the Deferred Compensation Plan. We recorded compensation expense of \$0.1 million, and \$1.8 million during the three and nine months ended September 30, 2015 related to the Deferred Compensation Plan. As of September 30, 2016, there were 88,902 phantom stock units outstanding pursuant to our Non-Employee Director's Deferral Program.

Employee Stock Purchase Plan

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

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by our stockholders at our 2008 annual meeting of stockholders. As of September 30, 2016, 93,288 shares of SL Green's common stock had been issued under the ESPP.

15. Accumulated Other Comprehensive Loss

The following tables set forth the changes in accumulated other comprehensive income (loss) by component as of September 30, 2016 (in thousands):

	Net unrealized (loss) gain on derivative instruments (1)	SL Green's share of joint venture net unrealized (loss) gain on derivative instruments (2)	Unrealized gain (loss) on marketable securities	Total
Balance at December 31, 2015	\$ (10,160)	\$ (592)	\$ 2,003	\$ (8,749)
Other comprehensive loss before reclassifications	(7,810)	(7,409)	(869)	(16,088)
Amounts reclassified from accumulated other comprehensive income	7,862	2,901	—	10,763
Balance at September 30, 2016	<u>\$ (10,108)</u>	<u>\$ (5,100)</u>	<u>\$ 1,134</u>	<u>\$ (14,074)</u>

(1) Amount reclassified from accumulated other comprehensive income (loss) is included in interest expense in the respective consolidated statements of operations. As of September 30, 2016 and December 31, 2015, the deferred net losses from these terminated hedges, which is included in accumulated other comprehensive loss relating to net unrealized loss on derivative instrument, was \$8.1 million and \$9.7 million, respectively.

(2) Amount reclassified from accumulated other comprehensive income (loss) is included in equity in net income from unconsolidated joint ventures in the respective consolidated statements of operations.

16. 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.

The following tables set forth the assets and liabilities that we measure at fair value on a recurring and non-recurring basis by their levels in the fair value hierarchy at September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 60,352	\$ 23,213	\$ 37,139	\$ —
Interest rate cap and swap agreements (included in other assets)	\$ 4	\$ —	\$ 4	\$ —
Liabilities:				
Interest rate cap and swap agreements (included in accrued interest payable and other liabilities)	\$ 2,127	\$ —	\$ 2,127	\$ —
Interest rate cap and swap agreements (included in liabilities related to assets held for sale)	\$ —	\$ —	\$ —	\$ —

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Notes to Consolidated Financial Statements (cont.)
September 30, 2016

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 45,138	\$ 4,704	\$ 40,434	\$ —
Interest rate cap and swap agreements (included in other assets)	\$ 204	\$ —	\$ 204	\$ —
Liabilities:				
Interest rate cap and swap agreements (included in accrued interest payable and other liabilities)	\$ 10,776	\$ —	\$ 10,776	\$ —

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 marketable securities classified as Level 1 were derived from quoted prices in active markets. The valuation technique used to measure the fair value of the marketable securities classified as Level 2 were valued based on quoted market prices or model driven valuations using the significant inputs derived from or corroborated by observable market data. Marketable securities in an unrealized loss position are not considered to be other than temporarily impaired. We do not intend to sell these securities and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases.

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 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 September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016		December 31, 2015	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
Debt and preferred equity investments	\$ 1,453,234	(2)	\$ 1,670,020	(2)
Fixed rate debt	\$ 5,494,301	\$ 5,922,120	\$ 7,232,254	\$ 7,591,388
Variable rate debt	1,010,990	1,014,458	3,202,494	3,179,186
	<u>\$ 6,505,291</u>	<u>\$ 6,936,578</u>	<u>\$ 10,434,748</u>	<u>\$ 10,770,574</u>

(1) Amounts exclude net deferred financing costs.

(2) At September 30, 2016, debt and preferred equity investments had an estimated fair value ranging between \$1.5 billion and \$1.6 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 September 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.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

17. 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 equity may increase or decrease prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows. Currently, all of our designated derivative instruments are effective hedging instruments.

The following table summarizes the notional value at inception and fair value of our consolidated derivative financial instruments at September 30, 2016 based on Level 2 information. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (amounts in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Balance Sheet Location	Fair Value
Interest Rate Swap	\$ 200,000	0.938%	October 2014	December 2017	Other Liabilities	\$ (551)
Interest Rate Swap	150,000	0.940%	October 2014	December 2017	Other Liabilities	(417)
Interest Rate Swap	150,000	0.940%	October 2014	December 2017	Other Liabilities	(417)
Interest Rate Cap	117,392	6.000%	October 2014	October 2016	Other Liabilities	—
Interest Rate Swap	14,409	0.500%	January 2015	January 2017	Other Assets	4
Interest Rate Swap	8,018	0.852%	February 2015	February 2017	Other Liabilities	(7)
Interest Rate Cap	137,500	4.000%	September 2015	September 2017	Other Assets	—
Interest Rate Cap	1,450,000	4.750%	May 2016	May 2017	Other Assets	—
Interest Rate Swap	200,000	1.131%	July 2016	July 2023	Other Liabilities	(361)
Interest Rate Swap	100,000	1.161%	July 2016	July 2023	Other Liabilities	(374)
Interest Rate Cap	23,199	4.500%	October 2016	October 2017	Other Assets	—
					Total	\$ (2,123)

During the three and nine months ended September 30, 2016, we recorded a \$0.1 million loss and \$0.5 million gain, respectively on the changes in the fair value, which is included in interest expense on the consolidated statements of operations. During both the three and nine months ended September 30, 2015, we recorded a gain on the changes in the fair value of \$0.1 million, which is included in interest expense on the consolidated statements of operations.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. As of September 30, 2016, the fair value of derivatives in a net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements was \$2.2 million. As of September 30, 2016, the Company has not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company had breached any of these provisions, it could have been required to settle its obligations under the agreements at their aggregate termination value of \$2.1 million at September 30, 2016.

Gains and losses on terminated hedges are included in accumulated other comprehensive loss, and are recognized into earnings over the term of the related mortgage obligation. 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 \$4.9 million of the current balance held in accumulated other comprehensive loss will be reclassified into interest expense and \$1.7 million of the portion related to our share of joint venture accumulated other comprehensive loss will be reclassified into equity in net income from unconsolidated joint ventures within the next 12 months.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

The following table presents the effect of our derivative financial instruments and our share of our joint ventures' derivative financial instruments that are designated and qualify as hedging instruments on the consolidated statements of operations for the three months ended September 30, 2016 and 2015, respectively (in thousands):

Derivative	Amount of Gain Recognized in Other Comprehensive Loss (Effective Portion)		Location of (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Location of (Loss) or Gain Recognized in Income on Derivative	Amount of (Loss) Gain Recognized into Income (Ineffective Portion)	
	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,	
	2016	2015		2016	2015		2016	2015
Interest Rate Swaps/Caps	\$ (7)	\$ (6,921)	Interest expense	\$ 1,442	\$ 2,737	Interest expense	\$ —	\$ (31)
Share of unconsolidated joint ventures' derivative instruments	(222)	(1,526)	Equity in net income from unconsolidated joint ventures	547	287	Equity in net income from unconsolidated joint ventures	830	(21)
	<u>\$ (229)</u>	<u>\$ (8,447)</u>		<u>\$ 1,989</u>	<u>\$ 3,024</u>		<u>\$ 830</u>	<u>\$ (52)</u>

The following table presents the effect of our derivative financial instruments and our share of our joint ventures' derivative financial instruments that are designated and qualify as hedging instruments on the consolidated statements of operations for the nine months ended September 30, 2016 and 2015, respectively (in thousands):

Derivative	Amount of Gain Recognized in Other Comprehensive Loss (Effective Portion)		Location of (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Location of (Loss) or Gain Recognized in Income on Derivative	Amount of Loss Recognized into Income (Ineffective Portion)	
	Nine Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,	
	2016	2015		2016	2015		2016	2015
Interest Rate Swaps/Caps	\$ (8,112)	\$ (15,537)	Interest expense	\$ 8,073	\$ 8,221	Interest expense	\$ (38)	\$ (455)
Share of unconsolidated joint ventures' derivative instruments	(5,992)	(2,486)	Equity in net income from unconsolidated joint ventures	1,465	949	Equity in net income from unconsolidated joint ventures	(206)	(21)
	<u>\$ (14,104)</u>	<u>\$ (18,023)</u>		<u>\$ 9,538</u>	<u>\$ 9,170</u>		<u>\$ (244)</u>	<u>\$ (476)</u>

18. Commitments and Contingencies

Legal Proceedings

As of September 30, 2016, the Company and the Operating Partnership 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.

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.

Capital and Ground Leases Arrangements

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

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

	Capital lease	Non-cancellable operating leases
Remaining 2016	\$ 585	\$ 7,835
2017	2,387	31,374
2018	2,387	31,455
2019	2,411	31,716
2020	2,620	32,086
Thereafter	825,483	983,213
Total minimum lease payments	\$ 835,873	\$ 1,117,679
Amount representing interest	(793,922)	
Capital lease obligations	\$ 41,951	

19. Segment Information

The Company is a REIT 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. 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.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

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

	<u>Real Estate Segment</u>	<u>Debt and Preferred Equity Segment</u>	<u>Total Company</u>
Total revenues			
Three months ended:			
September 30, 2016	\$ 335,652	\$ 81,029	\$ 416,681
September 30, 2015	375,623	56,443	432,066
Nine months ended:			
September 30, 2016	1,300,082	189,657	1,489,739
September 30, 2015	1,085,870	151,569	1,237,439
(Loss) Income from continuing operations before equity in net gain on sale of interest in unconsolidated joint venture/real estate, gain on sale of real estate, depreciable real estate reserves net of recoveries, and loss on sale of investment in marketable securities			
Three months ended:			
September 30, 2016	\$ (33,613)	\$ 76,334	\$ 42,721
September 30, 2015	(29,577)	50,571	20,994
Nine months ended:			
September 30, 2016	(190,633)	171,706	(18,927)
September 30, 2015	(96,333)	129,605	33,272
Total assets			
As of:			
September 30, 2016	\$ 13,992,319	\$ 1,798,623	\$ 15,790,942
December 31, 2015	17,814,787	1,912,859	19,727,646

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 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 to the debt and preferred equity segment since the use of personnel and resources is dependent on transaction volume between the two segments and varies period over period. For the three and nine months ended September 30, 2016, marketing, general and administrative expenses totaled \$25.5 million and \$74.0 million, respectively. For the three and nine months ended September 30, 2015, marketing, general and administrative expenses totaled \$23.5 million and \$72.1 million, respectively. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
September 30, 2016

The table below reconciles income from continuing operations to net income for the three and nine months ended September 30, 2016, and 2015 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (Loss) from continuing operations before equity in net gain on sale of interest in unconsolidated joint venture/real estate, gain on sale of real estate, depreciable real estate reserves net of recoveries, and loss on sale of investment in marketable securities	\$ 42,721	\$ 20,994	\$ (18,927)	\$ 33,272
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	225	15,281	43,588	16,050
Gain on sale of real estate, net	397	159,704	210,750	159,704
Depreciable real estate reserves	—	(19,226)	(10,387)	(19,226)
Loss on sale of investment in marketable securities	—	—	(83)	—
Income from continuing operations	43,343	176,753	224,941	189,800
Net income from discontinued operations	—	—	—	427
Gain on sale of discontinued operations	—	—	—	12,983
Net income	\$ 43,343	\$ 176,753	\$ 224,941	\$ 203,210

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

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

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P. or ROP, are wholly-owned subsidiaries of the SL Green Realty Corp.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Quarterly Report of this Form 10-Q and in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015

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

Location	Property Type	Consolidated		Unconsolidated		Total		Weighted Average Occupancy ⁽¹⁾ (unaudited)
		Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	
Commercial:								
Manhattan	Office	24	16,054,606	7	6,558,139	31	22,612,745	95.4%
	Retail	10 ⁽²⁾	418,093	9	347,970	19	766,063	87.6%
	Development/Redevelopment	3	42,635	3	767,311	6	809,946	35.5%
	Fee Interest	1	176,530	1	26,926	2	203,456	86.8%
		38	16,691,864	20	7,700,346	58	24,392,210	93.2%
Suburban	Office	25	4,113,800	2	640,000	27	4,753,800	82.0%
	Retail	1	52,000	—	—	1	52,000	100.0%
	Development/Redevelopment	1	1,000	1	—	2	1,000	100.0%
		27	4,166,800	3	640,000	30	4,806,800	82.2%
Total commercial properties		65	20,858,664	23	8,340,346	88	29,199,010	91.4%
Residential:								
Manhattan	Residential	4 ⁽²⁾⁽³⁾	762,587	17	2,957,282	21	3,719,869	81.4%
Suburban	Residential	—	—	—	—	—	—	—%
Total residential properties		4	762,587	17	2,957,282	21	3,719,869	81.4%
Total portfolio ⁽³⁾		69	21,621,251	40	11,297,628	109	32,918,879	90.3%

(1) The weighted average occupancy for commercial properties represents the total occupied 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 September 30, 2016, we owned a building that was comprised of approximately 270,132 square feet (unaudited) of retail space and approximately 222,855 square feet (unaudited) 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 the property at 400 East 57th Street, which is classified as held for sale at September 30, 2016.

