

It happens here.

SL GREEN REALTY CORP.

2012 ANNUAL REPORT
FIFTEENTH ANNIVERSARY



*In the world of real estate,
New York City is where it happens...
and, in the NYC real estate market,
SL Green is it.*







STANDING FROM LEFT TO RIGHT
Andrew W. Mathias, *President* | Marc Holliday, *Chief Executive Officer*

SEATED
Stephen L. Green, *Chairman of the Board*

To Our Fellow Shareholders

As we do every year, this past December at our Annual Investor Conference we brought together hundreds of investors and Wall Street analysts to discuss SL Green's activities and results, as well as the environment in which we operate. I always enjoy this event because it gives me the opportunity to talk directly to a large number of our shareholders and the investment community at one time. I know that my fellow executives and senior staff at the company all look forward to the day's spirited personal interactions as well.

A subject always on the agenda is the New York economic climate—a review of what's happening here overall in our renowned city and how it affects the real estate marketplace. As New York City's largest commercial landlord, SL Green's success as a company is closely tied to local market dynamics. How well we spot and even create new opportunities, take advantage of them and adjust to avoid potential setbacks, determines how well we deliver value to you, our shareholders, year after year.

One of New York's most enduring features is constant change. It was 200 years ago that Mayor Philip Hone observed, "The whole of New York is rebuilt about once in ten years." Nearly a century later, the illustrious American author O. Henry wrote, "It'll be a great place if they ever finish it."

Well, New York is still certainly being rebuilt in many places and it may never be finished, but it has and always will be great. That's what makes the New York real estate business so rewarding and why this is such an exciting time for us at SL Green. We embrace change and the evolution of New York wholeheartedly and we hope that we are effectively communicating that fact to you in this 2012 Annual Report, just as we endeavored to do at our Annual Investor Conference.

For several years, we've watched the new World Trade Center neighborhood take shape. We've seen Downtown Manhattan diversify commercially and evolve into a more attractive residential location and center of higher education. Likewise, ongoing redevelopment efforts in areas of Brooklyn, Queens and Midtown South are creating exciting new communities where people want to live, work, shop and play. Times Square—already the tourism capital of America—has emerged as one of the world's great retail hubs as well. In each of these instances, SL Green has been an active participant in the transformation of these markets.

While the core of the Midtown Manhattan office market certainly remains strong, we are now witnessing the early signs of a new community being born on the west side of Midtown Manhattan. At the same time, and ultimately more significantly, the City has proposed thoughtful planning for the modernization and growth of its most important commercial district—the Midtown East area around Grand Central Terminal. All over New York City, the residential sector has rebounded strongly from the 2007–2010 economic downturn, creating opportunities both for condominium developers and for owner/operators of rental properties.

In 2012 and early 2013, along with other core activities, SL Green moved forward in taking advantage of many of these market developments. Highlights include:

- In April 2012, we signed Viacom to a long-term renewal agreement that will expand its space at 1515 Broadway to 1.6 million square feet over time. This was the largest-ever office lease in Midtown and created significant appreciation in the asset's value as evidenced by its recent refinancing. Also at 1515 Broadway, SL Green wowed Times Square visitors by rolling out the next-generation digital advertising signage that will be used in other locations as well.
- With joint venture partner Jeff Sutton, we inked a 30,000-square-foot lease with national retailer Express—one of the largest-ever retail leases in the Times Square "bowtie." This historic transaction at 1552–1560 Broadway was made possible by the creative assemblage of space in adjacent buildings and the current redevelopment of that space that will be completed by the 2013 holiday season. Other 2012 retail highlights included the addition of 724 Fifth Avenue to the portfolio in another SL Green/Sutton joint venture and the consolidation of the legendary Sam Ash Music Stores at 333 West 34th Street.
- We reached substantial completion of 180 Broadway, a mixed-use ground-up development consisting of Pace University student housing and retail components directly across the street from the Fulton Street Transit Center that will open soon. The retail space will be occupied by blue-chip tenants Urban Outfitters and TD Bank beginning in June 2013, while Pace students will move into their new dorms by late summer of this year. And in August, we formed a venture to build a second dormitory building for Pace University—a 34-story tower at 33 Beekman Street.
- In 2012, we added to our Midtown South office market presence in dramatic fashion, first by acquiring 304 Park Avenue South near Madison Square Park, and then via the acquisition of 635 and 641 Sixth Avenue in a single transaction. In the latter case, we have drawn up a spectacular redevelopment plan. 635 Sixth Avenue, which was originally a department store and most recently used by a technical school for truck repair, will be completely gutted and modernized and connected to the neighboring 641 Sixth Avenue to create larger floorplates—a needed amenity in Midtown South. In addition, new penthouse-level space will be created with an extensively landscaped recreational rooftop available to tenants. When completed, this property will be superior to any other offering in the submarket and is expected to command premium rents.
- In Brooklyn, we took ownership of a recently completed residential project connected to a commercial property

and parking garage that we had acquired in 2010. This opportunistic expansion of our presence in the blossoming Williamsburg neighborhood not only promises to provide development-like return without development risk, but it also adds to our residential portfolio, which includes several Midtown rental properties in partnership with Stonehenge, including a well-located asset near Columbia University that we acquired in 2012.

- Taking advantage of market opportunities created by a rebounding debt market in 2012, SL Green climbed to the top as New York City's largest provider of subordinated debt. New debt origination and acquisitions in the secondary markets, which is a significant source of superior investment returns for us, totaled \$637 million for the year.
- More recently, in early 2013, SL Green arranged the \$925 million bridge financing of the Sony Building at 550 Madison Avenue. Taking advantage of our extensive market relationships, we originated the debt together with one of our strongest lending partners, Bank of China, and then syndicated various portions of the balance while retaining a subordinated position. Very few other investment organizations would have had the ability to pull off this feat, let alone accomplish it in the time frame we did.
- On the office leasing front we had a banner year, landing several of New York City's largest deals with a total of 3.7 million square feet leased in Manhattan. In addition to the Viacom commitment, highlights included nearly 500,000 square feet leased at 100 Church Street to the City of New York and 361,000 square feet leased to Random House at 1745 Broadway. Occupancy for our same-store office portfolio in Manhattan now stands at 94.3%.

We made tremendous progress on our proposed development project on 42nd Street immediately west of Grand Central Terminal, which we are calling One Vanderbilt Avenue.

Over the course of a decade we patiently assembled a full block of older buildings adjacent to Grand Central Station, with the final piece being acquired in late 2011. With the transfer of air rights from a nearby site and anticipating additional development rights arising from the City's proposed zoning changes, we are now planning to develop an incredible tower that will stand tall as SL Green's signature property when completed.

One Vanderbilt will require several years of planning and building, but we are already very excited about what it will mean for SL Green, for the Grand Central submarket and for the City's skyline.

Likewise, looking at SL Green as a company today and looking ahead overall, we are very enthusiastic. As of the end of the first quarter of 2013, we enjoyed \$1.3 billion of liquidity, consisting of cash, marketable securities and our unsecured LOC availability. Our average debt maturity has grown to

5.6 years with only \$258 million of debt maturing through the end of 2013. What this means is that we will once again be able to deploy the capital needed to take advantage of market opportunities as they continue to emerge in the near future, across our various investment platforms.

And make no mistake, our pipeline is robust and these long-lead time opportunities are already in process and will continue.

Job growth—a key driver of real estate market health—is stronger in New York City than virtually all of the other major markets in the U.S., and that's likely to be the case for the foreseeable future. Yes, financial services ("Wall Street") industry employment has been soft and may remain so, and Wall Street historically has served as the bellwether for New York City. But a fundamental shift is underway. The impact is being more than offset by job growth in technology, communications, advertising, entertainment, hospitality, health care, education and other sectors. Within these sectors are plenty of startups and more mature corporate organizations where the expansion is organic and very healthy. And looking ahead, it is projected that the Cornell NYC Tech campus on Roosevelt Island, and the significant businesses anticipated to follow from it, will create hundreds of thousands of new jobs over the coming decade.

Even taking into account the significant but temporary economic impact of last year's Superstorm Sandy, New York City is on a roll, thanks not only to the efforts of the private sector but also thanks to the incredible public sector leadership of the past two decades. As I write this letter, no one knows who our next mayor will be—only that he or she will have huge shoes to fill. That said, we pledge to join with other members of the business community, and with civic and labor leaders, to support an agenda that keeps the City's economic momentum going and makes it an even better place to live.

As Mayor Bloomberg has said, "No place epitomizes the American experience and the American spirit more than New York City." At SL Green we truly believe that, and that's why we work so hard, day in and day out, to create and deliver superior results to you, our shareholders.

We have assembled, developed and retained the best team of real estate professionals across the board and we have concentrated our focus on the world's greatest city, a place that the greatest companies and people call home, and virtually nothing is impossible to achieve. That's been SL Green's winning formula for 15 years, and will remain so for many years to come.

So, here's to a terrific 2013! Thank you for your continuing confidence in us.



Marc Holliday
Chief Executive Officer
Executive Committee



STANDING FROM LEFT TO RIGHT

Edward V. Piccinich, *Executive Vice President, Property Management & Construction*
Steven M. Durels, *Executive Vice President, Director of Leasing and Real Property* | Matthew DiLiberto, *Chief Accounting Officer & Treasurer*
Isaac Zion, *Co-Chief Investment Officer* | Neil H. Kessner, *Executive Vice President, General Counsel – Real Property*
David Schonbraun, *Co-Chief Investment Officer*

SEATED FROM LEFT TO RIGHT

James Mead, *Chief Financial Officer* | Andrew S. Levine, *Chief Legal Officer*



**CELEBRATING
15 YEARS OF SUCCESS |**
 The quality of our
 workforce is proven by
 the enduring success
 of our business. On
 August 20, 2012, our
 team gathered on the
 NYSE floor to celebrate
 15 great years trading
 as SL Green Realty
 Corp. (NYSE: SLG).



NYSE

SL GREEN
REALTY CORP
15 YEARS

SL GREEN
REALTY CORP
15 YEARS

CNBC

NYSE

NYSE

NYSE

SONY

A CRYSTAL
CLEAR
STRATEGY

New York City is in constant motion. Every day, millions of workers, students, residents and tourists enter and leave the City, or else travel within its borders. This massive flow of people moves along key transportation and pedestrian corridors, through various hubs, ultimately concentrating in select locations. Strategic real estate investment is based on the recognition of such patterns as they emerge over time. The SL Green portfolio continues to evolve to deliver the best locations to meet tenant demand and thereby capture superior financial results.