As of September 30, 2016, we also managed an approximately 336,000 square foot office building owned by a third party and held debt and preferred equity investments with a book value of \$1.8 billion including \$0.3 billion of debt and preferred equity and other financing receivables that are included in other balance sheet line items.

Critical Accounting Policies

Refer to the 2015 Annual Report on Form 10-K of the Company and the Operating Partnership 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 and nine months ended September 30, 2016.

Results of Operations

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

The following comparison for the three months ended September 30, 2016, or 2016, to the three months ended September 30, 2015, or 2015, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2015 and still owned by us in the same manner at September 30, 2016 (Same-Store Properties totaled 55 of our 69 consolidated operating properties), (ii) the effect of the “Acquisition Properties,” which represents all properties or interests in properties acquired in 2016 and 2015 and all non-Same-Store Properties, including properties that are under development, redevelopment or were deconsolidated during the period, and (iii) “Other,” which represents corporate level items not allocable to specific properties, including the Service Corporation and eEmerge Inc. Any assets sold or held for sale are excluded from income from continuing operations and from the following discussion.

(in millions)	Same-Store				Acquisition		Other		Consolidated			
	2016	2015	\$ Change	% Change	2016	2015	2016	2015	2016	2015	\$ Change	% Change
Rental revenue	\$ 241.8	\$ 255.0	\$ (13.2)	(5.2)%	\$ 35.4	\$ 13.8	\$ 4.3	\$ 49.7	\$ 281.5	\$ 318.5	\$ (37.0)	(11.6)%
Escalation and reimbursement	49.7	44.8	4.9	10.9 %	3.1	2.2	0.3	1.3	53.1	48.3	4.8	9.9 %
Investment income	—	—	—	— %	—	—	75.4	49.3	75.4	49.3	26.1	52.9 %
Other income	1.8	4.8	(3.0)	(62.5)%	0.2	2.7	4.7	8.5	6.7	16.0	(9.3)	(58.1)%
Total revenues	293.3	304.6	(11.3)	(3.7)%	38.7	18.7	84.7	108.8	416.7	432.1	(15.4)	(3.6)%
Property operating expenses	139.5	134.8	4.7	3.5 %	9.3	3.5	3.1	9.6	151.9	147.9	4.0	2.7 %
Transaction related costs	—	—	—	— %	0.1	7.2	2.5	(1.4)	2.6	5.8	(3.2)	(55.2)%
Marketing, general and administrative	—	—	—	— %	—	—	25.4	23.5	25.4	23.5	1.9	8.1 %
	139.5	134.8	4.7	3.5 %	9.4	10.7	31.0	31.7	179.9	177.2	2.7	1.5 %
Operating income	\$ 153.8	\$ 169.8	\$ (16.0)	(9.4)%	\$ 29.3	\$ 8.0	\$ 53.7	\$ 77.1	\$ 236.8	\$ 254.9	\$ (18.1)	(7.1)%
Other income (expenses):												
Interest expense and amortization of deferred financing costs, net of interest income									(77.4)	(91.3)	13.9	(15.2)%
Depreciation and amortization									(112.7)	(146.2)	33.5	(22.9)%
Equity in net (loss) income from unconsolidated joint ventures									(4.0)	3.6	(7.6)	(211.1)%
Equity in net gain on sale of interest in unconsolidated joint venture/real estate									0.2	15.3	(15.1)	(98.7)%
Gain on sale of real estate, net									0.4	159.7	(159.3)	(99.7)%
Depreciable real estate reserves									—	(19.2)	19.2	100.0 %
Loss on sale of investment in marketable securities									—	—	—	100.0 %
Income from continuing operation									43.3	176.8	(133.5)	(75.5)%
Net income from discontinued operations									—	—	—	— %
Gain on sale of discontinued operations									—	—	—	— %
Net income									\$ 43.3	\$ 176.8	\$ (133.5)	(75.5)%

Rental, Escalation and Reimbursement Revenues

Rental revenues decreased primarily as a result of the sale of 388-390 Greenwich Street in the second quarter of 2016 (\$31.3 million), the sale of 120 West 45th Street in the third quarter of 2015 (\$6.2 million), and accounting write-offs (\$17.4 million) and decreased cash revenue (\$2.0 million) related to the space previously leased to Aeropostale at 1515 Broadway following the tenant's bankruptcy. These decreases were offset by the acquisition of 100% interest of 11 Madison in the third quarter of 2015 and the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$9.4 million), the consolidation of 600 Lexington Avenue in the fourth quarter of 2015 (\$5.1 million), and the acquisition of 110 Greene Street in the third quarter of 2015 (\$5.1 million).

Escalation and reimbursement revenue increased primarily as a result of higher real estate tax recoveries (\$3.2 million) at the Same-Store properties attributable to an increase in the related tax expense.

Occupancy in our Same-Store Manhattan combined office operating portfolio, including leases signed but not yet commenced, increased to 97.5% at September 30, 2016 as compared to 97.3% at September 30, 2015. Occupancy for our Same-Store Suburban combined office operating portfolio, including leases signed but not yet commenced, increased to 85.4% at September 30, 2016 as compared to 84.3% at September 30, 2015.

The following table presents a summary of the commenced leasing activity for the three months ended September 30, 2016 in our Manhattan and Suburban portfolio:

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Manhattan							
Space available at beginning of the period	991,894						
Property no longer in redevelopment	—						
Properties placed in service	—						
Space which became available during the period ⁽³⁾							
• Office	406,141						
• Retail	42,287						
• Storage	1,500						
	<u>449,928</u>						
Total space available	1,441,822						
Leased space commenced during the period:							
• Office ⁽⁴⁾	395,885	446,766	\$ 61.50	\$ 59.81	\$ 48.91	4.3	8.5
• Retail	11,531	12,125	\$ 187.42	\$ 116.47	\$ 11.99	4.9	11.5
• Storage	2,803	2,819	\$ 25.00	\$ 26.73	\$ —	2.4	10.2
Total leased space commenced	<u>410,219</u>	<u>461,710</u>	\$ 64.58	\$ 61.10	\$ 47.64	4.3	8.6
Total available space at end of period	<u>1,031,603</u>						
Early renewals							
• Office	700,591	748,238	\$ 79.32	\$ 62.75	\$ 35.32	4.2	11.6
• Retail	9,543	14,158	\$ 168.39	\$ 142.32	\$ —	—	10.0
• Storage	650	650	\$ 25.00	\$ 27.81	\$ —	2.8	12.3
Total early renewals	<u>710,784</u>	<u>763,046</u>	\$ 80.92	\$ 64.20	\$ 34.64	4.1	11.6
Total commenced leases, including replaced previous vacancy							
• Office		1,195,004	\$ 72.66	\$ 61.84	\$ 40.40	4.2	10.5
• Retail		26,283	\$ 177.17	\$ 132.40	\$ 5.53	2.3	10.7
• Storage		3,469	\$ 25.00	\$ 27.05	\$ —	2.5	10.6
Total commenced leases		<u>1,224,756</u>	\$ 74.76	\$ 63.23	\$ 39.54	4.2	10.5

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Suburban							
Space available at beginning of period	1,080,414						
Sold vacancies	(56,158)						
Properties placed in service	—						
Space which became available during the period ⁽³⁾							
• Office	43,002						
• Retail	—						
• Storage	360						
	<u>43,362</u>						
Total space available	1,067,618						
Leased space commenced during the period:							
• Office ⁽⁵⁾	74,513	75,085	\$ 33.35	\$ 37.94	\$ 41.90	4.8	7.7
• Retail	—	—	\$ —	\$ —	\$ —	—	—
• Storage	1,258	1,258	\$ 12.84	\$ 12.00	\$ —	—	1.4
Total leased space commenced	<u>75,771</u>	<u>76,343</u>	\$ 33.01	\$ 37.78	\$ 41.21	4.8	7.6
Total available space at end of the period	<u>991,847</u>						
Early renewals							
• Office	45,154	45,895	\$ 32.55	\$ 32.30	\$ 0.08	0.3	1.7
• Retail	—	—	\$ —	\$ —	\$ —	—	—
• Storage	—	—	\$ —	\$ —	\$ —	—	—
Total early renewals	<u>45,154</u>	<u>45,895</u>	\$ 32.55	\$ 32.30	\$ 0.08	0.3	1.7
Total commenced leases, including replaced previous vacancy							
• Office		120,980	\$ 33.05	\$ 34.61	\$ 26.04	3.1	5.5
• Retail		—	\$ —	\$ —	\$ —	—	—
• Storage		1,258	\$ 12.84	\$ 12.00	\$ —	—	1.4
Total commenced leases		<u>122,238</u>	\$ 32.84	\$ 34.56	\$ 25.77	3.1	5.4

(1) Annual initial base rent.

(2) Escalated rent is calculated as total annual income less electric charges.

(3) Includes expiring space, relocating tenants and move-outs where tenants vacated. Excludes lease expirations where tenants held over.

(4) Average starting office rent excluding new tenants replacing vacancies was \$59.69 per rentable square foot for 337,519 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$73.22 per rentable square foot for 1,085,757 rentable square feet.

(5) Average starting office rent excluding new tenants replacing vacancies was \$39.50 per rentable square feet for 31,974 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$35.40 per rentable square feet for 77,869 rentable square feet.

Investment Income

For the three months ended September 30, 2016, investment income increased primarily as a result of additional income recognized from the recapitalization of a debt investment (\$41.0 million). This increase was partially offset by lower weighted average yield and balance during the three months ended September 30, 2016. For the three months ended September 30, 2016, the weighted average debt and preferred equity investment balance outstanding and weighted average yield were \$1.5 billion and 9.4%, respectively, compared to \$1.6 billion and 10.1%, respectively, for the same period in 2015. As of September 30, 2016, the debt and preferred equity investments had a weighted average term to maturity of 1.6 years.

Other Income

Other income decreased primarily as a result of a tax benefit related to our taxable REIT subsidiary in 2015 (\$4.0 million), a bankruptcy settlement received from a former tenant in 2015 (\$2.7 million) and a decrease in year over year lease termination income (\$2.4 million).

Property Operating Expenses

Property operating expenses increased primarily due to the acquisition of 100% interest of 11 Madison in the third quarter of 2015 and the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$1.2 million), the consolidation of 600 Lexington Avenue in the fourth quarter of 2015 (\$1.1 million) and increases in real estate taxes at our Same-Store properties (\$3.2 million). The increase was partially offset by the sale of 120 West 45th Street in the third quarter of 2015 (\$1.6 million).

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses for the three months ended September 30, 2016 were \$25.4 million, or 5.2% of total combined revenues, including our share of joint venture revenues, and 53 basis points of total combined assets, including our share of joint venture assets compared to \$23.5 million, or 4.8% of total revenues including our share of joint venture revenues, and 44 basis points of total assets including our share of joint venture assets for 2015.

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

Interest expense, net of interest income, decreased primarily as a result of the sale of 388-390 Greenwich Street in the second quarter of 2016 (\$11.4 million), and the sale of 120 West 45th Street in the fourth quarter of 2015 (\$2.5 million). The weighted average consolidated debt balance outstanding decreased to \$7.2 billion for the three months ended September 30, 2016 from \$9.4 billion for the three months ended September 30, 2015. The weighted average interest rate was 4.00% for the three months ended September 30, 2016 as compared to 3.76% for the three months ended September 30, 2015.

Depreciation and Amortization

Depreciation and amortization decreased primarily as a result of the accelerated depreciation expense in 2015 at the site comprising the One Vanderbilt development project (\$44.5 million) and the sale of 388-390 Greenwich Street in the second quarter of 2016 (\$10.7 million). These decreases were offset by the acquisition of 110 Greene Street (\$6.8 million), the acquisition of 100% interest of 11 Madison in the third quarter of 2015 and the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$5.2 million), and accounting write-offs (\$4.4 million) related to the space previously leased to Aeropostale at 1515 Broadway following the tenant's bankruptcy.

Equity in Net Income in Unconsolidated Joint Venture

Equity in net income from unconsolidated joint ventures decreased because of additional depreciation expense from the deconsolidation of 11 Madison Avenue (\$8.0 million inclusive of \$10.5 million of depreciation), partially offset by increased revenue from a debt and preferred equity investment that was contributed to a joint venture in the first quarter of 2016 (\$1.5 million).