IT HAPPENS HERE

Our investment strategy does not falter—it's built around location and convenience. And we have been on target, again and again. We *are* New York real estate—a dominant presence wherever people and businesses intersect.

- OFFICE
- DEBT
- RETAIL
- RESIDENTIAL
- TRANSPORTATION HUBS

Upper West Side
CEO LETTER

Central Park

Upper East Side

Columbus Circle

57th Street

42nd Street

Times Square

Grand Central Terminal

34th Street

Penn Station

Tenth Avenue

Ninth Avenue

Eighth Avenue

Seventh Avenue

Sixth Avenue

Fifth Avenue

Madison Avenue

Park Avenue

Lexington Avenue

Third Avenue

Second Avenue

First Avenue

23rd Street

Flatiron District

14th Street

Union Square

Houston Street

East Houston Street

SoHo

Delancey Street

Canal Street

Tribeca

Church Street

Chambers Street

City Hall

Financial District

OFFICE

From Grand Central to Times Square, our office properties are strategically located throughout New York City. We are where great companies choose to be.

OFFICE

Upper West Side
CEO LETTER

Central Park

Upper East Side

Columbus Circle

57th Street

Grand Central Terminal

Times Square

42nd Street

Penn Station

34th Street

Tenth Avenue

Ninth Avenue

Eighth Avenue

Seventh Avenue

Sixth Avenue

Fifth Avenue

Madison Avenue

Park Avenue

Lexington Avenue

Third Avenue

Second Avenue

First Avenue

23rd Street

Flatiron District

14th Street

Union Square

Houston Street

East Houston Street

SoHo

Delancey Street

Canal Street

Tribeca

Church Street

Chambers Street

City Hall

Financial District

DEBT

Project and property financing provide the financial leverage to realize our strategy. We are where the big deals happen.

DEBT

Upper West Side
CEO LETTER

Central Park

Upper East Side

Columbus Circle

57th Street

42nd Street

34th Street

23rd Street

14th Street

Tenth Avenue

Ninth Avenue

Eighth Avenue

Seventh Avenue

Sixth Avenue

Fifth Avenue

Madison Avenue

Park Avenue

Lexington Avenue

Third Avenue

Second Avenue

First Avenue

Flatiron District

Union Square

Houston Street

East Houston Street

SoHo

Delancey Street

Canal Street

Tribeca

Church Street

Chambers Street

City Hall

Financial District

RETAIL

Manhattan's primary retail corridors are world-renowned — from Fifth Avenue, to Madison Avenue, to SoHo. We are where people come to shop.

RETAIL

Grand Central Terminal

Times Square

Penn Station





Central Park

Upper East Side

Columbus Circle

57th Street

42nd Street

34th Street

23rd Street

14th Street

Tenth Avenue

Ninth Avenue

Eighth Avenue

Seventh Avenue

Sixth Avenue

Fifth Avenue

Madison Avenue

Park Avenue

Lexington Avenue

Third Avenue

Second Avenue

First Avenue

Flatiron District

Union Square

Houston Street

East Houston Street

SoHo

Delancey Street

Canal Street

Tribeca

Church Street

Chambers Street

City Hall

Financial District

RESIDENTIAL

From the quieter East Side of Manhattan, to a red-hot Brooklyn neighborhood, to high-quality University neighborhood housing. We are building a portfolio where people want to live.

RESIDENTIAL





PRADA

Macys & Fitch

FROM
LOCATION
TO DESTINATION

We see opportunities that others overlook. We perceive value in spaces that people pass by. We transform locations into destinations where people choose to go. Our continued success is built on having a distinct point of view and seeing our vision through to execution. This takes knowledge and an understanding of places. It takes an appreciation of people — what they want and need — and the ability to deliver superior environments and services in new and surprising ways.

From
Latitude to Longitude

OUR FIFTH AVENUE PROPERTIES:

609 FIFTH AVE | 717 FIFTH AVE | 747 MADISON AVE | 724 FIFTH AVE

The evolution of SL Green's core portfolio and the foundation of our success have been based on the transformation of static office spaces into dynamic workplace destinations that meet our tenants' needs.

We first began with the strategic acquisition of undervalued side street properties situated near key transportation hubs. By transforming these properties into highly attractive office addresses, we added substantial value—growing the worth of our portfolio. Subsequently, by consistently harvesting assets at their peak and repeating the process, on an ever-greater scale along the major Avenues and thoroughfares, we've become the largest landlord in New York City.

Our retail strategy is the same. Fifth Avenue shopping has grown beyond Bergdorf Goodman, Tiffany & Co. and Saks Fifth Avenue. Now the entire corridor between 57th Street and 48th Street is America's preeminent shopping destination. SL Green anchors both ends of this stretch with Prada, Armani, Dolce & Gabbana and American Girl.

COIN to CARD



In 1997, the most valuable coin in a New Yorker's pocket or purse was likely to be a subway token. Fifteen years later, MetroCards make it easier—a quick swipe and you're on your way.





From
Circle to Center

OUR COLUMBUS CIRCLE PROPERTIES:

3 COLUMBUS CIRCLE | 1745 BROADWAY

Remember the Coliseum? Columbus Circle used to be a clogged thoroughfare, a busy hub of traffic that you navigated on your way to somewhere nicer. Today, Columbus Circle is a place to work, meet friends, do your shopping, find great food or take in an exhibit or concert. It is a welcoming entrance to Central Park and is a thriving center of activity where people go to experience all that New York City has to offer.

BIKE to BYTE



Information transfer 1997: Call for a bike messenger. Wait 45 minutes. Call again. Wait. Another call—here he is. Hand off the package and hope he gets there...today. 2012: You can send a PDF and it arrives within seconds.



AEROPOSTA

 **ELEMENT**





MINSKOFF THEATRE
B WAY & 45TH ST.
lionking.com

MINSKOFF THEATRE
B WAY & 45TH ST.
lionking.com

DECLASSIFIED
CIA
ARTIFACTS & STORIES
REVEALED
MORE THAN A MUSEUM
Discovery
TIMES SQUARE
ONE BLOCK SOUTH
1101 7th Avenue S.E. 11th Fl.
BASE

AL

sunglass hut

sunglass hut

Discovery

From
Chaos to Coherence

OUR TIMES SQUARE PROPERTIES:

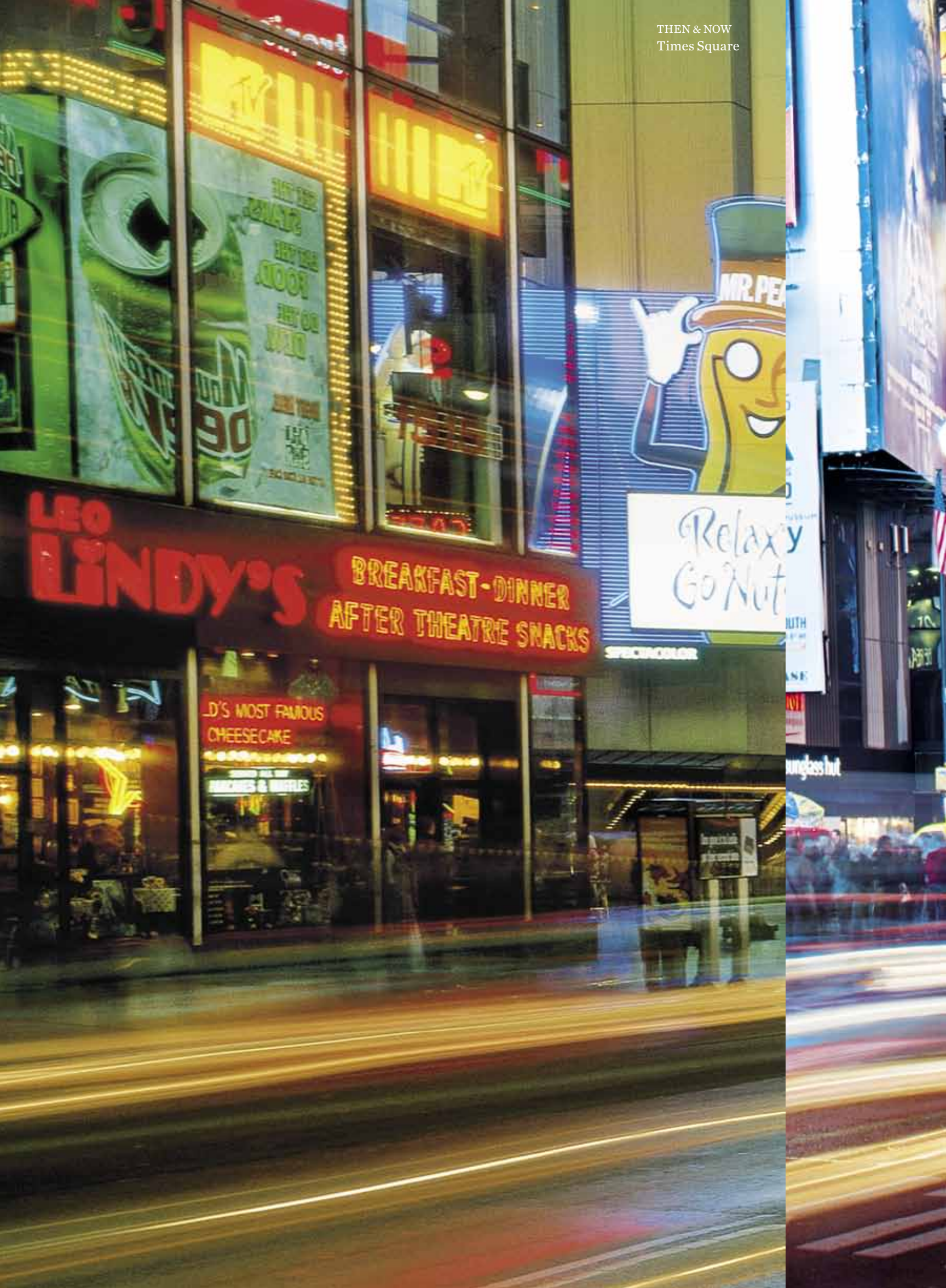
810 SEVENTH AVE | 1515 BROADWAY | 1604 BROADWAY | 1552-1560 BROADWAY

Once home to the seedier side of New York City and outright blight, Times Square has become a center of media culture and a family-friendly destination with something for everyone. SL Green has transformed some of the most onerous locations into showcase destinations. The chaotic street-fronts of old have been reimagined and rebuilt, providing a coherent, compelling experience for visitors, workers and New Yorkers of all kinds. The revitalization of Times Square has once again made it a must-see destination, bringing added value not only to the surrounding real estate, but to the overall quality of life and experience.

GREEK to GRANDE



A simple cup of coffee stands as a benchmark of progress. The ubiquitous diner cup of 1997 has been replaced by the ever-present Starbucks — with a customized cup of coffee served in your favorite style and flavor.





GRAND CENTRAL
100 YEARS IN
THE MAKING

GRAND CENTRAL
100 YEARS CELEBRATING
100 YEARS OF SERVICE

45TH STREET

TRACKS 7-10

LEXINGTON AV

GRAND STREET ENTRANCE

ENTRANCE





From
Shuffling to Shopping

OUR GRAND CENTRAL PROPERTIES:

220 E 42ND ST | 317 MADISON AVE | 420 LEXINGTON AVE | 485 LEXINGTON AVE
711 THIRD AVE | 750 THIRD AVE | 331 MADISON AVE | 48 E 43RD ST
51 E 42ND ST | 110 E 42ND ST | 125 PARK AVE | 521 FIFTH AVE | 100 PARK AVE

Fifteen years ago, passing through Grand Central Terminal involved running a gauntlet of grime and disorder, a totally unpleasant experience. Now, 750,000 people come to Grand Central every day¹—for their commute, to shop, to dine or to buy specialty foods from the Gourmet Market. A space that was once a dismal necessity is now a delight, an experience that people want to have and share. The transformation of Grand Central has made surrounding properties, including our portfolio, more valuable.

MUSIC *to* MULTITASK



In 1997, we were hoping for a Discman that didn't skip and a jewel case that wouldn't crack. Today the iPhone puts your entire music collection, as well as a phone, camera, video, game center, etc., at your fingertips.



THE
NEXT
NEW YORK

New York is the defining example of a dynamic metropolis — and is always changing. Businesses and industries that drive the global economy thrive, or expire to be replaced by newer ones.

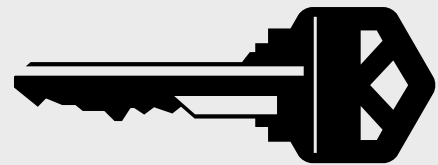
The future of New York City is being defined by ever-emerging technologies, new industries and better ways of doing business.

We help lead this city's dynamism, looking ahead to meet changing needs, providing spaces that the businesses of tomorrow will need to succeed. We are creating the next New York.

COMMUTING & TOURISM

DOWNTOWN GROWTH |

Since 2003, the local residential population increased nearly 85%, from approximately 30,000 to over 55,000. Tourism is brisk with almost 6 million annual visitors. The new Fulton Street Transit Center will serve more than 300,000 riders daily.²



AVERAGE SPEND |

The average spend of one of New York City's 50.9 million visitors was \$678 in 2011, for a total of \$34.5 billion.³ In 2003, the average spend of a visitor was just \$489.⁴



PLANES |

Port Authority projections for New York's three primary airports call for the number of air passengers to grow by nearly 50% in the next 13 years to 150 million in 2025, up from 104 million in 2012.⁵



TRAINS |

The number of daily transit trips is expected to grow by nearly 20% from 2010 to 2035, as an anticipated 1.1 million more people are added to the workforce.⁶



CARS |

Each day in 2012, 1.5 million passengers were transported around NYC via taxi, limo and car service.⁷ 13,237 taxi cabs will be replaced with new fuel-efficient vehicles.⁸



EAST MIDTOWN |

By 2019, the East Side Access (ESA) project will give LIRR riders direct access to Grand Central Terminal and East Midtown Manhattan, the densest concentration of jobs in the nation. The area immediately around Grand Central Terminal already has over 200,000 jobs and is home to several Fortune 500 companies.⁹



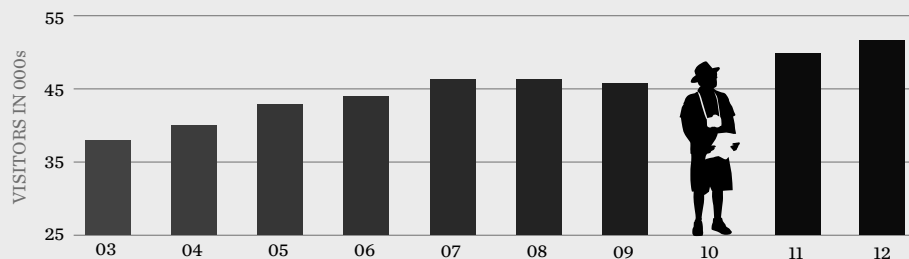
HOTEL |

7,900 new hotel rooms will have been added in NYC between 2006 and 2014. Another 235 new hotel properties are planned, that will contribute an additional 36,250 rooms.¹⁰



TOURISM |

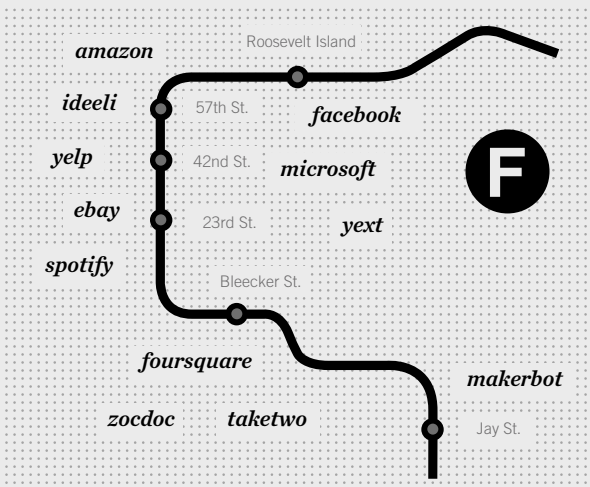
The City expects 55 million tourists and \$45 billion in direct industry spending by 2015, adding 30,000 jobs to the City's workforce, for a total of more than 350,000 jobs in support of tourism.¹¹



THE TECH ECONOMY

TECH TRAIN |

From Carroll Gardens, Brooklyn, through the Silicon Alley of Lower Manhattan, and on up to Roosevelt Island's planned Cornell NYC Tech campus, the F train has become New York's Tech Train.



The Future is Greener

BUILDING TECH |

SL Green has a real-time energy management system that provides moment-to-moment energy benchmarking, usage and trending, providing key opportunities to optimize building performance.

RECOGNITION |

We received the Armstrong World Industries National Recycling Award in 2012 for recycling 2.2 million square feet of carpet and ceiling tile from construction sites – more than 800 tons of debris since 2007.

TENANT EXPERIENCE |

We currently recycle 80% of all office waste, totaling more than 1,000 tons of debris each month.

WATER FLOW |

New installations reduce water consumption by 13 million gallons annually.

LIGHTING |

\$850K is saved annually by more than 17,000 LED light bulbs we recently installed.

635-641 AVENUE OF THE AMERICAS |

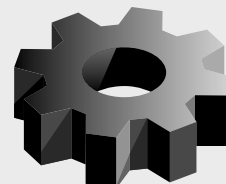
It takes more than a good job to lure the best tech talent. We are building conveniently located, high-tech enabled office space that gives the next generation of innovators yet another reason to make the move to Manhattan.



VENTURE CAPITAL |

\$12 BILLION

*has been invested in nearly a thousand New York startups in the past five years, creating 21,000 jobs.*¹²



TECH GROWTH |

New York City is home to a rapid growth in new and established tech industries like biotech, clean tech and info tech. Since 2003, the number of small to mid-sized medical and biotech companies has quadrupled to over 120. In clean tech, eight of the top 10 green design firms have NYC offices.¹³ New York continues to be an IT hotspot, with more than 990 IT companies,¹⁴ attracting an enormous amount of tech talent, jobs and investment.¹⁵

UNIVERSITY TRENDS

CORNELL NYC TECH |

The planned \$2 billion Cornell NYC Tech campus, to be built on Roosevelt Island, will intersperse classrooms with office buildings. High-tech companies and startups will be able to rent space surrounded by a rich pool of talent, while students will have ready access to employment.



2 MILLION SQUARE FEET, \$2 BILLION
engineering & computer science campus

180 BROADWAY,
PACE UNIVERSITY |



Located across the street from the \$1.4 billion Fulton Street Transit Center, which is expected to be completed in 2014, 180 Broadway is extremely well situated for both student residential and retail use.

33 BEEKMAN STREET,
PACE UNIVERSITY |

Providing Pace University students with high-quality living space and close proximity to the main building at One Pace Plaza, SL Green is building a new 34-story residence hall that will accommodate approximately 770 beds and offer state-of-the-art student amenities at 33 Beekman Street in Downtown Manhattan.



RETAIL TRENDS

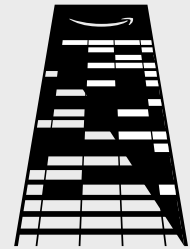
1552 BROADWAY, EXPRESS |

At the heart of Times Square, 1552 Broadway will be home to the fashion retailer Express, Inc.'s new flagship store, with three floors of prime retail space and valuable sidewalk storefront footage.



ONLINE IN TOWN |

Amazon.com, America's largest online retailer and one of many growing blue-chip tech tenants in SL Green's portfolio, last year expanded its space at SL Green's 1350 Avenue of the Americas to 92,500 square feet.¹⁶



JOBS |

According to the NYS Dept. of Labor, the retail sector will account for 303,780 jobs in NYC by 2018. In addition, it is projected that there will be 42,600 jobs in health and personal care in NYC by 2018, up 14.9% from 2008.¹⁷

PER CAPITA SPEND |

Per capita retail sales in 2007 amounted to \$23,872. The amount of retail sales per Manhattan resident — \$23,250 — was almost triple the national average, and had grown almost twice as fast as the national average in five years.¹⁸

NATIONAL SHOWCASE |

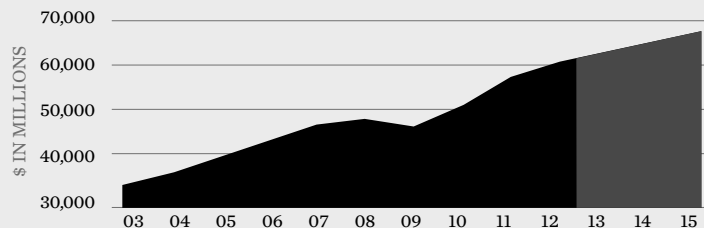
New York City is home to 306 national retailers that have a total of 7,232 stores in the City,¹⁹ including many flagship locations that showcase their products to the millions of residents and visitors who come to the City each year.