Equity in Net Gain on Sale of Interest in Unconsolidated Joint Ventures/Real Estate

During the three months ended September 30, 2015, we recognized a gain on sale associated with the sale of our joint venture interest at 315 West 36th Street (\$16.3 million), partially offset by a loss on the sale of our joint venture interest at The Meadows (\$1.6 million).

Gain on Sale of Real Estate

During the three months ended September 30, 2015, we recognized a gain on sale associated with the sale of 120 West 45th Street (\$58.6 million) and an 80% interest in 131-137 Spring Street (\$101.1 million).

Depreciable Real Estate Reserves

During the three months ended September 30, 2015, we recorded a \$19.2 million charge in connection with the expected sale of two of our properties.

Comparison of the Nine Months Ended September 30, 2016 to the Nine Months Ended September 30, 2015

The following comparison for the nine months ended September 30, 2016, or 2016, to the nine months ended September 30, 2015, or 2015, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2015 and still owned by us in the same manner at September 30, 2016 and totaled 55 of our 69 consolidated operating properties, (ii) the effect of the “Acquisition Properties,” which represents all properties or interests in properties acquired in 2016 and 2015 and all non-Same-Store Properties, including properties that are under development, redevelopment or were deconsolidated during the period, and (iii) “Other,” which represents corporate level items not allocable to specific properties, including the Service Corporation and eMerge Inc. Any assets sold or held for sale prior to January 1, 2016 are excluded from income from continuing operations and from the following discussion.

(in millions)	Same-Store				Acquisition		Other		Consolidated			
	2016	2015	\$ Change	% Change	2016	2015	2016	2015	2016	2015	\$ Change	% Change
Rental revenue	\$ 762.2	\$ 751.6	\$ 10.6	1.4 %	\$ 131.2	\$ 19.1	\$ 150.5	\$ 155.3	\$ 1,043.9	\$ 926.0	\$ 117.9	12.7 %
Escalation and reimbursement	133.1	123.3	9.8	7.9 %	13.0	2.4	1.3	4.9	147.4	130.6	16.8	12.9 %
Investment income	—	—	—	— %	—	—	174.3	136.6	174.3	136.6	37.7	27.6 %
Other income	5.3	19.9	(14.6)	(73.4)%	1.0	6.7	117.8	17.6	124.1	44.2	79.9	180.8 %
Total revenues	900.6	894.8	5.8	0.6 %	145.2	28.2	443.9	314.4	1,489.7	1,237.4	252.3	20.4 %
Property operating expenses	401.1	390.9	10.2	2.6 %	34.1	4.6	12.0	27.6	447.2	423.1	24.1	5.7 %
Transaction related costs	—	—	—	— %	0.7	7.5	5.3	2.5	6.0	10.0	(4.0)	(40.0)%
Marketing, general and administrative	—	—	—	— %	—	—	74.0	72.1	74.0	72.1	1.9	2.6 %
	401.1	390.9	10.2	2.6 %	34.8	12.1	91.3	102.2	527.2	505.2	22.0	4.4 %
Operating income	\$ 499.5	\$ 503.9	\$ (4.4)	(0.9)%	\$ 110.4	\$ 16.1	\$ 352.6	\$ 212.2	\$ 962.5	\$ 732.2	\$ 230.3	31.5 %
Other income (expenses):												
Interest expense and amortization of deferred financing costs, net of interest income									(276.5)	(255.4)	(21.1)	8.3 %
Depreciation and amortization									(717.0)	(454.1)	(262.9)	57.9 %
Equity in net income from unconsolidated joint ventures									12.0	10.6	1.4	13.2 %
Equity in net gain on sale of interest in unconsolidated joint venture/real estate									43.6	16.0	27.6	172.5 %
Gain on sale of real estate, net									210.8	159.7	51.1	32.0 %
Depreciable real estate reserves									(10.4)	(19.2)	8.8	(45.8)%
Loss on sale of investment in marketable securities									(0.1)	—	(0.1)	(100.0)%
Income from continuing operation									224.9	189.8	35.1	18.5 %
Net income from discontinued operations									—	0.4	(0.4)	(100.0)%
Gain on sale of discontinued operations									—	13.0	(13.0)	(100.0)%
Net income									\$ 224.9	\$ 203.2	\$ 21.7	10.7 %

Rental, Escalation and Reimbursement Revenues

Rental revenues increased primarily as a result of the properties acquired (\$112.1 million), which included the acquisition of 100% interest of 11 Madison in the third quarter of 2015 and the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$80.0 million), the consolidation of 600 Lexington Avenue (\$15.2 million), and the acquisition of 110 Greene Street (\$10.3 million) in the third quarter of 2015, while Same-Store Property revenues increased by (\$10.6 million). In addition, rental revenues increased as a result of the accelerated recognition of non-cash deferred income from 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale (\$37.1 million). These increases were partially offset by the sales of 120 West 45th Street (\$18.3 million) and 885 Third Avenue (\$11.8 million), as well as accounting write-offs (\$17.4 million) and decreased cash revenue (\$2.0 million) related to space previously leased to Aeropostale at 1515 Broadway following the the tenant's bankruptcy.

Escalation and reimbursement revenue increased primarily as a result of higher real estate tax recoveries at the Same-Store Properties (\$9.8 million) and Acquisition Properties (\$10.6 million) attributable to an increase in the related tax expense. This was partially offset by decreased real estate tax recoveries due to the sale of 120 West 45th Street (\$4.9 million).

Occupancy in our Same-Store Manhattan combined office operating properties, including leases signed but not yet commenced increased to 97.5% at September 30, 2016 as compared to 97.3% at September 30, 2015. Occupancy for our Same-Store Suburban combined office operating portfolio, including leases signed but not yet commenced, increased to 85.4% at September 30, 2016 as compared to 84.3% at September 30, 2015.

The following table presents a summary of the commenced leasing activity for the nine months ended September 30, 2016 in our Manhattan and Suburban portfolio:

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Manhattan							
Vacancy at beginning of year	1,395,967						
Properties placed in service	235,629						
Space which became available during the year ⁽³⁾							
• Office	791,005						
• Retail	74,926						
• Storage	13,315						
	<u>879,246</u>						
Total space available	2,510,842						
Leased space commenced during the year:							
• Office ⁽⁴⁾	1,376,774	1,475,799	\$ 69.18	\$ 60.60	\$ 56.33	7.1	10.6
• Retail	71,861	84,463	\$ 162.54	\$ 119.40	\$ 53.77	5.8	16.6
• Storage	30,604	30,940	\$ 23.97	\$ 25.59	\$ 38.45	14.9	12.6
Total leased space commenced	<u>1,479,239</u>	<u>1,591,202</u>	\$ 73.25	\$ 61.90	\$ 55.85	7.2	11.0
Total available space at end of year	<u>1,031,603</u>						
Early renewals							
• Office	1,561,150	1,678,965	\$ 73.43	\$ 56.96	\$ 31.12	3.5	10.7
• Retail	59,800	63,963	\$ 127.14	\$ 101.93	\$ 37.13	0.6	11.9
• Storage	13,757	10,496	\$ 20.70	\$ 53.41	\$ —	0.2	17.7
Total early renewals	<u>1,634,707</u>	<u>1,753,424</u>	\$ 75.07	\$ 58.57	\$ 31.15	3.4	10.8
Total commenced leases, including replaced previous vacancy							
• Office		3,154,764	\$ 71.44	\$ 58.01	\$ 42.91	5.2	10.7
• Retail		148,426	\$ 147.29	\$ 105.65	\$ 46.60	3.6	14.6
• Storage		41,436	\$ 23.14	\$ 47.40	\$ 28.71	11.1	13.9
Total commenced leases		<u>3,344,626</u>	\$ 74.21	\$ 59.53	\$ 42.90	5.2	10.9

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) (1)	Prev. Escalated Rent (per rentable SF) (2)	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Suburban							
Vacancy at beginning of period	1,175,375						
Properties placed in service	(7,134)						
Sold Vacancies	(56,158)						
Space which became available during the year ⁽³⁾							
• Office	207,651						
• Retail	2,336						
• Storage	360						
	<u>210,347</u>						
Total space available	1,322,430						
Leased space commenced during the year:							
• Office ⁽⁵⁾	324,489	327,157	\$ 32.03	\$ 34.87	\$ 43.74	7.1	9.0
• Retail	2,336	2,336	\$ 31.04	\$ 31.04	\$ 6.47	3.5	9.3
• Storage	3,758	4,141	\$ 13.36	\$ 11.05	\$ —	2.9	5.9
Total leased space commenced	<u>330,583</u>	<u>333,634</u>	\$ 31.79	\$ 34.75	\$ 42.94	7.0	9.0
Total available space at end of the year	<u>991,847</u>						
Early renewals							
• Office	269,399	277,791	\$ 38.80	\$ 37.56	\$ 16.87	4.4	5.1
• Retail	—	—	\$ —	\$ —	\$ —	—	—
• Storage	1,996	1,996	\$ 10.57	\$ 10.57	\$ —	—	3.7
Total early renewals	<u>271,395</u>	<u>279,787</u>	\$ 38.60	\$ 37.37	\$ 16.75	4.4	5.1
Total commenced leases, including replaced previous vacancy							
• Office		604,948	\$ 35.14	\$ 36.60	\$ 31.40	5.9	7.2
• Retail		2,336	\$ 31.04	\$ 31.04	\$ 6.47	3.5	9.3
• Storage		6,137	\$ 12.45	\$ 10.64	\$ —	2.0	5.1
Total commenced leases		<u>613,421</u>	\$ 34.89	\$ 36.43	\$ 30.99	5.8	7.2

(1) Annual initial base rent.

(2) Escalated rent is calculated as total annual income less electric charges.

(3) Includes expiring space, relocating tenants and move-outs where tenants vacated. Excludes lease expirations where tenants held over.

(4) Average starting office rent excluding new tenants replacing vacancies was \$64.92 per rentable square feet for 685,017 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$70.96 per rentable square feet for 2,363,982 rentable square feet.

(5) Average starting office rent excluding new tenants replacing vacancies was \$34.17 per rentable square feet for 134,535 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$37.48 per rentable square feet for 380,812 rentable square feet.

Investment Income

Investment income increased primarily as a result of additional income recognized from the recapitalization of a debt investment (\$41.0 million). This increase was partially offset by a lower weighted average yield and balance during the first nine months of 2016. For the nine months ended September 30, 2016, the weighted average debt and preferred equity investment balance outstanding and weighted average yield were \$1.5 billion and 9.8%, respectively, compared to \$1.6 billion and 10.2%, respectively, for the same period in 2015. As of September 30, 2016, the debt and preferred equity investments had a weighted average term to maturity of 1.6 years.

Other Income

Other income increased primarily as a result of the lease termination fee earned in connection with the termination of the lease with Citigroup, Inc. at 388-390 Greenwich Street (\$94.0 million) and promote income earned in connection with the sale of 33 Beekman (\$10.8 million), partially offset by a lease termination fee received at 919 Third Avenue in 2015 (\$11.3 million).

Property Operating Expenses

Property operating expenses increased primarily due to the acquisition of 100% interest of 11 Madison in the third quarter of 2015 and the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$10.6 million), the consolidation of 600 Lexington Avenue (\$3.4 million) in the fourth quarter of 2015, and increases in real estate taxes at our Same-Store properties (\$10.9 million). These increases were partially offset by the sale of 120 West 45th Street in the third quarter of 2015 (\$4.9 million).

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses for the nine months ended September 30, 2016 were \$74.0 million, or 4.4% of total revenues including our share of joint venture revenues, and 53 basis points of total assets including our share of joint venture assets compared to \$72.1 million, or 5.1% of total revenues including our share of joint venture revenues, and 68 basis points of total assets including our share of joint venture assets for the same period in 2015.

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

Interest expense, net of interest income, increased primarily as a result of 11 Madison Avenue (\$27.4 million) which was acquired in the third quarter of 2015 and partially sold in the third quarter of 2016, partially offset by the repayment of the mortgages in connection with the sale of 388-390 Greenwich Street in the second quarter of 2016 (\$8.4 million) and of 120 West 45th Street in the fourth quarter of 2015 (\$7.7 million). The weighted average consolidated debt balance outstanding increased from \$8.7 billion for the nine months ended September 30, 2015 to \$9.1 billion for the nine months ended September 30, 2016. The weighted average interest rate decreased from 3.85% for the nine months ended September 30, 2015 to 3.79% for the nine months ended September 30, 2016.

Depreciation and Amortization

Depreciation and amortization increased primarily as a result of the accelerated depreciation expense related to 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale (\$329.7 million). The increase is also driven by the acquisition of 100% interest of 11 Madison in the third quarter of 2015 and the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$60.0 million). These increases were partially offset by the accelerated depreciation in 2015 related to vacating the properties that comprise the One Vanderbilt development site (\$146.6 million).

Equity in Net Income from Unconsolidated Joint Ventures

Equity in net income from unconsolidated joint ventures increased primarily as a result of higher net income contributions from 1552-1560 Broadway (\$4.6 million) as a result of the settlement in February 2016 of arbitration regarding a tenant's rent at the property, and revenue from a debt and preferred equity investment that was contributed to a joint venture in the first quarter of 2016 (\$3.2 million). These increases were partially offset by a decrease from 800 Third Avenue as a result of the \$156.1 million upside in the mortgage loan at the property in the first quarter of 2016 (\$2.1 million).

Equity in Net Gain on Sale of Interest in Unconsolidated Joint Ventures

During the nine months ended September 30, 2016, we recognized a gain on sale associated with the sale of our joint venture interests at 33 Beekman (\$33.0 million), 7 Renaissance Square (\$4.2 million), 1 Jericho (\$3.3 million) and EOP Denver (\$2.8 million), compared to the gain for the same period in 2015 which was associated with the partial sale of 315 West 36th Street (\$16.3 million).

Gain on Sale of Real Estate

During the nine months ended September 30, 2016, we recognized gains on sale associated with the sale of the property at 388-390 Greenwich (\$206.5 million) and 248-252 Bedford Avenue in Brooklyn, New York (\$15.3 million), which were partially offset by the loss on the sale of 7 International Drive, Westchester County, NY (\$6.9 million). The gain during the same period in 2015 can be attributed to the sale of 131-137 Spring Street (\$101.1 million) and 120 West 45th Street (\$58.6 million).

Depreciable Real Estate Reserves

During the nine months ended September 30, 2016, we recognized depreciable real estate reserves related to the sale of 500 West Putnam (\$10.4 million), as compared to the same period in 2015 when we recognized depreciable real estate reserves related to the sale of two properties (\$19.2 million).

Discontinued Operations

Discontinued operations for the nine months ended September 30, 2015 includes the gain recognized on the sale of 180 Maiden Lane (\$17.0 million) and the related results of operations. The Company adopted ASU 2014-08 effective January 1, 2015 which raised the threshold for disposals to qualify as discontinued operations to dispositions which represent a strategic shift in an entity's operations. The guidance was applied prospectively for new disposals. As a result, the results of operations for 388-390

Greenwich Street, which was classified as held for sale at March 31, 2016, 500 West Putnam Avenue, which was classified as held for sale at June 30, 2016 and 400 East 57th Street which was held for sale at September 30, 2016, are included in continuing operations for the three and nine months ended September 30, 2016.

Reconciliation of Same-Store Operating Income to Same-Store Net Operating Income

We present Same-Store net operating income, or Same-Store NOI, because we believe that this measure provides investors with useful information regarding the operating performance of properties that are comparable for the periods presented. We determine Same-Store NOI by subtracting Same-Store property operating expenses and ground rent from Same-Store rental revenues and other income. Our method of calculation may be different from methods used by other REITs, and, accordingly, may not be comparable to such other REITs. None of these measures is an alternative to net income (determined in accordance with GAAP) and Same-Store performance should not be considered an alternative to GAAP net income performance.

For properties owned since January 1, 2015 and still owned and operated at September 30, 2016, Same-Store NOI is determined as follows (in millions):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	\$ Change	% Change	2016	2015	\$ Change	% Change
Rental revenues	\$ 291.5	\$ 299.8	\$ (8.3)	(2.8)%	\$ 895.3	\$ 875.0	\$ 20.3	2.3 %
Other income	1.8	4.8	(3.0)	(62.5)%	5.3	19.9	(14.6)	(73.4)%
Total revenues	293.3	304.6	(11.3)	(3.7)%	900.6	894.9	5.7	0.6 %
Property operating expenses	139.5	134.8	4.7	3.5 %	401.1	391.0	10.1	2.6 %
Operating income	153.8	169.8	(16.0)	(9.4)%	499.5	503.9	(4.4)	(0.9)%
Less: Non-building NOI	(0.5)	(0.4)	(0.1)	25.0 %	(1.6)	(1.1)	(0.5)	45.5 %
Same-Store NOI	153.3	169.4	(16.1)	(9.5)%	497.9	502.8	(4.9)	(1.0)%
Free rent (net of amortization)	2.7	1.8	0.9	50.0 %	4.1	7.3	(3.2)	(43.8)%
Straight-line revenue & other adjustments	8.5	7.6	0.9	11.8 %	25.2	29.5	(4.3)	(14.6)%
Rental Income - FAS 141	(7.2)	5.3	(12.5)	(235.8)%	0.3	13.2	(12.9)	(97.7)%
Ground lease straight-line adjustment	0.4	0.5	(0.1)	(20.0)%	1.4	1.4	—	— %
Allowance for straight-line tenant credit loss	8.4	0.2	8.2	4,100.0 %	10.3	(1.4)	11.7	(835.7)%
Cash NOI	\$ 158.1	\$ 155.4	\$ 2.7	1.7 %	\$ 480.0	\$ 452.8	\$ 27.2	6.0 %

Liquidity and Capital Resources

We currently expect that our principal sources of funds to meet our short-term and long-term liquidity requirements for working capital, acquisitions, 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 common or preferred equity or debt offerings by the Company, the Operating Partnership (including issuances of units of limited partnership interest in the Operating Partnership and Trust preferred securities) or ROP.

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

The combined aggregate principal maturities of our property mortgages and other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of September 30, 2016 are as follows (in thousands):

	Remaining 2016	2017	2018	2019	2020	Thereafter	Total
Property mortgages and other loans	\$ 90,630	\$ 778,796	\$ 166,668	\$ 62,048	\$ 723,693	\$ 1,906,198	\$ 3,728,033
MRA and FHLB facilities	24,000	205,000	134,642	—	—	—	363,642
Corporate obligations	—	345,000	250,000	1,183,000	250,000	400,000	2,428,000
Joint venture debt-our share	38,253	534,720	41,933	554,686	30,298	1,494,287	2,694,177
Total	\$ 152,883	\$ 1,863,516	\$ 593,243	\$ 1,799,734	\$ 1,003,991	\$ 3,800,485	\$ 9,213,852

As of September 30, 2016, we had \$466.2 million of consolidated cash on hand, inclusive of \$60.4 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may seek to divest of properties or interests in properties or access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us at efficient levels or at all. Management believes that these sources of liquidity, if we are able to access them, along with potential refinancing opportunities for secured debt, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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

Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in "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 \$405.9 million and \$244.4 million at September 30, 2016 and 2015, respectively, representing an increase of \$161.5 million. The increase was a result of the following changes in cash flows (in thousands):

	Nine Months Ended September 30,		
	2016	2015	Increase (Decrease)
Net cash provided by operating activities	\$ 508,792	\$ 322,999	\$ 185,793
Net cash provided by investing activities	\$ 2,405,173	\$ (1,986,426)	\$ 4,391,599
Net cash used in financing activities	\$ (2,763,468)	\$ 1,626,378	\$ (4,389,846)

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

Cash is used in investing activities to fund acquisitions, 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 nine months ended September 30, 2016, when compared to the nine months ended September 30, 2015, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate property	\$	2,536,682
Additions to land, buildings and improvements		(49,422)
Escrowed cash—capital improvements/acquisition deposits/deferred purchase price		203,009
Investments in unconsolidated joint ventures		58,361
Distributions in excess of cumulative earnings from unconsolidated joint ventures		82,413
Net proceeds from disposition of real estate/joint venture interest		1,347,666
Proceeds from sale of marketable securities		6,436
Purchases of marketable securities		(15,293)
Other investments		20,126
Origination of debt and preferred equity investments		(93,546)
Repayments or redemption of debt and preferred equity investments		295,167
Net cash provided by investing activities	\$	<u>4,391,599</u>

Funds spent on capital expenditures, which comprise building and tenant improvements, increased from \$219.8 million for the nine months ended September 30, 2015 to \$269.2 million for the nine months ended September 30, 2016, relating primarily to increased costs incurred in connection with the redevelopment of properties.

We generally fund our investment activity through the sale of real estate, property-level financing, our 2012 credit facility, our MRA facility, senior unsecured notes, convertible or exchangeable securities, construction loans and from time to time, Company issued common or preferred stock, or the Operating Partnership may issue common or preferred units of limited partnership interest. During the nine months ended September 30, 2016, when compared to the nine months ended September 30, 2015, we used cash for the following financing activities (in thousands):

Proceeds from mortgages and other loans payable	\$	(1,449,811)
Repayments of mortgages and other loans payable		(1,104,748)
Proceeds from revolving credit facility and senior unsecured notes		(869,700)
Repayments of revolving credit facility and senior unsecured notes		(803,597)
Proceeds from stock options exercised and DRIP issuance		(99,995)
Proceeds from sale of common stock		(124,794)
Redemption of preferred stock		(2,799)
Distributions to noncontrolling interests in other partnerships		102,572
Contributions from noncontrolling interests in other partnerships		(9,912)
Distributions to noncontrolling interests in the Operating Partnership		(2,228)
Dividends paid on common and preferred stock		(42,881)
Other obligations related to mortgage loan participations		34,150
Deferred loan costs and capitalized lease obligation		(16,103)
Decrease in net cash used in financing activities	\$	<u>(4,389,846)</u>

Capitalization

Our authorized capital stock consists of 260,000,000 shares, \$0.01 par value per share, consisting of 160,000,000 shares of common stock, \$0.01 par value per share, 75,000,000 shares of excess stock, at \$0.01 par value per share, and 25,000,000 shares of preferred stock, \$0.01 par value per share. As of September 30, 2016, 100,264,253 shares of common stock and no shares of excess stock were issued and outstanding.

As of September 30, 2016, SL Green had 9,200,000 shares of our 6.50% Series I Cumulative Redeemable Preferred Stock, or Series I Preferred Stock, outstanding. In addition, persons other than the Company held Preferred Units of limited partnership interests in the Operating Partnership having an aggregate liquidation preference of \$304.9 million.

In August 2016, our board of directors approved a stock repurchase plan under which we can buy up to \$1.0 billion of shares of our common stock. As of September 30, 2016, we have not repurchased any shares under the plan.

At-The-Market Equity Offering Program

In March 2015, the Company, along with the Operating Partnership, entered into a new ATM Program to sell an aggregate of \$300.0 million of SL Green's common stock. During the year ended December 31, 2015, we sold 91,180 shares of our common stock for aggregate net proceeds of \$12.0 million. The net proceeds from these offerings were contributed to the Operating Partnership in exchange for 91,180 units of limited partnership interest of the Operating Partnership. The Company did not make any sales of its common stock under an ATM program in the first nine months of 2016.

Dividend Reinvestment and Stock Purchase Plan

In February 2015, the Company filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRSP, which automatically became effective upon filing. The Company registered 3,500,000 shares of SL Green's common stock under the DRSP. The DRSP commenced on September 24, 2001.

The following table summarizes SL Green common stock issued, and proceeds received from dividend reinvestments and/or stock purchases under the DRSP for the nine months ended September 30, 2016 and 2015, respectively (dollars in thousands):

	Nine Months Ended September 30,	
	2016	2015
Shares of common stock issued	1,432	775,316
Dividend reinvestments/stock purchases under the DRSP	\$ 145,916	\$ 99,529

Fourth Amended and Restated 2005 Stock Option and Incentive Plan

The Fourth Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by the Company's board of directors in April 2016 and its stockholders in June 2016 at the Company's annual meeting of stockholders. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 27,030,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the 2005 Plan. As of September 30, 2016, 10.3 million fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan.

2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients could earn, in the aggregate, from \$15.0 million up to \$75.0 million of LTIP Units in the Operating Partnership based on the Company's stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, \$25.0 million of awards could be earned at any time after the beginning of the second year and an additional \$25.0 million of awards could be earned at any time after the beginning of the third year. In order to achieve maximum performance under the 2010 Long-Term Compensation Plan, the Company's aggregate stock price appreciation during the performance period had to equal or exceed 50%. The compensation committee determined that maximum performance had been achieved at or shortly after the beginning of each of the second and third years of the performance period and for the full performance period and, accordingly, 385,583 LTIP Units, 327,416 LTIP Units and 327,416 LTIP Units were earned under the 2010 Long-Term Compensation Plan in December 2010, 2011 and 2012, respectively. Substantially in accordance with the original terms of the program, 50% of these LTIP Units vested on December 17, 2012 (accelerated from the original January 1, 2013 vesting date), 25% of these LTIP Units vested on December 11, 2013 (accelerated from the original January 1, 2014 vesting date) and the remainder vested on January 1, 2015 based on continued employment. In accordance with the terms of the 2010 Long-Term Compensation Plan, distributions were not paid on any LTIP Units until they were earned, at which time we paid all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period.