MANHATTAN TOTAL RETAIL SALES |

Total retail sales in Manhattan has grown from \$35 billion in 2003 to \$63 billion in 2012.²⁰

\$63
BILLION



BUSINESS TRENDS

CITY OF THE FUTURE |

New York City has been named the top city in The Financial Times' *fDi Magazine* ranking of "American Cities of the Future 2013/14," and is a magnet for Foreign Direct Investment projects.²¹

STARTUP CENTRAL |

The number of startup companies in the City has nearly doubled in the last 20 years from 35,000 in 1991 to more than 65,000 new enterprises citywide in 2011.²²



EDUCATION |

New York City is the largest college town in the U.S., with 626,000 students enrolled in over 100 institutions providing 115,000 jobs and \$6.8 billion in payroll.²³



HEALTH CARE |

The greater New York City area is home to 25 medical research institutions, over 70 hospitals, 40,000 physicians and more than \$1.3 billion a year in research funding from the National Institutes of Health.²⁴



MEDIA |

NYC is the media capital of the world, home to more than 17,000 media companies employing more than 300,000 people, and is home to more multi-billion dollar media companies than any other city.²⁵



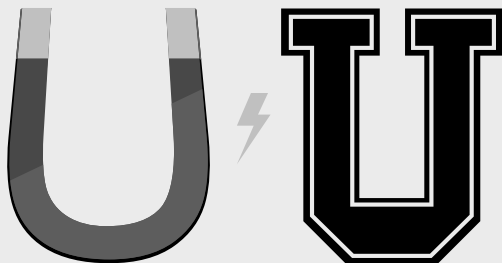
STRENGTH |

During 2012, *The Economist*; A.T. Kearney; *Euromoney*; and Bloomberg had named NYC "THE MOST COMPETITIVE URBAN ECONOMY IN THE WORLD."²⁶

PROFESSIONAL SERVICES |

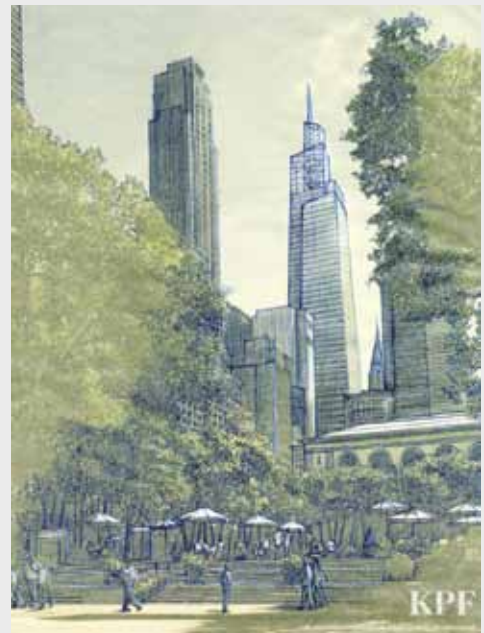
Business and financial services employ over one in four New Yorkers. NYC has more business managers and professionals (accounting, finance and legal) than any other U.S. city.²⁷

NYC's dynamism particularly attracts young talent, drawing more than 20% of graduating classes from top schools such as Cornell, Dartmouth, Harvard, MIT and Wharton.²⁸



ONE VANDERBILT |

SL Green is in the planning stages for a new project in East Midtown that will take full advantage of the East Side Access project. The up to 1.6-million-square-foot building would be located on a block bound by 42nd and 43rd Streets, and Vanderbilt, immediately adjacent to Grand Central.





NYC PORTFOLIO

AN UNMATCHED COLLECTION OF PREMIER COMMERCIAL OFFICE
TOWERS IN THE GREAT CITY OF NEW YORK, FURTHER ENHANCED BY
HIGH-END RETAIL AND SELECT RESIDENTIAL PROPERTIES.

A.

A. 1515 BROADWAY



B. 280 PARK AVE | C. 220 E 42ND ST | D. 388 & 390 GREENWICH ST | E. 10 E 53RD ST





I.



J.



K.



New York City Portfolio

Properties (As of March 31, 2013) (% Indicates SL Green Ownership)	SubMarket	Ownership	Usable Square Feet	Occupancy (%)
OFFICE PORTFOLIO				
100 Church Street	Downtown	Fee Interest	1,047,500	81.8
120 West 45th Street	Midtown	Fee Interest	440,000	79.5
125 Park Avenue	Grand Central	Fee Interest	604,245	73.1
220 East 42nd Street	Grand Central	Fee Interest	1,135,000	94.9
317 Madison Avenue	Grand Central	Fee Interest	450,000	81.3
333 West 34th Street	Penn Station	Fee Interest	345,400	100.0
420 Lexington Avenue (Graybar)	Grand Central North	Leasehold Interest	1,188,000	92.5
461 Fifth Avenue ⁽¹⁾	Midtown	Leasehold Interest	200,000	99.4
485 Lexington Avenue	Grand Central North	Fee Interest	921,000	100.0
555 West 57th Street	Midtown West	Fee Interest	941,000	99.2
609 Fifth Avenue	Rockefeller Center	Fee Interest	160,000	85.2
625 Madison Avenue	Plaza District	Leasehold Interest	563,000	94.5
673 First Avenue	Grand Central South	Leasehold Interest	422,000	100.0
711 Third Avenue ⁽²⁾	Grand Central North	Leasehold Interest	524,000	86.3
750 Third Avenue	Grand Central North	Fee Interest	780,000	97.5
810 Seventh Avenue	Times Square	Fee Interest	692,000	87.6
919 Third Avenue ⁽³⁾	Grand Central North	Fee Interest	1,454,000	96.9
1185 Avenue of the Americas	Rockefeller Center	Leasehold Interest	1,062,000	97.6
1350 Avenue of the Americas	Rockefeller Center	Fee Interest	562,000	97.0
1 Madison Avenue	Park Avenue South	Fee Interest	1,176,900	98.7
331 Madison Avenue	Grand Central	Fee Interest	114,900	84.2
51 East 42nd Street	Grand Central	Fee Interest	142,000	85.9
110 East 42nd Street	Grand Central	Fee Interest	205,000	81.6
180 Maiden Lane ⁽⁴⁾	Financial East	Fee Interest	1,090,000	97.7
304 Park Avenue South	Midtown South	Fee Interest	215,000	95.8
641 Sixth Avenue	Midtown South	Fee Interest	163,000	92.1
635 Sixth Avenue	Midtown South	Fee Interest	104,000	—
1515 Broadway	Times Square	Fee Interest	1,750,000	100.0
100 Park Avenue—50%	Grand Central South	Fee Interest	834,000	94.6
388 & 390 Greenwich Street—50.6%	Downtown	Fee Interest	2,635,000	100.0
600 Lexington Avenue—55%	East Side	Fee Interest	303,515	73.7
800 Third Avenue—42.95%	Grand Central North	Fee Interest	526,000	87.1
1745 Broadway—32.3%	Midtown	Fee Interest	674,000	100.0
10 East 53rd Street—55%	Plaza District	Fee Interest	354,300	90.0
315 West 36th Street—35.5%	Times Square South	Fee Interest	147,619	99.2
521 Fifth Avenue—50.5%	Grand Central	Fee Interest	460,000	85.2
3 Columbus Circle—48.9%	Columbus Circle	Fee Interest	530,981	51.6
280 Park Avenue—49.5%	Park Avenue	Fee Interest	1,219,158	55.0
SUBTOTAL			26,136,518	
RETAIL PORTFOLIO				
1604 Broadway—63%	Times Square	Leasehold Interest	29,876	23.7
11 West 34th Street—30%	Herald Square/Penn Station	Fee Interest	17,150	100.0
21–25 West 34th Street—50%	Herald Square/Penn Station	Fee Interest	30,100	100.0
27–29 West 34th Street—50%	Herald Square/Penn Station	Fee Interest	15,600	100.0
717 Fifth Avenue—10.92%	Midtown/Plaza District	Fee Interest	119,550	89.4
19–21 East 65th Street—80%	Plaza District	Leasehold Interest	23,610	100.0
21 East 66th Street—32.28%	Plaza District	Fee Interest	16,736	100.0
131–137 Spring Street	SoHo	Fee Interest	68,342	100.0
724 Fifth Avenue—50%	Plaza District	Fee Interest	65,010	84.7
752 Madison Avenue—80%	Plaza District	Leasehold Interest	21,124	100.0
762 Madison Avenue—80%	Plaza District	Fee Interest	6,109	100.0
747 Madison Avenue—33.33%	Plaza District	Fee Interest	10,000	—
985–987 Third Avenue	Upper East Side	Fee Interest	13,678	—
Williamsburg Terrace	Brooklyn, New York	Fee Interest	52,000	100.0
1552–1560 Broadway—50%	Times Square	Fee Interest	35,897	23.3
SUBTOTAL			524,782	
FEE OWNERSHIP—Subject to long-term, third party net operating leases				
2 Herald Square	Herald Square/Penn Station	Fee Interest	354,400	100.0
885 Third Avenue	Midtown/Plaza District	Fee Interest	607,000	100.0
SUBTOTAL			961,400	
RESIDENTIAL PORTFOLIO				
400 East 57th Street—80%	Upper East Side	Fee Interest	290,482	91.9
400 East 58th Street—80%	Upper East Side	Fee Interest	140,000	97.6
180–182 Broadway—25.5%	Cast Iron/SoHo	Fee Interest	156,086	—
33 Beekman Street—45.9%	Downtown	Fee Interest	—	—
1080 Amsterdam Avenue—87.5%	Upper West Side	Leasehold Interest	82,250	2.2
248–252 Bedford Avenue	Brooklyn, New York	Fee Interest	66,611	—
SUBTOTAL			735,429	
MANHATTAN GRAND TOTAL			28,358,129	

(1) SL Green holds an option to acquire the fee interest.