The cost of the 2010 Long-Term Compensation Plan (\$31.7 million, subject to forfeitures) was amortized into earnings through the final vesting period of January 1, 2015.

2011 Outperformance Plan

In August 2011, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2011 Outperformance Plan, or the 2011 Outperformance Plan. Participants in the 2011 Outperformance Plan could earn, in the aggregate, up to \$85.0 million of LTIP Units in the Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2011. Under the 2011 Outperformance Plan, participants were entitled to share in a "performance pool" comprised of LTIP Units with a value equal to 10% of the amount by which our total return to stockholders during the three-year period exceeded a cumulative total return to stockholders of 25%, subject to the maximum of \$85.0 million of LTIP Units; provided that if maximum performance was achieved, one-third of each award could be earned at any time after the beginning of the second year and an additional one-third of each award could be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan are subject to continued vesting requirements, with 50% of any awards earned vested on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants were not entitled to distributions with respect to LTIP Units granted under the 2011 Outperformance Plan unless and until they were earned. For LTIP Units that were earned, each participant was also entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of additional LTIP Units. Thereafter, distributions are to be paid currently with respect to all earned LTIP Units, whether vested or unvested. In June 2014, the compensation committee determined that maximum performance had been achieved during the third year of the performance period and, accordingly, 560,908 LTIP Units, representing two-thirds of each award, were earned, subject to vesting, under the 2011 Outperformance Plan. In September 2014, the compensation committee determined that maximum performance had been achieved for the full three-year performance period and, accordingly, 280,454 LTIP units, representing the final third of each award, were earned, subject to vesting, under the 2011 Outperformance Plan.

The cost of the 2011 Outperformance Plan (\$26.7 million, subject to forfeitures) was amortized into earnings through the final vesting period. We recorded no compensation expense during the three and nine months ended September 30, 2016, and \$0.6 million and \$4.5 million during the three and nine months ended September 30, 2015, respectively, related to the 2011 Outperformance Plan.

2014 Outperformance Plan

In August 2014, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2014 Outperformance Plan, or the 2014 Outperformance Plan. Participants in the 2014 Outperformance Plan may earn, in the aggregate, up to 610,000 LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2014. For each individual award, two-thirds of the LTIP Units may be earned based on the Company's absolute total return to stockholders and one-third of the LTIP Units may be earned based on relative total return to stockholders compared to the constituents of the MSCI REIT Index. Awards earned based on absolute total return to stockholders will be determined independently of awards earned based on relative total return to stockholders. In the event the Company's performance reaches either threshold before the end of the three-year performance period, a pro-rata portion of the maximum award may be earned. For each component, if the Company's performance reaches the maximum threshold beginning with the 19th month of the performance period, participants will earn one-third of the maximum award that may be earned for that component. If the Company's performance reaches the maximum threshold during the third year of the performance period for a component, participants will earn two-thirds (or an additional one-third) of the maximum award that may be earned for that component. LTIP Units earned under the 2014 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2017 and the remaining 50% vesting on August 31, 2018, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2014 Outperformance Plan unless and until they are earned. If LTIP Units are earned, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of cash or additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

The cost of the 2014 Outperformance Plan (\$27.9 million, subject to forfeitures), based on the portion of the 2014 Outperformance Plan granted as of September 30, 2016, will be amortized into earnings through the final vesting period. We recorded compensation expense of \$1.8 million and \$6.6 million during the three and nine months ended September 30, 2016, respectively, related to the 2014 Outperformance Plan. We recorded compensation expense of \$1.5 million and \$4.4 million during the three and nine months ended September 30, 2015, respectively, related to the 2014 Outperformance Plan.

Deferred Compensation Plan for Directors

Under our Non-Employee Director's Deferral Program, which commenced July 2004, the Company's non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees, meeting fees and annual stock grant. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The program provides that a director's phantom stock units generally will be settled in an equal number of shares of common stock upon the earlier of

(i) the January 1 coincident with or the next following such director's termination of service from the Board of Directors or (ii) a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of SL Green's common stock on the first business day of the respective quarter. Each participating non-employee director is also credited with dividend equivalents or phantom stock units based on the dividend rate for each quarter, which are either paid in cash currently or credited to the director's account as additional phantom stock units.

During the nine months ended September 30, 2016, 8,136 phantom stock units were earned and 9,014 shares of common stock were issued to our board of directors. We recorded compensation expense of \$0.2 million and \$1.9 million during the three and nine months ended September 30, 2016 related to the Deferred Compensation Plan. We recorded compensation expense of \$0.1 million and \$1.8 million during the nine months ended September 30, 2015 related to the Deferred Compensation Plan. As of September 30, 2016, there were 88,902 phantom stock units outstanding pursuant to our Non-Employee Director's Deferral Program.

Employee Stock Purchase Plan

In 2007, the Company's board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase the Company's shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. The Company filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of September 30, 2016, 93,288 shares of SL Green's common stock had been issued under the ESPP.

Market Capitalization

At September 30, 2016, borrowings under our mortgages and other loans payable, 2012 credit facility, senior unsecured notes, trust preferred securities and our share of joint venture debt represented 43% of our combined market capitalization of \$20.8 billion (based on a common stock price of \$108.1 per share, the closing price of SL Green's common stock on the NYSE on September 30, 2016). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in the Operating Partnership, and our share of joint venture debt.

Indebtedness

The table below summarizes our consolidated mortgages and other loans payable, 2012 credit facility, senior unsecured notes and trust preferred securities outstanding at September 30, 2016 and December 31, 2015, (amounts in thousands).

Debt Summary:	September 30, 2016	December 31, 2015
Balance		
Fixed rate	\$ 4,686,562	\$ 6,190,382
Variable rate—hedged	807,739	1,041,872
Total fixed rate	5,494,301	7,232,254
Variable rate	(293,370)	2,023,719
Variable rate—supporting variable rate assets	1,304,360	1,178,775
Total variable rate	1,010,990	3,202,494
Total	\$ 6,505,291	\$ 10,434,748
Percent of Total Debt:		
Fixed rate	84.5%	69.3%
Variable rate	15.5%	30.7%
Total	100.0%	100.0%
Effective Interest Rate for the Year:		
Fixed rate	4.38%	4.63%
Variable rate	2.06%	1.74%
Effective interest rate	3.79%	3.78%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.53% and 0.43% at September 30, 2016 and December 31, 2015, respectively). Our consolidated debt at September 30, 2016 had a weighted average term to maturity of 4.40 years.

Certain of our debt and equity investments and other investments, with a carrying value of \$1.3 billion at September 30, 2016, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt.

Mortgage Financing

As of September 30, 2016, our total mortgage debt (excluding our share of joint venture mortgage debt of \$2.7 billion) consisted of \$3.6 billion of fixed rate debt, including swapped variable rate debt, with an effective weighted average interest rate of 4.66% and \$0.5 billion of variable rate debt with an effective weighted average interest rate of 2.49%.

Corporate Indebtedness

2012 Credit Facility

In August 2016, we entered into an 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 September 30, 2016, the 2012 credit facility, as amended, consisted of a \$1.6 billion revolving credit facility and a \$1.2 billion 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 September 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 September 30, 2016, the applicable spread was 125 basis points for revolving credit facility and 140 basis points for the term loan facility. At September 30, 2016, the effective interest rate was 1.73% for the revolving credit facility and 2.25% 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 September 30, 2016, the facility fee was 25 basis points.

As of September 30, 2016, we had \$56.5 million of outstanding letters of credit, zero drawn under the revolving credit facility and \$1.2 billion outstanding under the term loan facility, with total undrawn capacity of \$1.5 billion under the 2012 credit facility.

At September 30, 2016 and December 31, 2015, the revolving credit facility had a carrying value of \$(6.9) million, representing deferred financing costs presented within other liabilities, and \$985.1 million, respectively, net of deferred financing costs. At September 30, 2016 and December 31, 2015, the term loan facility had a carrying value of \$1.2 billion and \$929.5 million, respectively, net of deferred financing costs.

The Company, the Operating Partnership and ROP are all borrowers jointly and severally obligated under the 2012 credit facility. None of our other subsidiaries are obligors under the 2012 credit facility.

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

Federal Home Loan Bank of New York Facility

The Company's wholly-owned subsidiary, Belmont Insurance Company, or Belmont, a New York licensed captive insurance company, is a member of the Federal Home Loan Bank of New York, or FHLB NY. As a member, Belmont may borrow funds from the FHLB NY in the form of secured advances. As of September 30, 2016, we had \$229.0 million in outstanding secured advances with a weighted average borrowing rate of 0.90%.

On January 12, 2016, the Federal Housing Finance Agency, or FHFA, adopted a final regulation on Federal Home Loan Bank, or FHLB, membership. The rule excludes captive insurance entities from FHLB membership on a going-forward basis and provides termination rules for current captive insurance members. Unless the final rule is modified, Belmont's membership will terminate on February 19, 2017, at which point we would be required to repay all funds borrowed from the FHLB NY.

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 225 and 400 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 our access to additional liquidity through the 2012 credit facility, as defined below.

At September 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 \$6.4 billion and \$10.8 billion, respectively.

Senior Unsecured Notes

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

Issuance	September 30, 2016 Unpaid Principal Balance	September 30, 2016 Accreted Balance	December 31, 2015 Accreted Balance	Coupon Rate ⁽¹⁾	Effective Rate	Term (in Years)	Maturity Date
October 12, 2010 ⁽²⁾	\$ 345,000	\$ 330,754	\$ 321,130	3.00%	3.00%	7	October 2017
August 5, 2011 ⁽³⁾	250,000	249,862	249,810	5.00%	5.00%	7	August 2018
March 16, 2010 ⁽³⁾	250,000	250,000	250,000	7.75%	7.75%	10	March 2020
November 15, 2012 ⁽³⁾	200,000	200,000	200,000	4.50%	4.50%	10	December 2022
December 17, 2015 ⁽³⁾	100,000	100,000	100,000	4.27%	4.27%	10	December 2025
March 26, 2007 ⁽⁴⁾	—	—	10,008				
March 31, 2006 ⁽⁵⁾	—	—	255,296				
	\$ 1,145,000	\$ 1,130,616	\$ 1,386,244				
Deferred financing costs, net		\$ (6,163)	\$ (7,280)				
	\$ 1,145,000	\$ 1,124,453	\$ 1,378,964				

(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 the Operating Partnership. Interest on these exchangeable notes is payable semi-annually on April 15 and October 15. The notes had an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of SL Green's common stock on October 6, 2010, or \$85.81. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 12.5697 shares of SL Green's common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of SL Green's common stock, if any, at our option. As a result of meeting specified events (as defined in the Indenture Agreement), these notes became exchangeable commencing January 1, 2016 and will remain exchangeable through September 30, 2016. The notes are guaranteed by ROP. On the issuance date, \$78.3 million of the debt balance was recorded in equity. As of September 30, 2016, \$14.2 million remained to be amortized into the debt balance.

(3) Issued by the Company, the Operating Partnership and ROP, as co-obligors.

(4) Balance was repaid in September 2016.

(5) Issued by ROP, balance was repaid in March 2016.

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, our 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 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, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable the Company to continue to qualify as a REIT for Federal income tax purposes. As of September 30, 2016 and December 31, 2015, we were in compliance with all such covenants.

Junior Subordinated Deferrable Interest Debentures

In June 2005, the Company and the Operating Partnership issued \$100.0 million in unsecured trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of the Operating Partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015. Thereafter, the interest rate will float at 125 basis points over the three-month LIBOR. Interest payments may be deferred for a period of up to eight consecutive quarters if the Operating Partnership exercises its right to defer such payments. The Trust preferred securities are redeemable at the option of the Operating Partnership, in whole or in part, with no prepayment premium. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our consolidated balance sheets and the related payments are classified as interest expense.

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 the use of interest rate derivatives instruments and/or through our variable rate debt and preferred equity investments. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2016 would decrease

our annual interest cost, net of interest income from variable rate debt, by \$2.8 million and would increase our share of joint venture annual interest cost by \$11.5 million. At September 30, 2016, \$1.2 billion of our \$1.8 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.

Our long-term debt of \$5.5 billion 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 and variable rate joint venture debt as of September 30, 2016 bore interest based on a spread of LIBOR plus 28 basis points to LIBOR plus 417 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 nine months ended September 30, 2016

Off-Balance Sheet Arrangements

We have off-balance sheet investments, including joint ventures and debt and preferred equity investments. These investments all have varying ownership structures. Substantially all of our joint venture arrangements are accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control, over the operating and financial decisions of these joint venture arrangements. Our off-balance sheet arrangements are discussed in Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying consolidated financial statements.