(2) SL Green owns 50% of the fee interest.

(3) SL Green holds a 51% interest in this consolidated joint venture asset.

(4) SL Green holds a 49.9% interest in this consolidated joint venture asset.



SUBURBAN

PORTFOLIO

COMPRISED OF THE NEW YORK METROPOLITAN AREA'S MOST
DESIRABLE SUBURBAN ADDRESSES, THE SUBURBAN PORTFOLIO IS
A STRATEGIC EXTENSION OF OUR MANHATTAN CORE.

A. 1 LANDMARK SQUARE



B. 150 GRAND ST | C. 360 HAMILTON AVE | D. 125 CHUBB WAY

E.



F.

G.



Suburban Portfolio

Properties (As of March 31, 2013) (% Indicates SL Green Ownership)	SubMarket	Ownership	Usable Square Feet	Occupancy (%)
OFFICE PORTFOLIO				
1100 King Street—1 Int'l Drive	Rye Brook, Westchester	Fee Interest	90,000	74.9
1100 King Street—2 Int'l Drive	Rye Brook, Westchester	Fee Interest	90,000	47.0
1100 King Street—3 Int'l Drive	Rye Brook, Westchester	Fee Interest	90,000	63.3
1100 King Street—4 Int'l Drive	Rye Brook, Westchester	Fee Interest	90,000	59.4
1100 King Street—5 Int'l Drive	Rye Brook, Westchester	Fee Interest	90,000	79.8
1100 King Street—6 Int'l Drive	Rye Brook, Westchester	Fee Interest	90,000	71.2
520 White Plains Road	Tarrytown, Westchester	Fee Interest	180,000	72.5
115-117 Stevens Avenue	Valhalla, Westchester	Fee Interest	178,000	86.0
100 Summit Lake Drive	Valhalla, Westchester	Fee Interest	250,000	70.7
200 Summit Lake Drive	Valhalla, Westchester	Fee Interest	245,000	87.5
500 Summit Lake Drive	Valhalla, Westchester	Fee Interest	228,000	76.9
140 Grand Street	White Plains, Westchester	Fee Interest	130,100	95.3
360 Hamilton Avenue	White Plains, Westchester	Fee Interest	384,000	94.3
1 Landmark Square	Stamford, Connecticut	Fee Interest	312,000	97.8
2 Landmark Square	Stamford, Connecticut	Fee Interest	46,000	69.0
3 Landmark Square	Stamford, Connecticut	Fee Interest	130,000	54.6
4 Landmark Square	Stamford, Connecticut	Fee Interest	105,000	76.6
5 Landmark Square	Stamford, Connecticut	Fee Interest	61,000	99.5
6 Landmark Square	Stamford, Connecticut	Fee Interest	172,000	83.4
680 Washington Boulevard ⁽¹⁾	Stamford, Connecticut	Fee Interest	133,000	74.6
750 Washington Boulevard ⁽¹⁾	Stamford, Connecticut	Fee Interest	192,000	93.6
1055 Washington Boulevard	Stamford, Connecticut	Leasehold Interest	182,000	86.0
300 Main Street	Stamford, Connecticut	Fee Interest	130,000	86.4
1010 Washington Boulevard	Stamford, Connecticut	Fee Interest	143,400	60.9
500 West Putnam Avenue	Greenwich, Connecticut	Fee Interest	121,500	55.1
The Meadows—50%	Rutherford, New Jersey	Fee Interest	582,100	79.7
16 Court Street—35%	Brooklyn, New York	Fee Interest	317,600	84.0
Jericho Plaza—20.26%	Jericho, New York	Fee Interest	640,000	89.6
SUBTOTAL			5,402,700	
DEVELOPMENT PORTFOLIO				
125 Chubb Way	Lyndhurst, New Jersey	Fee Interest	278,000	57.1
150 Grand Street	White Plains, New York	Fee Interest	85,000	33.0
7 Renaissance Square—50%	White Plains, New York	Fee Interest	65,641	29.2
7 Landmark Square	Stamford, Connecticut	Fee Interest	36,800	10.8
SUBTOTAL			465,441	
WEST COAST PORTFOLIO				
West Coast Office Portfolio—36.01%		Fee Interest	4,473,603	76.9
SUBTOTAL			4,473,603	
SUBURBAN GRAND TOTAL			10,341,744	

(1) SL Green holds a 51% interest in this consolidated joint venture asset.

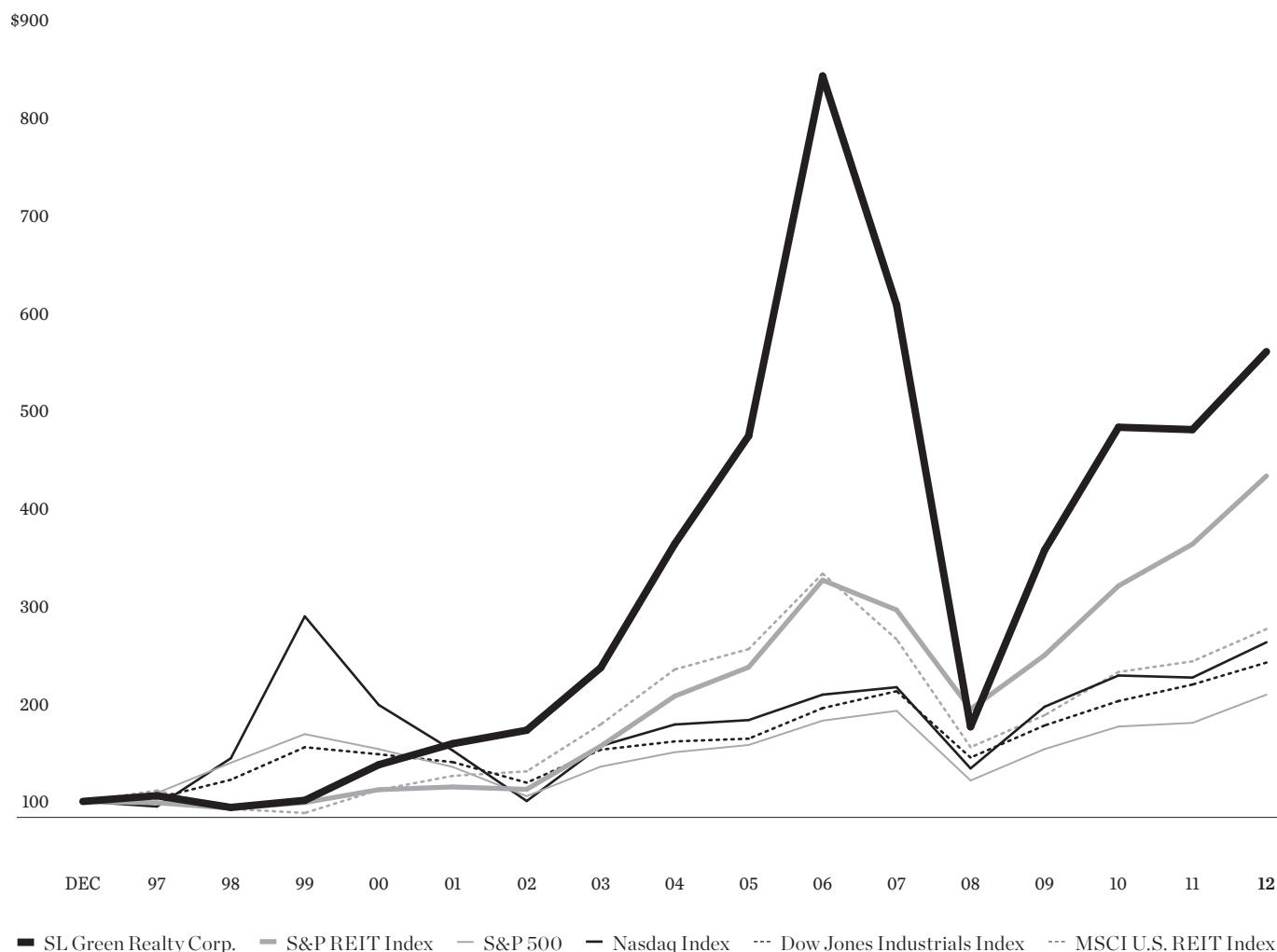
Financial Highlights

(amounts in millions)	Year Ended December 31,		% Change
	2012	2011	
Combined Revenues	\$ 1,626	\$ 1,490	9.1%
Funds From Operations	\$ 490	\$ 414	18.4%
Total Market Capitalization	\$16,304	\$14,230	14.6%
Square Feet Owned (Manhattan Office only)	24	25	(0.04)%
Combined Net Operating Income	\$ 858	\$ 802	7.0%

Total Return to Shareholders

(includes reinvestment of dividends)

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

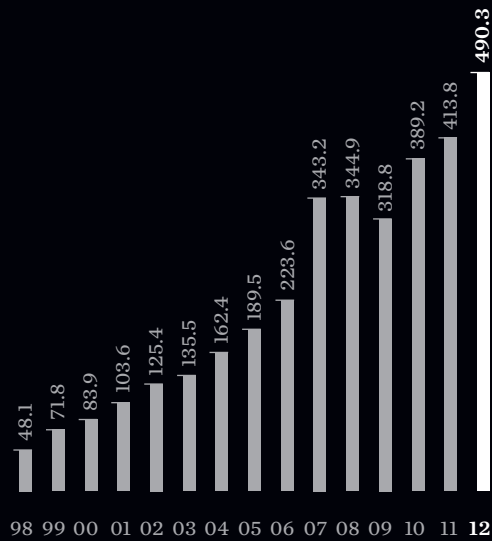


Financial Contents

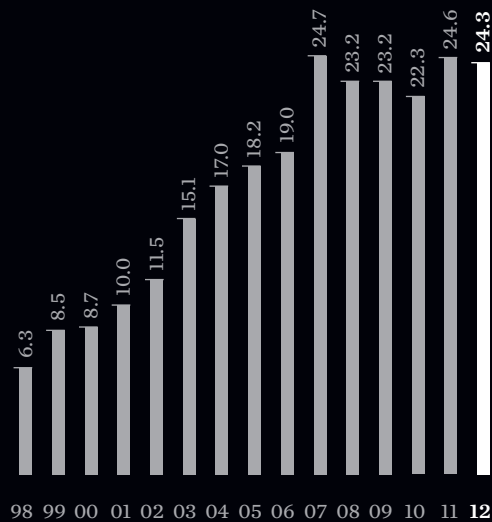
46 Total Return to Shareholders | 48 Selected Financial Data | 50 Management's Discussion and Analysis of Financial Condition and Results of Operations | 69 Consolidated Balance Sheets | 70 Consolidated Statements of Income | 71 Consolidated Statements of Comprehensive Income | 72 Consolidated Statements of Equity | 74 Consolidated Statements of Cash Flows | 75 Notes to Consolidated Financial Statements | 109 Report of Independent Registered Public Accounting Firm | 111 Report of Management | 112 Corporate Directory | 112 Stock Market Information