Capital Expenditures

We estimate that for the year ending December 31, 2016, we expect to incur \$71.6 million of recurring capital expenditures and \$57.5 million of development or redevelopment expenditures, net of loan reserves, (including tenant improvements and leasing commissions) on existing consolidated properties, and our share of capital expenditures at our joint venture properties, net of loan reserves, will be \$16.5 million. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect to fund these capital expenditures with operating cash flow, existing liquidity, or incremental borrowings. 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, potential asset sales, borrowings or additional equity or debt issuances.

Dividends/Distributions

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of \$2.88 per share, we would pay \$288.7 million in dividends to SL Green's common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under the 2012 credit facility and senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements.

Income earned from profit participation, which is included in other income on the consolidated statements of operations, was \$0.8 million and \$2.6 million for the three and nine months ended September 30, 2016, respectively, and was \$0.9 million and \$2.9 million for the three and nine months ended September 30, 2015, respectively.

We also recorded expenses for these services, inclusive of capitalized expenses, of \$5.3 million and \$16.1 million for the three and nine months ended September 30, 2016, respectively (excluding services provided directly to tenants), and \$5.7 million and \$14.3 million for the three and nine months ended September 30, 2015, respectively.

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. We received management fees from this entity of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2016. We received management fees from this entity of \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2015.

Insurance

We maintain “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, 2016. 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 assets, respectively. Additional coverage may be purchased on a stand-alone basis for certain assets.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, to act as a captive insurance company and as one of the elements of our overall insurance program. Belmont is a subsidiary of ours. 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 mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2012 credit facility, senior unsecured notes and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from “all-risk” insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments allowing the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders prevail in asserting that we are required to maintain full coverage for these risks, it could result in substantially higher insurance premiums.

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

We monitor all properties that are subject to triple net leases to ensure that tenants 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.

Funds from Operations

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

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

FFO for the three and nine months ended September 30, 2016 and 2015 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income attributable to SL Green common stockholders	\$ 34,252	\$ 163,658	\$ 190,930	\$ 167,829
Add:				
Depreciation and amortization	112,665	146,185	717,015	454,087
Joint venture depreciation and noncontrolling interest adjustments	23,349	10,796	42,191	23,853
Net income attributable to noncontrolling interests	2,499	7,132	14,416	19,851
Less:				
Gain on sale of real estate and discontinued operations	397	159,704	210,750	172,687
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	225	15,281	43,588	16,050
Depreciation on non-rental real estate assets	509	500	1,505	1,525
Depreciable real estate reserves	—	(19,226)	(10,387)	(19,226)
Funds from Operations attributable to SL Green common stockholders and noncontrolling interests	\$ 171,634	\$ 171,512	\$ 719,096	\$ 494,584
Cash flows provided by operating activities	\$ 135,414	\$ 89,540	\$ 508,792	\$ 322,999
Cash flows used in investing activities	\$ 278,426	\$ (1,728,493)	\$ 2,405,173	\$ (1,986,426)
Cash flows provided by financing activities	\$ (284,170)	\$ 1,667,417	\$ (2,763,468)	\$ 1,626,378

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, Long Island and New Jersey office markets, business strategies, expansion and growth of our operations and other similar matters, are forward-looking statements. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate.

Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially, and we caution you not to place undue reliance on such statements. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or the negative of these words, or other similar words or terms.

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

- the effect of 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;
- our ability to comply with financial covenants in our debt instruments;
- our 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.

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 - Market Risk" in this Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2016 for the Company and the Operating Partnership and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Rate Risk" in the Annual Report on Form 10-K for the year ended December 31, 2015 for the Company and the Operating Partnership. Our exposures to market risk have not changed materially since December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

SL GREEN REALTY CORP.

Evaluation of Disclosure Controls and Procedures

The Company maintains 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 the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) of the Exchange Act. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Also, the Company has investments in certain unconsolidated entities. As the Company does not control these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those the Company maintains with respect to its consolidated subsidiaries.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting during the quarter ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

SL GREEN OPERATING PARTNERSHIP, L.P.

Evaluation of Disclosure Controls and Procedures

The Operating Partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Operating Partnership's 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 the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's 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 the Operating Partnership to disclose material information otherwise required to be set forth in the Operating Partnership's periodic reports. Also, the Operating Partnership has investments in certain unconsolidated entities. As the Operating Partnership does not control these entities, the Operating Partnership's disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those it maintains with respect to its consolidated subsidiaries.

As of the end of the period covered by this report, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures. Based upon that evaluation as of the end of the period covered by this report, the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner concluded that the Operating Partnership's disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Operating Partnership 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 the Operating Partnership's internal control over financial reporting during the quarter ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

As of September 30, 2016, the Company and the Operating Partnership 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

As of September 30, 2016 there have been no material changes to the Risk Factors disclosed in "Part I. Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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

During the three months ended September 30, 2016 the Operating Partnership issued no units of limited partnership interest in connection with an acquisition. SL Green may satisfy redemption requests for the units issued in the transaction described above with shares of SL Green's common stock, on a one-for-one basis, pursuant to the Operating Partnership agreement. The units were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

In August 2016, our board of directors approved a stock repurchase plan under which we can buy up to \$1.0 billion shares of our common stock. As of September 30, 2016, we have not repurchased any shares under the plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 3.1 Twenty-fifth Amendment to the first Amended and Restated Agreement of Limited Partnership of SL Green Operating Partnership L.P., filed herewith.
- 31.1 Certification by the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification by the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.3 Certification by the Chief Executive Officer of the Company, the sole general partner of the Operating Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.4 Certification by the Chief Financial Officer of the Company, the sole general partner of the Operating Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.3 Certification by the Chief Executive Officer of the Company, the sole general partner of the Operating Partnership pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.4 Certification by the Chief Financial Officer of the Company, the sole general partner of the Operating Partnership pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 101.10 The following financial statements from SL Green Realty Corp. and SL Green Operating Partnership L.P.'s Quarterly Report on Form 10-Q for the three months ended September 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 Equity (unaudited), (v) Consolidated Statement of Capital (unaudited) (vi) Consolidated Statements of Cash Flows (unaudited), and (vii) Notes to Consolidated Financial Statements (unaudited), detail tagged and filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SL GREEN REALTY CORP.

By: SL Green Realty Corp.

/s/ Matthew J. DiLiberto

By: Matthew J. DiLiberto
Chief Financial Officer

Dated: November 9, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stephen L. Green</u> Stephen L. Green	Chairman of the Board of Directors of SL Green, the sole general partner of the Operating Partnership	November 9, 2016
<u>/s/ Marc Holliday</u> Marc Holliday	Chief Executive Officer and Director of SL Green, the sole general partner of the Operating Partnership (Principal Executive Officer)	November 9, 2016
<u>/s/ Andrew W. Mathias</u> Andrew W. Mathias	President and Director of SL Green, the sole general partner of the Operating Partnership	November 9, 2016
<u>/s/ Matthew J. DiLiberto</u> Matthew J. DiLiberto	Chief Financial Officer of SL Green, the sole general partner of the Operating Partnership (Principal Financial and Accounting Officer)	November 9, 2016
<u>/s/ John H. Alschuler, Jr.</u> John H. Alschuler, Jr.	Director of SL Green, the sole general partner of the Operating Partnership	November 9, 2016
<u>/s/ Edwin T. Burton, III</u> Edwin T. Burton, III	Director of SL Green, the sole general partner of the Operating Partnership	November 9, 2016
<u>/s/ John S. Levy</u> John S. Levy	Director of SL Green, the sole general partner of the Operating Partnership	November 9, 2016
<u>/s/ Craig M. Hatkoff</u> Craig M. Hatkoff	Director of SL Green, the sole general partner of the Operating Partnership	November 9, 2016
<u>/s/ Betsy S. Atkins</u> Betsy S. Atkins	Director of SL Green, the sole general partner of the Operating Partnership	November 9, 2016

SIGNATURES

SL GREEN OPERATING PARTNERSHIP, L.P.

Twenty-Fifth Amendment to
First Amended and Restated Agreement of Limited Partnership

This Amendment (this "Amendment") is made as of June 17, 2016, by SL GREEN REALTY CORP., a Maryland corporation, as general partner (the "General Partner"), of SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Partnership"), for the purpose of amending the First Amended and Restated Agreement of Limited Partnership of the Partnership dated August 20, 1997, as amended (the "Partnership Agreement"). All capitalized terms used herein and not defined shall have the respective meanings ascribed to them in the Partnership Agreement.

WHEREAS, the Partnership desires to amend the Partnership Agreement, pursuant to Sections 4.02.A, 5.04, 6.02 and 14.01.B of the Partnership Agreement, to, among other things, provide for equity incentives to certain persons who provide services for the benefit of the Partnership in the form of a new class of Units designated as "Class O LTIP Units" (as defined below);

NOW, THEREFORE,

1. The General Partner hereby amends the Agreements as follows:

A. Article 1 of the Partnership Agreement is amended by inserting the following definitions in alphabetical order:

"Class O LTIP Unit Sharing Percentage" means, for a Class O LTIP Unit, the percentage that is specified as the Class O LTIP Unit Sharing Percentage in the Vesting Agreement or other documentation pursuant to which such Class O LTIP Unit is issued or, if no such percentage is specified, 10%.

"Class O LTIP Unit" has the meaning set forth in Section 4.2.C.

B. Section 4.2.C of the Partnership Agreement is amended by replacing the text thereof with the following:

"Classes of Partnership Units. From and after the Effective Date, subject to Section 4.2.A above, the Partnership shall have two classes of Partnership Units, entitled "Class A Units" and "Class B Units." From and after March 15, 2006, the Partnership shall have an additional class of Partnership Units, entitled "LTIP Units." From and after June 17, 2016, the Partnership shall have an additional class of Partnership Units, entitled "Class O LTIP Units." Either Class A Units or Class B Units, at the election of the General Partner, in its sole and absolute discretion, may be issued to newly admitted Partners in exchange for the contribution by such Partners of cash, real estate partnership interests, stock, notes or other assets or consideration, provided that, any Partnership Unit that is not specifically designated by the General Partner as being of a particular class shall be deemed to be a Class A Unit."

C. Section 4.2.D of the Partnership Agreement is amended by replacing the text thereof with the following:

"Issuance of LTIP Units and Class O LTIP Units. From time to time the General Partner may issue LTIP Units and/or Class O LTIP Units to Persons providing services to or for the benefit of the Partnership. LTIP Units shall have the rights, powers, privileges, restrictions, qualifications and limitations specified in Exhibit F-1 hereto. Class O LTIP Units shall have the rights, powers, privileges, restrictions, qualifications and limitations specified in Exhibit F-2 hereto. LTIP Units and Class O LTIP Units are intended to qualify as profits interests in the Partnership and for the avoidance of doubt, the provisions of Section 4.4 shall not apply to the issuance of LTIP Units or Class O LTIP Units."

D. Section 5.1.F of the Partnership Agreement is amended by replacing the text thereof with the following:

"LTIP Units and Class O LTIP Units Intended to Qualify as Profits Interests. Distributions made pursuant to this Section 5.1 shall be adjusted as necessary to ensure that the amount apportioned to each LTIP Unit or Class O LTIP Unit does not exceed the amount attributable to items of Partnership income or gain realized after the date such LTIP Unit or Class O LTIP Unit, as applicable, was issued by the Partnership. The intent of this Section 5.1.F is to

ensure that any LTIP Units and Class O LTIP Units issued after the date of this Agreement qualify as “profits interests” under Revenue Procedure 93-27, 1993-2 C.B. 343 (June 9, 1993) and Revenue Procedure 2001-43, 2001-2 C.B. 191 (August 3, 2001), and Section 5.1 shall be interpreted and applied consistently therewith. The General Partner at its discretion may amend this Section 5.1.F to ensure that any LTIP Units or Class O LTIP Units granted after the date of this Agreement will qualify as “profits interests” under Revenue Procedure 93-27, 1993-2 C.B. 343 (June 9, 1993) and Revenue Procedure 2001-43, 2001-2 C.B. 191 (August 3, 2001) (and any other similar rulings or regulations that may be in effect at such time).”

E. Section 6.1.E of the Partnership Agreement is amended and restated as follows:

“Special Allocations With Respect to LTIP Units. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto, and notwithstanding the provisions of Sections 6.1.A and 6.1.B above, but subject to the prior allocation of income and gain under clauses 6.1.A(i) through (v) above, any Liquidating Gains shall first be allocated to the holders of LTIP Units and Class O LTIP Units until the Economic Capital Account Balances of such holders, to the extent attributable to their ownership of LTIP Units and Class O LTIP Units, are equal to (A) (i) the Class A Unit Economic Balance, multiplied by (ii) the sum of (1) the number of their LTIP Units and (2) the number of Class A Units into which their Class O LTIP Units would then be convertible, assuming for such purpose that such Class O LTIP Units were Vested Class O LTIP Units plus (B) with respect to Special LTIP Units and/or Class O LTIP Units, the aggregate net amount of Net Income and Net Loss allocated to such Special LTIP Units and/or Class O LTIP Units prior to the Distribution Participation Date with respect to such Special LTIP Units and/or Class O LTIP Units less the amount of any Special LTIP Unit Distributions and/or Class O LTIP Distributions with respect to such Special LTIP Units and/or Class O LTIP Units; provided that no such Liquidating Gains will be allocated with respect to any particular LTIP Unit and/or Class O LTIP Unit unless and to the extent that such Liquidating Gains, when aggregated with other Liquidating Gains realized since the issuance of such LTIP Unit and/or Class O LTIP Unit, exceed Liquidating Losses realized since the issuance of such LTIP Unit and/or Class O LTIP Unit. After giving effect to the special allocations set forth in Section 1 of Exhibit C hereto, and notwithstanding the provisions of Sections 6.1.A and 6.1.B above, in the event that, due to distributions with respect to Class A Units in which the LTIP Units and/or Class O LTIP Units do not participate, a revaluation of assets pursuant to Exhibit B, or otherwise, the Economic Capital Account Balance of any present or former holder of LTIP Units and/or Class O LTIP Units, to the extent attributable to the holder’s ownership of LTIP Units and/or Class O LTIP Units, exceeds the target balance specified above, then Liquidating Losses shall be allocated to such holder to the extent necessary to reduce or eliminate the disparity. In the event that Liquidating Gains or Liquidating Losses are allocated under this Section 6.1.E or Section 6.1.F, Net Income allocable under clause 6.1.A(vi) and any Net Losses shall be recomputed without regard to the Liquidating Gains or Liquidating Losses so allocated. For this purpose, “Liquidating Gains” means any net capital gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership, including but not limited to net capital gain realized in connection with an adjustment to the Carrying Value of Partnership assets under Section 1.D of Exhibit B to this Agreement. Similarly, “Liquidating Losses” means any net capital loss realized in connection with any such event. The “Economic Capital Account Balances” of the holders of LTIP Units and/or Class O LTIP Units will be equal to their Capital Account balances, plus the amount of their shares of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to their ownership of LTIP Units and/or Class O LTIP Units. Similarly, the “Class A Unit Economic Balance” shall mean (i) the Capital Account balance of the General Partner, plus the amount of the General Partner’s share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner’s ownership of Class A Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under this Section 6.1.E, divided by (ii) the number of the General Partner’s Class A Units. Any such allocations shall first be made among the holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.1.E and next to the holders of Class O LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.1.E. The parties agree that the intent of this Section 6.1.E and Section 6.1.F is to make the Capital Account balance associated with (x) each LTIP Unit economically equivalent to the Capital Account balance associated with one of the General Partner’s Class A Units and (y) each Class O LTIP Unit economically equivalent to the Capital Account balance associated with a number of Class A Units of the General Partner equal to the number of Class A Units (or fractions thereof), if any, into which such Class O LTIP Unit would then be convertible, assuming for such purpose that such Class O LTIP Unit was a Vested Class O LTIP Unit (in each case, on a per-unit basis and, with respect to Special LTIP Units and/or Class O LTIP Units, other than differences resulting from the allocation of Net Income and Net Loss to Special LTIP Units and/or Class O LTIP Units prior to the Distribution Participation Date with respect to such Units pursuant to Section 3 of Exhibit F-1 or Exhibit F-2, as applicable, in excess of the amount of Special LTIP Unit Distributions or Class O LTIP Units paid with respect

thereto), but only if the Partnership has recognized cumulative net gains with respect to its assets since the issuance of the relevant LTIP Unit and/or Class O LTIP Units.”

C. Section 6.1 of the Partnership Agreement is hereby amended by appending the following to the end of such Section as a new Section 6.1.F:

“Special Allocation upon Conversion of Class O LTIP Unit. After a holder’s conversion of a Class O LTIP Unit into a fraction of a Class A Unit and after giving effect to the special allocations set forth in Section 1 of Exhibit C and in Section 6.1.E, and notwithstanding the provisions of Sections 6.1.A and 6.1.B above, but subject to the prior allocation of income and gain under clauses 6.1.A(i) through (v) above, the Partnership will specially allocate Liquidating Gain and Liquidating Loss to the Partners until and in a manner that causes, as promptly as practicable, the portion of the Economic Capital Account Balance of the Partner converting the Class O LTIP Unit that is attributable to the fraction of a Class A Unit received upon the conversion to equal the Class A Unit Economic Balance multiplied by a fraction equal to the fraction of the Class A Unit issued in the conversion.”

D. Section 8.6.A of the Partnership Agreement is hereby amended by replacing the phrases “LTIP Unit” and “LTIP Units” with the phrases “LTIP Unit or Class O LTIP Unit” and “LTIP Units or Class O LTIP Units,” respectively.

E. Exhibit F to the Partnership Agreement is hereby redesignated as “Exhibit F-1.” All references to “Exhibit F” in the Partnership Agreement or Exhibit F-1 shall be replaced with references to “Exhibit F-1.”

F. The Partnership Agreement is hereby amended by appending Exhibit F-2 to this Amendment as Exhibit F-2 to the Partnership Agreement.

2. Except as modified herein, all terms and conditions of the Partnership Agreement shall remain in full force and effect.

3. This Amendment shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to conflicts of law.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Partnership Agreement as of the date first set forth above.

GENERAL PARTNER:

SL GREEN REALTY CORP.

By: /s/ Andrew S. Levine

Name: Andrew S. Levine

Title: Executive Vice President

EXHIBIT F-2

SL GREEN OPERATING PARTNERSHIP, L.P.

DESIGNATION OF THE RIGHTS, POWERS, PRIVILEGES,
RESTRICTIONS, QUALIFICATIONS AND LIMITATIONS
OF THE CLASS O LTIP UNITS

The following are the terms of the Class O LTIP Units:

1. Vesting.
 - A. Vesting, Generally. Class O LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of a Vesting Agreement (as defined in Exhibit F-1). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the terms of any plan pursuant to which the Class O LTIP Units are issued, if applicable. Class O LTIP Units that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as “Vested Class O LTIP Units”; all other Class O LTIP Units are referred to as “Unvested Class O LTIP Units.” Subject to the terms of any Vesting Agreement, a holder of Class O LTIP Units shall be entitled to transfer his or her Class O LTIP Units to the same extent, and subject to the same restrictions as holders of Class A Units are entitled to transfer their Class A Units pursuant to Article XI of the Agreement.
 - B. Forfeiture or Transfer of Unvested Class O LTIP Units. Unless otherwise specified in the relevant Vesting Agreement, upon the occurrence of any event specified in a Vesting Agreement as resulting in either the forfeiture of any Class O LTIP Units, or the right of the Partnership or the General Partner to repurchase Class O LTIP Units at a specified purchase price, then upon the occurrence of the circumstances resulting in such forfeiture or if the Partnership or the General Partner exercises such right to repurchase, then the relevant Class O LTIP Units shall immediately, and without any further action, be treated as cancelled or transferred to the General Partner, as applicable, and no longer outstanding for any purpose. Unless otherwise specified in the Vesting Agreement, no consideration or other payment shall be due with respect to any Class O LTIP Units that have been forfeited, other than any distributions declared with a record date prior to the effective date of the forfeiture. In connection with any forfeiture or repurchase of Class O LTIP Units, the balance of the portion of the Capital Account of the holder that is attributable to all of his or her Class O LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.1.E of the Agreement, calculated with respect to the holder’s remaining Class O LTIP Units, if any
 - C. Legend. Any certificate evidencing a Class O LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the Class O LTIP Unit.
2. Distributions.
 - A. Class O LTIP Unit Distributions. In the event that the Partnership makes a distribution to the holders of Class A Units and the record date for determining the Partners eligible to receive such distributions is on or after the Distribution Participation Date for a Class O LTIP Unit, the holder of such Class O LTIP Unit shall be entitled to receive, if, when and as authorized by the General Partner out of funds legally available for the payment of distributions, a distribution in an amount per unit equal to the product of (A) the Class O LTIP Unit Sharing Percentage and (B) the amount per Class A Unit of such distribution. Such distributions shall be payable on such dates and in such manner as may be authorized by the General Partner (any such payment date, a “Distribution Payment Date”); provided that the Distribution Payment Date and the record date for determining which holders of Class O LTIP Units are entitled to receive a distribution shall be the same as the corresponding dates relating to the corresponding distribution on the Class A Units.
 - B. Distribution Participation Date. The “Distribution Participation Date” for each Class O LTIP Unit will be such date as may be specified in the Vesting Agreement or other documentation pursuant to which such Class

O LTIP Units are issued or, if no such date is specified, the date on which such Class O LTIP Unit becomes a Vested Class O LTIP Unit.

- C. **Class O LTIP Unit Special Distributions.** As of the Distribution Participation Date for a Class O LTIP Unit that is not forfeited on or prior to such Distribution Participation Date, the holder of such Class O LTIP Unit (regardless of any conversion or other disposition of their Class O LTIP Units) will be entitled to receive a special distribution (the “Class O LTIP Unit Special Distribution”) with respect to such unit equal to the Class O LTIP Unit Special Distribution Amount for such unit. The “Class O LTIP Unit Special Distribution Amount” with respect to a Class O LTIP Unit equals (i) the amount of cash distributions per unit that were paid on the Class A Units that had record dates for determining the Partners eligible to receive such distributions on or after the date of the issuance of such Class O LTIP Unit (or such other date as is specified as the “Distribution Measurement Date” in the Vesting Agreement or other documentation pursuant to which such Class O LTIP Unit is issued) and prior to the Distribution Participation Date for such Class O LTIP Unit multiplied by (ii) the Class O LTIP Unit Sharing Percentage for such Class O LTIP Unit; provided that such amount shall not exceed the positive balance of the Capital Account of such holder to the extent attributable to such Class O LTIP Unit. The Class O LTIP Unit Special Distribution for a Class O LTIP Unit will be payable on the first Distribution Payment Date on or after the Distribution Participation Date for such Class O LTIP Unit if and when authorized by the General Partner out of funds legally available for the payment of distributions; provided that, to the extent not otherwise prohibited by the terms of Partnership Interests entitled to any preference in distribution and authorized by the General Partner out of funds legally available for the payment of distributions, such Class O LTIP Unit Special Distribution may be paid prior to such Distribution Payment Date. On or after the Distribution Participation Date with respect to a Class O LTIP Unit, no distributions (other than in Class A Units, Class B Units, LTIP Units or other Partnership Interests ranking on parity with or junior to such units as to distributions and upon liquidation, dissolution or winding up of the affairs of the Partnership) shall be declared or paid or set apart for payment upon the Class A Units, the Class B Units, the LTIP Units or any other Partnership Interests ranking on parity with or junior to the Class O LTIP Unit as to distributions for any period (other than Class O LTIP Unit Special Distributions with respect to Class O LTIP Units that had an earlier Distribution Participation Date) unless the full amount of any Class O LTIP Unit Special Distributions due with respect to such Class O LTIP Unit have been or contemporaneously are declared and paid.”
3. **Allocations.** Holders of Class O LTIP Units shall be allocated Net Income and Net Loss, for any taxable year or portion of a taxable year occurring after the issuance of such Class O LTIP Units in amounts per Class O LTIP Unit equal to (i) the amounts allocated per Class A Unit for the same period multiplied by (ii) the Class O LTIP Unit Sharing Percentage for such Class O LTIP Units. The allocations provided by this Section 3 of Exhibit F-2 shall be subject to the proviso to the first sentence of Section 6.1.B of the Agreement.
4. **Adjustments.** If an Adjustment Event as defined in Exhibit F-1 (or other similar event that the General Partner determines would require an adjustment to LTIP Units) occurs, the General Partner shall make such corresponding adjustment to each Class O LTIP Unit as the General Partner determines is appropriate to maintain the same correspondence ratio between such Class O LTIP Unit and the Class A Units as existed immediately prior to such Adjustment Event or other event.
5. **Ranking.** Except as specifically provided otherwise, the Class O LTIP Units shall rank on parity with the Class A Units in all respects.
6. **No Liquidation Preference.** The Class O LTIP Units shall have no liquidation preference.
7. **Right to Convert Class O LTIP Units into Class A Units.**
- A. **Conversion Right.** A holder of Class O LTIP Units shall have the right (the “Class O Conversion Right”), at his or her option, at any time to convert all or a portion of his or her Vested Class O LTIP Units into Class A Units. In order to exercise his or her Class O Conversion Right, a holder of Class O LTIP Units shall deliver a notice (a “Class O Conversion Notice”) in the form attached as Attachment A to this Exhibit F-2 to the Partnership. Holders of Class O LTIP Units shall not have the right to convert Unvested Class O LTIP Units into Class A Units until they become Vested Class O LTIP Units; provided, however, that when a holder of Class O LTIP Units is notified of the expected occurrence of an event that will cause his or her Unvested Class O LTIP Units to become Vested Class O LTIP Units (or at such other times as is permitted by the General Partner), such Person may give the Partnership a Class O Conversion Notice conditioned upon and

effective as of the time of vesting (or the occurrence of such other event as may be permitted by the General Partner), and such Class O Conversion Notice shall become effective upon the time of such vesting (or such other event) unless it is revoked by the holder of the Class O LTIP Units prior to such time. In all cases, the conversion of any Class O LTIP Units into Class A Units shall be subject to the conditions and procedures set forth in this Section 7.