15 YEARS

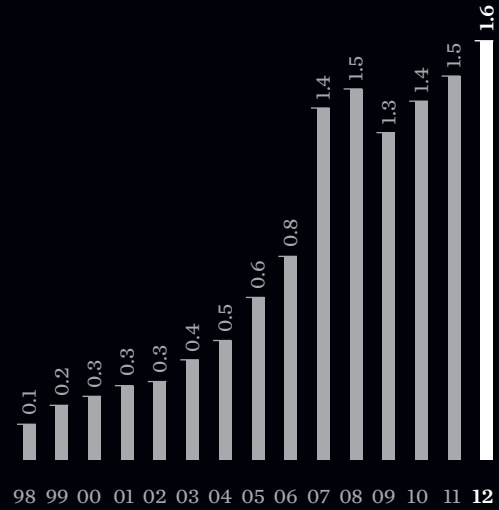
OF CREATING
SHAREHOLDER VALUE



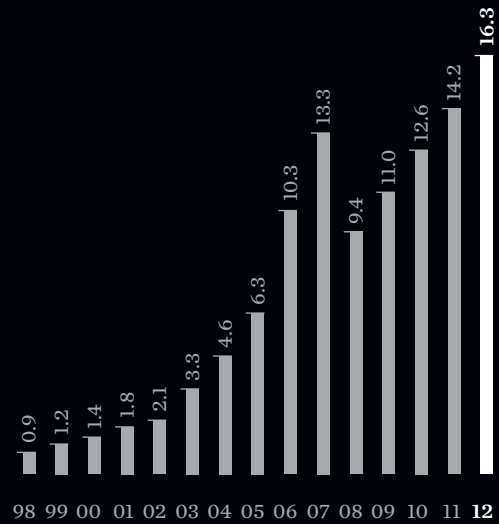
FUNDS FROM OPERATIONS
(in millions)



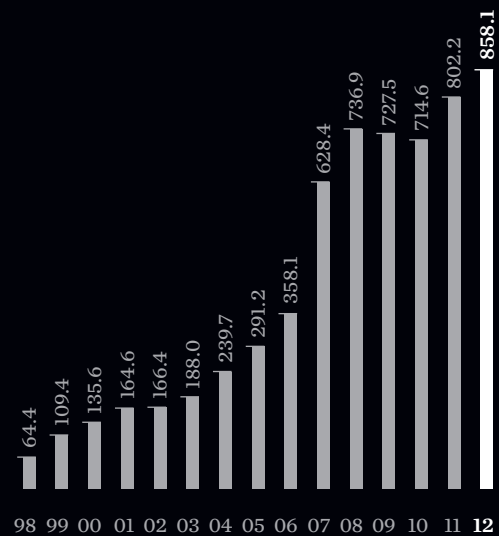
SQUARE FEET OWNED (Manhattan Office only)
(in millions)



COMBINED REVENUES
(in billions)



TOTAL MARKET CAPITALIZATION
(in billions)



COMBINED NET OPERATING INCOME
(in millions)

Selected Financial Data

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

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

We are also providing updated summary selected financial information, which is included below, reflecting the prior period reclassification as discontinued operations of the property sold during 2012 and those designated as held for sale as of December 31, 2012.

Operating Data (in thousands, except per share data)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Total revenue	\$1,400,255	\$1,263,428	\$1,084,386	\$ 978,361	\$1,047,819
Operating expenses	298,322	263,709	224,693	209,272	219,427
Real estate taxes	210,467	174,454	145,830	136,636	121,857
Ground rent	37,866	32,919	31,191	31,826	31,494
Interest expense, net of interest income	330,569	285,917	230,648	232,655	289,061
Amortization of deferred finance costs	19,450	14,118	9,046	7,065	6,139
Depreciation and amortization	332,028	277,345	225,193	220,396	210,813
Loan loss and other investment reserves, net of recoveries	564	6,722	17,751	150,510	115,882
Transaction related costs	5,625	5,561	11,849	—	—
Marketing, general and administration	82,840	80,103	75,946	73,992	104,583
Total expenses	1,317,731	1,140,848	972,147	1,062,352	1,099,256
Equity in net income from unconsolidated joint ventures	76,418	1,583	39,607	62,878	59,961
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	37,053	2,918	128,921	6,691	103,056
Purchase price fair value adjustment	—	498,195	—	—	—
Gain (loss) on investment in marketable securities	4,940	4,866	490	(396)	(147,489)
Depreciable real estate reserves	—	(5,789)	(2,750)	—	—
Gain (loss) on early extinguishment of debt	(6,978)	904	(1,900)	86,006	77,465
Income from continuing operations	193,957	625,257	276,607	71,188	41,556
Discontinued operations	15,743	51,865	42,549	477	362,492
Net income	209,700	677,122	319,156	71,665	404,048
Net income attributable to noncontrolling interest in operating partnership	(5,597)	(14,629)	(4,574)	(1,221)	(14,561)
Net income attributable to noncontrolling interests in other partnerships	(5,591)	(15,083)	(14,007)	(12,900)	(8,677)
Preferred unit distributions	(2,107)	—	—	—	—
Net income attributable to SL Green	196,405	647,410	300,575	57,544	380,810
Preferred stock redemption costs	(10,010)	—	—	—	—
Preferred dividends	(30,411)	(30,178)	(29,749)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826	\$ 37,669	\$ 360,935
Net income per common share—Basic	\$ 1.75	\$ 7.37	\$ 3.47	\$ 0.54	\$ 6.22
Net income per common share—Diluted	\$ 1.74	\$ 7.33	\$ 3.45	\$ 0.54	\$ 6.20
Cash dividends declared per common share	\$ 1.08	\$ 0.55	\$ 0.40	\$ 0.6750	\$ 2.7375
Basic weighted average common shares outstanding	89,319	83,762	78,101	69,735	57,996
Diluted weighted average common shares and common share equivalents outstanding	92,873	86,244	79,761	72,044	60,598

Balance Sheet Data (in thousands)	As of December 31,				
	2012	2011	2010	2009	2008
Commercial real estate, before accumulated depreciation	\$11,662,953	\$11,147,151	\$ 8,890,064	\$ 8,257,100	\$ 8,201,789
Total assets	14,387,754	13,483,852	11,300,294	10,487,577	10,984,353
Mortgages and other loans payable, revolving credit facility, senior unsecured notes and trust preferred securities	6,520,420	6,035,397	5,251,013	4,892,688	5,581,559
Noncontrolling interests in operating partnership	212,907	195,030	84,338	84,618	87,330
Equity	6,907,103	6,453,309	5,397,544	4,913,129	4,481,960

Other Data (in thousands)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Funds from operations available to all stockholders ⁽¹⁾	\$ 490,255	\$ 413,813	\$ 389,161	\$ 318,817	\$ 344,856
Net cash provided by operating activities	353,743	312,860	321,058	275,211	296,011
Net cash (used in) provided by investment activities	(1,170,393)	(739,597)	18,815	(345,379)	396,219
Net cash provided by (used in) financing activities	868,442	232,099	(350,758)	(313,006)	(11,305)

(1) Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, 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 debt restructurings, 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.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW | SL Green Realty Corp., 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. We are a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. Unless the context requires otherwise, all references to “we,” “our” and “us” means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

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

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

The New York City commercial real estate market continued to strengthen in 2012, and SL Green took advantage of this strengthening market in improving occupancies and deploying capital in the borough of Manhattan to strategically position the Company for future growth.

LEASING AND OPERATING | We have historically outperformed the Manhattan office market, and did so again in 2012. Our Manhattan office property occupancy on same-store properties increased to 93.8% from 93.0% in the prior year. During 2012, we signed office leases in Manhattan encompassing 3.7 million square feet, of which 3.0 million square feet represented office leases that replaced previously occupied space. Our mark-to-market on these 3.0 million square feet of signed Manhattan office leases that replaced previously occupied space was 7.5% for 2012. The highlight of our leasing activity during 2012 was the signing of the largest non-sale leaseback office lease in Manhattan's history, a 1.6 million square foot lease with Viacom International, Inc. which represented the entirety of the office space at 1515 Broadway. In addition, we completed the lease-up of 100 Church Street with the 485,000 square foot early renewal and expansion lease with the City of New York.

New leasing activity in Manhattan in 2012 totaled 23.2 million square feet, slightly below the ten-year average. Direct absorption in Manhattan exceeded 1.4 million square feet during the year, of which 0.2 million square feet was absorbed in Midtown Manhattan, the location of 82% of our in-service office properties (by square footage). This leasing activity in 2012 occurred despite the headwinds caused in part by the presidential election, fiscal cliff, continued implementation of the provisions of the Dodd-Frank Act and Hurricane Sandy. These factors impacted the leasing markets resulting in the Midtown submarket overall office vacancy increasing from 9.6% at December 31, 2011 to 10.3% at December 31, 2012. However, no new office space was added

to the Midtown office inventory, with approximately 1.8 million square feet (0.5% of the total 392.9 million square foot Manhattan office inventory) currently under construction and scheduled to be placed in service by 2014.

Demand for space in certain sub-markets such as Midtown South and a lack of new supply created conditions in which asking rents for direct space in Midtown South increased during 2012 by 8.3% to \$50.02 per square foot. Asking rents for direct space in Midtown increased during 2012 by 3.0% to \$68.77 per square foot and have increased by 8.8% since the recessionary trough in the first quarter of 2010. Over the same period, net effective rents (which take into consideration leasing concessions) have increased by 26.4%.

We incurred minimal damage at most of the properties in our portfolio due to Hurricane Sandy. The most impacted property was 180 Maiden Lane, located in flood Zone A in Manhattan, which experienced heavy flooding. Our operations team, with assistance from other professionals, was able to restore the building's operations within three weeks of the hurricane. We carry comprehensive property, casualty and flood insurance on our properties and full coverage of losses is anticipated.

ACQUISITION AND DISPOSITION ACTIVITY | Sales volume in Manhattan in 2012 increased 4% to \$26.5 billion compared to \$25.5 billion in 2011, partly as a result of a flurry of activity in the fourth quarter. Nevertheless, consistent with our multifaceted approach to property acquisitions, we were able to source transactions that provide value enhancement opportunities, including the acquisition of equity interests in 17 office, retail and multifamily properties during 2012, representing total investments of \$1.3 billion.

We also took advantage of the improving market conditions and interest by institutions and individuals seeking ownership interests in properties to sell assets, disposing of properties with more limited growth opportunities, and raising efficiently priced capital for reinvestment. During the year, we sold our fee interest in 292 Madison Avenue and a 49.5% partnership interest in 521 Fifth Avenue, as well as several other joint venture assets, including One Court Square, Long Island City, New York.

DEBT AND PREFERRED EQUITY | Beginning in 2010, we saw an increase in opportunities to acquire existing debt and preferred equity positions in high quality Manhattan office properties at discounts that enabled us to generate high risk adjusted yields, and offer off-market access to property acquisitions. As 2012 progressed, and the availability of discounted debt and preferred equity in high quality properties waned, we began to focus on the origination of financings, typically in the form of preferred equity and mezzanine debt, for owners or acquirers seeking higher leverage than has been available from traditional lending sources who are lending at modest leverage levels. Traditional sources of junior

financings have not yet materialized as a result of the Dodd-Frank Act and other banking regulations. This provided us with an opportunity to fill this need by providing more modest amounts of leverage. The typical investments made by us during 2012 were to reputable owners or acquirers, and at leverage levels which are senior to sizable equity investments by the sponsors. During 2012, our debt and preferred equity activities included purchases and originations of \$637.1 million, redemptions and sales of \$264.0 million and the conversion of a \$25.0 million investment into equity ownership. Property equity ownership resulting from this lending program during 2012 included a 4.5 million square foot west coast portfolio of office properties.

OUTLOOK | Several factors introduced into the market during the second half of 2012 have modestly reduced expectations for the recovery of jobs and in demand for office space in 2013. Those factors include increased ordinary and capital gains tax rates and additional cost cutting by the financial services sector. Despite these factors, we continue to see a solid leasing market and the potential for improving leasing fundamentals as we progress through the year.

HIGHLIGHTS FROM 2012 | Our significant activities for 2012 included:

- Directly acquired or consolidated joint venture interests in 12 properties for aggregate gross purchase prices of \$641.3 million encompassing 1.1 million square feet.
- Invested in five properties through joint ventures for aggregate gross purchase prices of \$626.7 million and encompassing 0.6 million square feet.
- Closed on a \$1.6 billion 5-year credit facility.
- Sold 2.6 million shares of common stock through our “at-the-market” equity offering programs raising net proceeds of \$201.3 million were used to repay certain of our existing indebtedness, make investments in additional properties and debt and preferred equity investments, and for general corporate purposes.
- Issued \$200.0 million principal amount of 4.50% senior unsecured notes, due 2022, at par. The net proceeds from the offering (approximately \$198.2 million) were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes.
- Issued 6.50% Series I Cumulative Redeemable Preferred Stock generating net proceeds to the Company of \$222.2 million, redeemed the entire \$100.0 million, 7.875% Series D Cumulative Redeemable Preferred Stock and redeemed \$100.0 million of the 7.625% Series C Cumulative Redeemable Preferred Stock.
- Closed on a \$175.0 million financing with a 1-year term and a 1-year extension option.
- Closed on 5 mortgages totaling approximately \$1.1 billion.
- Signed 215 office leases totaling 3.7 million square feet in Manhattan.
- Signed 107 office leases totaling 0.6 million square feet in the Suburbs.

As of December 31, 2012, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy ⁽¹⁾
Manhattan	Consolidated properties	27	18,347,945	93.8%
	Unconsolidated properties	9	5,934,434	95.0%
Suburban	Consolidated properties	25	3,863,000	79.9%
	Unconsolidated properties	5	1,539,700	84.7%
		66	29,685,079	91.7%

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

As of December 31, 2012, we also owned investments in 15 stand alone retail properties encompassing approximately 473,764 square feet, 16 development properties encompassing approximately 2,617,491 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet), two land interests and 31 west coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage two office properties owned by third parties and affiliated companies encompassing approximately 626,415 rentable square feet. As of December 31, 2012, we also held debt and preferred equity investments with a book value of \$1.4 billion.

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

Investment in Commercial Real Estate Properties | On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be 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 and without interest charges for consolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. In addition, we assess our investments in unconsolidated joint ventures for impairment, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2010, we recorded a \$2.8 million impairment charge on one of our equity investments. During 2011, we recorded a \$5.8 million impairment charge in connection with the expected sale of one of our equity investments. These charges are included in depreciable real estate reserves. See Note 6, "Investments in Unconsolidated Joint Ventures." We do not believe that the value of any of our consolidated properties or equity investments was impaired at December 31, 2012 and 2011, respectively.

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

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

The value associated with in-place leases are amortized over the expected term of the associated lease, which generally range from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. 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.

Investment in Unconsolidated Joint Ventures | We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except guarantees at two joint ventures, totaling \$218.4 million, and performance guarantees under a master lease at another joint

venture. See Note 6, “Investments in Unconsolidated Joint Ventures,” in the accompanying financial statements.

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

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

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

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

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. The write off of the reserve balance is called a charge off. We recorded approximately \$3.0 million, \$10.9 million and \$19.8 million in loan loss reserves and

charge offs during the years ended December 31, 2012, 2011 and 2010, respectively, on investments being held to maturity. During the year ended December 31, 2010, we recorded loan loss reserves and charge offs of \$1.0 million against our held for sale investment. We also recorded approximately \$2.4 million, \$4.4 million and \$3.7 million in recoveries during the years ended December 31, 2012, 2011 and 2010, respectively, in connection with the sale of our investments.

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 loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

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

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

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2012 to the year ended December 31, 2011 | The following comparison for the year ended December 31, 2012, or 2012, to the year ended December 31, 2011, or 2011, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us in the same manner at January 1, 2011 and at December 31, 2012 and totaled 46 of our 52 consolidated properties, representing approximately 72% of our share of annualized rental revenue, (ii) the effect of the “Acquisitions,” which represents all properties or interests

in properties acquired in 2011 and 2012 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2012	2011	\$ Change	% Change
Rental revenue	\$1,078.0	\$ 961.9	\$116.1	12.1%
Escalation and reimbursement revenue	167.4	145.6	21.8	15.0
Total	\$1,245.4	\$1,107.5	\$137.9	12.5%
Same-Store Properties	\$ 984.1	\$ 980.9	\$ 3.2	0.3%
Acquisitions	247.1	125.4	121.7	97.0
Other	14.2	1.2	13	1,083.3
Total	\$1,245.4	\$1,107.5	\$137.9	12.5%

Occupancy in the Same-Store Properties was 90.3% at December 31, 2012 and 89.6% at December 31, 2011. The increase in rental revenue from the Acquisitions is primarily due to owning these properties during 2012 compared to a partial period or not being included in 2011.

Occupancy for our same-store Manhattan portfolio at December 31, 2012 was 93.0% as compared to 92.0% for the same period in the previous year. During the year ended December 31, 2012, we signed 215 office leases in our Manhattan portfolio totaling 3,660,242 square feet. Eighty leases totaling 697,710 square feet represented office leases that replaced previous vacancies, while 135 office leases comprising 2,962,532 square feet had average starting rents of \$56.16 per rentable square foot, representing a 7.5% increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed during the year ended December 31, 2012 was 12.5 years and average tenant concessions were 6.2 months of free rent with a tenant improvement allowance and lease commissions of \$58.92 per rentable square foot. Of the 3,195,392 square feet of office leases which commenced during 2012, 506,131 square feet represented office leases that replaced previous vacancies, while 2,689,261 square feet represented office leases that had average starting rents of \$54.84 per rentable square foot, representing a 6.9% increase over the previously fully escalated rents on the same office spaces.

Occupancy for our Suburban portfolio was 79.9% at December 31, 2012 as compared to 80.5% for the same period in the previous year. During the year ended December 31, 2012, we signed 107 office leases in the Suburban portfolio totaling 635,370 square feet. Thirty-six leases and 117,188 square feet represented office leases that replaced previous vacancies, while 71 office leases comprising 518,182 square feet had average starting rents of \$29.44 per rentable square foot, representing a 10.2% decrease over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed during the year ended December 31, 2012 was 5.0 years and average

tenant concessions were 4.9 months of free rent with a tenant improvement allowance and lease commissions of \$17.71 per rentable square foot. Of the 638,077 square feet of office leases which commenced during 2012, 132,634 square feet represented office leases that replaced previous vacancies, while 505,443 square feet represented office leases that had average starting rents of \$29.14 per rentable square foot, representing a 10.9% decrease over the previously fully escalated rents on the same office spaces.

At December 31, 2012, approximately 5.9% and 10.3% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during 2013. We estimate that the current market rents on these expected 2013 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 8.6% and 1.4% higher, respectively, than then existing in-place fully escalated rents. We estimate that the current market rents on all our consolidated Manhattan and Suburban properties are approximately 13.7% and 1.5% higher, respectively, than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

The increase in rental revenue and escalation and reimbursement revenue on a consolidated basis was also due in large part to the consolidation of our interest in the west coast office portfolio for the months of August and September 2012, during which time we owned approximately 63.18% of the equity in the joint venture and controlled its activities. We recognized approximately \$15.8 million in revenues during these periods. Following the recapitalization transaction, we no longer control the joint venture and have accounted for our investment under the equity method as of September 28, 2012.

The increase in escalation and reimbursement revenue was due to higher recoveries at the Acquisitions (\$21.6 million) and Other properties (\$1.6 million) which were offset by lower recoveries at the Same-Store Properties (\$1.4 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower operating expense escalations (\$4.8 million) and electric reimbursements (\$0.4 million), which were partially offset by higher real estate tax recoveries (\$3.8 million).

Same-Store net operating income, which is Same-Store revenues plus Same-Store other income less Same-Store operating expenses, decreased \$7.1 million, or 1.2%, from \$582.0 million for the year ended December 31, 2011 to \$574.9 million for the year ended December 31, 2012.