- B. Mandatory Conversion. On the Mandatory Conversion Date, Vested Class O LTIP Units that have not previously been converted shall be converted into Class A Units without any further action. The “Mandatory Conversion Date” shall mean, for each Class O LTIP Unit, the date specified as such in the relevant Vesting Agreement or, if no such date is specified, the date that is 10 years after the issuance of such Class O LTIP Unit.
- C. Forced Conversion in Connection with a Sale Event. Upon the effective time of a Sale Event (as defined below), at the election of the General Partner, either (i) all then outstanding Class O LTIP Units shall vest and be converted into Class A Units (a “Forced Conversion”) or (ii) the Class O LTIP Units will remain outstanding and continue with appropriate adjustment pursuant to Section 4 above (and any other similar adjustment provisions applicable to the Class O LTIP Units). A “Sale Event” shall mean (i) the sale of all or substantially all of the assets of the General Partner Entity on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation in which the outstanding shares of Common Stock are converted into or exchanged for securities of the successor entity and the voting securities of the General Partner Entity outstanding immediately prior to such merger, reorganization or consolidation would (A) represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) less than 50% of the total voting power of the voting securities of the surviving entity outstanding immediately after such merger, reorganization or consolidation or (B) cease to have the power to elect at least a majority of the board of directors or other governing body of such surviving entity, or (iii) the sale of all of the Common Stock of the General Partner Entity to an unrelated person or entity.
- In the event of a Forced Conversion, the Partnership shall use commercially reasonable efforts to cause each holder of Class O LTIP Units to be afforded the right to receive, in connection with the Sale Event in consideration for the Class A Units into which his or her Class O LTIP Units will be converted, the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Sale Event by a holder of the same number of Class A Units, assuming such holder of Class A Units is not a Constituent Person or an affiliate of a Constituent Person. Regardless of whether the General Partner elects to cause a Forced Conversion, in the event the Partnership is a party to a transaction pursuant to which Class A Units shall be exchanged for or converted into the right to receive cash, securities or other property, then, prior to the completion of such transaction, the General Partner shall give written notice to each holder of Class O LTIP Units, and shall use commercially reasonable efforts to afford such holders the right to elect the form or type of consideration to be received with respect to each Class A Unit issuable upon conversion of each Class O LTIP Unit held by such holder to the same extent as the holders of the Class A Units.
- D. Conversion Date. The date on which a Vested Class O LTIP Unit shall be converted into Class A Units (the “Class O Conversion Date” for such unit) shall be: (i) in the event of a conversion upon the exercise of the Class O Conversion Right, the date on which the Partnership receives the Class O Conversion Notice for the conversion of such Vested Class O LTIP Unit (or, if later, the date upon which such Class O Conversion Notice becomes effective), (ii) in the event of a conversion as a result of a Forced Conversion, upon the effective time of the applicable Sale Event or (iii) in the event of a conversion upon the Mandatory Conversion Date, the Mandatory Conversion Date.
- E. Number of Units Convertible. A holder of Vested Class O LTIP Units may convert each such Vested Class O LTIP Unit into a number (or fraction thereof) of fully paid and non-assessable Class A Units, giving effect to all adjustments (if any) made pursuant to Section 4, equal to the Class O LTIP Conversion Factor (as defined below) for such Vested Class O LTIP Unit on the Class O Conversion Date for such Vested Class O LTIP Unit. The “Class O LTIP Unit Conversion Factor” shall mean, for a Class O LTIP Unit as of a particular date, the quotient of (i) the excess of the Class O Conversion Value over the Class O LTIP Unit Participation Threshold (as defined below) for such Class O LTIP Unit as of such date (or, if there is no excess, zero), divided by (ii) the Class O Conversion Value. The “Class O Conversion Value” of a Class O LTIP Unit as of a particular date means the Common Stock Price multiplied by the Conversion Factor, in each case, as of such date. “Common Stock Price” means, as of a particular date, (i) if shares of the common stock (or other comparable equity interest) of the General Partner Entity (“Common Stock”), are then listed on a national stock exchange, the closing sales price per share of Common Stock on the exchange for such date (or, if such date is not a trading date or there were no sales on such date, the most recent prior trading date on which

there was a sale of shares of Common Stock on such exchange), as determined by the General Partner, (ii) if shares of Common Stock are not then listed on a national stock exchange but are then traded on an over-the-counter market, the average of the closing bid and asked prices for the shares of Common Stock in such over-the-counter market for such date (or, if such date is not a trading date or there were not quoted prices on such date, the most recent prior trading date on which there were such quoted prices for such shares of Common Stock in such market), as determined by the General Partner, or (iii) if shares of Common Stock are not then listed on a national stock exchange or traded on an over-the-counter market, such value as the General Partner in its discretion may in good faith determine; provided that, where the shares of common stock are so listed or traded, the General Partner may make such discretionary determinations where the shares of Common Stock have not been traded for 10 trading days; provided that, notwithstanding the foregoing, the Common Stock Price as of the date of a Sale Event shall be the value, as determined by the General Partner, of the consideration payable, or otherwise to be received by stockholders, per share of Common Stock pursuant to the Sale Event. The “Class O LTIP Unit Participation Threshold” shall mean, for each Class O LTIP Unit, the amount specified as such in the relevant Vesting Agreement or other documentation pursuant to which such Class O LTIP Unit is granted.

- F. Conversion Procedures. A conversion of Vested Class O LTIP Units for which the holder thereof has given a Class O Conversion Notice or that have converted upon the Mandatory Conversion Date or a Forced Conversion shall occur automatically after the close of business on the applicable Class O Conversion Date without any further action on the part of such holder of Class O LTIP Units, as of which time such holder of Class O LTIP Units shall be credited on the books and records of the Partnership with the issuance of the number of Class A Units issuable upon such conversion. After the conversion of Class O LTIP Units as aforesaid, the Partnership shall deliver to such holder of Class O LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Class A Units and remaining Class O LTIP Units, if any, held by such Person immediately after such conversion.
- G. Treatment of Capital Account. For purposes of making future allocations under Section 6.1.E of the Agreement, the portion of the Economic Capital Account balance of the applicable holder of Class O LTIP Units that is treated as attributable to his or her Class O LTIP Units shall be reduced, as of a Class O Conversion Date, by the product of the number of Class A Units into which such holder’s Class O LTIP Units were converted on such date multiplied by the Class A Unit Economic Balance.
- 8. Redemption at the Option of the Partnership. Class O LTIP Units will not be redeemable at the option of the Partnership; provided, however, that the foregoing shall not prohibit the Partnership from repurchasing Class O LTIP Units from the holder thereof if and to the extent such holder agrees to sell such units.
- 9. Voting Rights.
 - A. No Voting Rights. Except as provided in Section 9.B, holders of Class O LTIP Units shall not have the right to vote on any matters submitted to a vote of the Limited Partners
 - B. Special Approval Rights. The General Partner and/or the Partnership shall not, without the affirmative consent of the holders of sixty-six and two-thirds percent (66 2/3%) of the then outstanding Class O LTIP Units, given in person or by proxy, either in writing or at a meeting, take any action that would materially and adversely alter, change, modify or amend the rights, powers or privileges of the Class O LTIP Units; but subject in any event to the following provisions: (i) no consent of the holders of Class O LTIP Units will be required with respect to any alteration, change, modification or amendment of the rights, powers or privileges of the Class A Units that applies on a substantially similar basis to all holders of Class A Units; (ii) with respect to the occurrence of any merger, consolidation or other business combination or reorganization, so long as either (x) there is a Forced Conversion of all outstanding Class O LTIP Unit in accordance with Section 7 hereof, (y) the Class O LTIP Units remain outstanding with the terms thereof materially unchanged or (z) if the Partnership is not the surviving entity in such transaction, the Class O LTIP Units are exchanged for a security of the surviving entity with terms that are materially the same with respect to rights to allocations, distributions, redemption, conversion and voting as the Class O LTIP Units and without any income, gain or loss expected to be recognized by the holder upon the exchange for federal income tax purposes (and with the terms of the Class A Units or such other securities into which the Class O LTIP Units (or the substitute security therefor) are convertible materially the same with respect to rights to allocations, distributions, redemption, conversion and voting), the occurrence of any such event shall not be deemed to materially and adversely alter, change, modify or amend the rights, powers or privileges of the Class O LTIP

Units; (iii) any creation or issuance of any Class A Units or of any class of series of common or preferred units of the Partnership (whether ranking on parity with, junior to or senior to the Class O LTIP Units with respect to payment of distributions, redemption rights and the distribution of assets upon liquidation, dissolution or winding up), which either (x) does not require the consent of the holders of Class A Units or (y) does require such consent and is authorized by a vote of the holders of Class A Units, together with any other class or series of units of limited partnership interest in the Partnership upon which like voting rights have been conferred, shall not be deemed to materially and adversely alter, change, modify or amend the rights, powers or privileges of the Class O LTIP Units; and (iv) any waiver by the Partnership of restrictions or limitations applicable to any outstanding Class O LTIP Units with respect to any holder or holders thereof shall not be deemed to materially and adversely alter, change, modify or amend the rights, powers or privileges of the Class O LTIP Units with respect to other holders. The foregoing voting provisions will not apply if, as of or prior to the time when the action with respect to which such vote would otherwise be required will be taken or be effective, all outstanding Class O LTIP Units shall have been converted, or provision is made for such conversion to occur as of or prior to such time.

**Notice of Election by Partner to Convert
Class O LTIP Units into Class A Units**

The undersigned holder of Class O LTIP Units hereby irrevocably elects to convert the number of Vested Class O LTIP Units in SL Green Operating Partnership, L.P. (the "Partnership") set forth below into Class A Units in accordance with the terms of the First Amended and Restated Agreement of Limited Partnership of the Partnership, as amended. The undersigned hereby represents, warrants, and certifies that the undersigned: (a) has title to such Class O LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such Class O LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____
(Please Print: Exact Name as Registered with Partnership)

Class O LTIP Units to be Converted

Number of Class O LTIP Units: _____

Issuance Date of Class O LTIP Units: _____

Class O LTIP Unit Participation Threshold: _____

(Signature of Holder: Sign Exact Name as Registered with Partnership)

(Street Address)

(City) (State) (Zip Code)

Signature Guaranteed by: _____

CERTIFICATION**I, Marc Holliday, certify that:**

1. I have reviewed this quarterly report on Form 10-Q of SL Green Realty Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2016

/s/ Marc Holliday

Name: Marc Holliday

Title: Chief Executive Officer

CERTIFICATION**I, Matthew J. DiLiberto, certify that:**

1. I have reviewed this quarterly report on Form 10-Q of SL Green Realty Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2016

/s/ Matthew J. DiLiberto

Name: Matthew J. DiLiberto
Title: Chief Financial Officer

CERTIFICATION**I, Marc Holliday, certify that:**

1. I have reviewed this quarterly report on Form 10-Q of SL Green 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2016

/s/ Marc Holliday

Name: Marc Holliday
Title: Chief Executive Officer
of SL Green Realty Corp., the
general partner of the registrant

CERTIFICATION**I, Matthew J. DiLiberto, certify that:**

1. I have reviewed this quarterly report on Form 10-Q of SL Green 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Matthew J. DiLiberto

Name: Matthew J. DiLiberto
Title: Chief Financial Officer
of SL Green Realty Corp., the
general partner of the registrant

November 9, 2016

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

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc Holliday

Name: Marc Holliday
Title: Chief Executive Officer

November 9, 2016

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

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew J. DiLiberto

Name: Matthew J. DiLiberto
Title: Chief Financial Officer

November 9, 2016

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

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ Marc Holliday

Name: Marc Holliday
Title: Chief Executive Officer
of SL Green Realty Corp., the
general partner of the Operating Partnership

November 9, 2016

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

In connection with the Quarterly Report of SL Green Operating Partnership, L.P. (the "Operating Partnership") on Form 10-Q as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew J. DiLiberto, Chief Financial Officer of SL Green Realty Corp, the sole general partner of the Operating Partnership, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

/s/ Matthew J. DiLiberto

Name: Matthew J. DiLiberto
Title: Chief Financial Officer
of SL Green Realty Corp., the
general partner of the Operating Partnership

November 9, 2016