Investment and Other Income (in millions)	2012	2011	\$ Change	% Change
Equity in net income of unconsolidated joint ventures	\$ 76.4	\$ 1.6	\$74.8	4,675.0%
Investment and preferred equity income	119.2	120.4	(1.2)	(1.0)
Other income	35.7	35.5	0.2	0.6
Total	\$231.3	\$157.5	\$73.8	46.9%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions primarily from our investments in 717 Fifth Avenue (\$69.9 million), which was primarily due to the receipt of refinancing proceeds in excess of our basis, The Meadows (\$10.2 million), which was due mainly to repayment of the old debt at a discount, 280 Park Avenue (\$8.0 million) which underlying property was only acquired by the joint venture in May 2011 as a result of a recapitalization transaction, 100 Park Avenue (\$2.9 million) and 388 Greenwich Street (\$2.2 million). This was partially offset by lower net income contributions from 1515 Broadway (\$6.2 million), which we consolidated in April 2011, 1 Jericho Plaza (\$1.4 million), which was due to our share of a lease termination payment, 450 West 33rd Street (\$1.1 million), which we consolidated in November 2011, the west coast office portfolio (\$5.0 million), which was consolidated for the months of August and September and was accounted under the equity method of accounting for investment as of September 28, 2012 as a result of a recapitalization transaction, and 3 Columbus Circle (\$1.1 million). Occupancy at our joint venture properties was 92.9% at December 31, 2012 and 94.0% at December 31, 2011. At December 31, 2012, approximately 1.5% and 17.1% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during 2013. We estimate that current market rents on these expected 2013 lease expirations at our Manhattan and Suburban joint venture properties are approximately 20.6% higher and 1.6% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income decreased slightly during 2012 primarily due to additional income of \$43.0 million recognized during the year ended December 31, 2011 upon sale or repayment of loans (inclusive of the 280 Park Avenue transaction) offset by an increase in loan originations in 2012. During 2012, we originated or purchased \$637.1 million of new debt investments at a weighted average current yield of 9.3%. In addition, an entity that holds the property which served as collateral for our loan position, which is collateralized by a property in London, was determined to be a VIE under a reconsideration event and we have been determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012. We recognized additional income of \$5.2 million in 2012 as a result of this transaction. The weighted average investment balance outstanding and weighted average yield were \$1.1 billion and 9.8%, respectively, for 2012 compared to \$809.1 million and 7.9%, respectively, for 2011. As of December 31, 2012, the debt and preferred equity investments had a weighted average term to maturity of approximately 2.2 years.

The increase in other income was primarily due to a higher contribution from Service Corporation (\$2.1 million), real estate tax refunds from some of our properties (\$2.0 million), and one-time acquisition fees (\$2.1 million) in connection with our investments in 33 Beekman and 10 East

53rd Street. This increase was offset by a reduction in fees received upon the completion of a special servicing assignment (\$6.6 million).

Property Operating Expenses (in millions)	2012	2011	\$ Change	% Change
Operating expenses	\$298.3	\$263.7	\$34.6	13.1%
Real estate taxes	210.5	174.5	36.0	20.6
Ground rent	37.9	32.9	5.0	15.2
Total	\$546.7	\$471.1	\$75.6	16.0%
Same-Store Properties	\$416.9	\$405.8	\$11.1	2.7%
Acquisitions	112.0	54.1	57.9	107.0
Other	17.8	11.2	6.6	58.9
Total	\$546.7	\$471.1	\$75.6	16.1%

The increase in operating expenses on a consolidated basis was also due to the consolidation of our interest in the west coast office portfolio for the months of August and September, which contributed approximately \$9.0 million in operating expenses, including real estate taxes.

The increase in operating expenses at the Same-Store Properties was primarily due to higher real estate taxes (\$7.5 million), payroll costs (\$2.5 million), ground rent (\$4.9 million) and contract maintenance (\$1.1 million). This was partially offset by lower utility costs (\$5.2 million).

Other Expenses (in millions)	2012	2011	\$ Change	% Change
Interest expense, net of interest income	\$350.0	\$300.0	\$ 50.0	16.7%
Depreciation and amortization expense	332.0	277.3	54.7	19.7
Loan loss and other investment reserves, net of recoveries	0.6	6.7	(6.1)	(91.0)
Transaction related costs	5.6	5.6	—	—
Marketing, general and administrative expense	82.8	80.1	2.7	3.4
Total	\$771.0	\$669.7	\$101.3	15.1%

The increase in interest expense was primarily attributable to higher average consolidated debt balances outstanding during the period due to the refinancing of 1515 Broadway (\$17.7 million) in April 2012, 100 Church Street (\$3.2 million) in June 2012 and 919 Third Avenue (\$5.7 million) in June 2011, and increase in investment activity inclusive of the acquisitions of Stonehenge properties (\$4.6 million) in January 2012, 180 Maiden Lane (\$6.7 million) in November 2011 and 110 East 42nd Street (\$2.3 million) in May 2011 subject to mortgages encumbering these properties. The consolidation of our interest in the west coast office portfolio for the months of August and September also contributed to the increase in interest expense by \$6.6 million. The weighted average debt balance outstanding increased from \$5.8 billion during the year ended December 30, 2011 to \$6.5 billion during the year ended December 31, 2012. The weighted average interest rate remained flat at 4.87% for each of the years ended December 31, 2011 and 2012.

Loan loss and other investment reserves decreased year over year. We recorded \$3.0 million in reserves and \$2.4 million in recoveries in 2012 compared to \$11.1 million in reserves and \$4.4 million in recoveries in 2011.

Marketing, general and administrative expenses were \$82.8 million or 5.1% of total revenues, including our share of joint venture revenues, in 2012 compared to \$80.1 million or 5.4% in 2011.

Comparison of the year ended December 31, 2011 to the year ended December 31, 2010 | The following comparison for the year ended December 31, 2011, or 2011, to the year ended December 31, 2010, or 2010, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us in the same manner at January 1, 2010 and at December 31, 2011 and totaled 45 of our 51 consolidated properties, representing approximately 68% of our share of annualized rental revenue, (ii) the effect of the “Acquisitions,” which represents all properties or interests in properties acquired in 2010 and 2011 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) “Other,” which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2011	2010	\$ Change	% Change
Rental revenue	\$ 961.9	\$782.5	\$179.4	22.9%
Escalation and reimbursement revenue	145.6	118.2	27.4	23.2
Total	\$1,107.5	\$900.7	\$206.8	23.0%
Same-Store Properties	\$ 880.0	\$873.3	\$ 6.7	0.8%
Acquisitions	226.3	24.1	202.2	839.0
Other	1.2	3.3	(2.1)	(63.6)
Total	\$1,107.5	\$900.7	\$206.8	23.0%

Occupancy in the Same-Store Properties was 90.3% at December 31, 2011 and 89.4% at December 31, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties during 2011 compared to a partial period or not being included in 2010.

Occupancy for our same-store Manhattan portfolio at December 31, 2011 was 94.0% as compared to 92.7% for the same period in the previous year. During the year ended December 31, 2011, we signed 205 office leases in our Manhattan portfolio totaling 2.3 million square feet. Forty-three leases totaling 614,833 square feet represented office leases that replaced previous vacancies, while 162 office leases comprising 1,690,423 square feet had average starting rents of \$55.34 per rentable square foot, representing a 7.3% increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed during the year ended December 31, 2011 was 9.6 years and average tenant concessions were 3.7 months of free rent with a tenant improvement allowance and lease commissions of \$49.59 per rentable square foot. Of the 2.0 million

square feet of office leases which commenced during 2011, 434,018 square feet represented office leases that replaced previous vacancies, while 1.6 million square feet represented office leases that had average starting rents of \$53.37 per rentable square foot, representing a 4.3% increase over the previously fully escalated rents on the same office spaces.

Occupancy for our Suburban portfolio was 86.2% at December 31, 2011 as compared to 87.3% for the same period in the previous year. During the year ended December 31, 2011, we signed 109 office leases in the Suburban portfolio totaling 574,046 square feet. Thirty-three leases and 183,425 square feet represented office leases that replaced previous vacancies, while 76 office leases comprising 390,621 square feet had average starting rents of \$33.86 per rentable square foot, representing a 2.5% decrease over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed during the year ended December 31, 2011 was 7.3 years and average tenant concessions were 6.9 months of free rent with a tenant improvement allowance and lease commissions of \$33.16 per rentable square foot. Of the 528,788 square feet of office leases which commenced during 2011, 107,595 square feet represented office leases that replaced previous vacancies, while 421,193 square feet represented office leases that had average starting rents of \$33.75 per rentable square foot, representing a 2.8% decrease over the previously fully escalated rents on the same office spaces.

At December 31, 2011, approximately 4.1% and 11.6% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during 2012. We estimated that the current market rents on these expected 2012 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 12.7% and 3.6% higher, respectively, than then existing in-place fully escalated rents. We estimated that the current market rents on all our consolidated Manhattan and Suburban properties were approximately 10.9% and 3.0% higher, respectively, than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

The increase in escalation and reimbursement revenue was due to higher recoveries at the Acquisitions (\$26.8 million) and Same-Store Properties (\$0.9 million) which were offset by lower recoveries at the Other properties (\$0.3 million). The increase in recoveries at the Same-Store Properties was primarily due to operating expense escalations (\$2.3 million) which were partially offset by lower real estate tax recoveries (\$1.0 million) and electric reimbursements (\$0.4 million).

Investment and Other Income (in millions)	2011	2010	\$ Change	% Change
Equity in net income of unconsolidated joint ventures	\$ 1.6	\$ 39.6	\$(38.0)	(96.0)%
Investment and preferred equity income	120.4	147.9	(27.5)	(18.6)
Other income	35.5	35.7	(0.2)	(0.6)
Total	\$157.5	\$223.2	\$(65.7)	(29.4)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 800 Third Avenue (\$0.7 million), 1221 Avenue of the Americas which was sold in May 2010 (\$10.5 million), 1515 Broadway, which we consolidated in April 2011 (\$7.8 million), 1552 Broadway (\$1.3 million), 280 Park Avenue (\$18.1 million) and 2 Herald Square (\$5.9 million) and 885 Third Avenue (\$7.1 million), both of which were acquired in December 2010. This was partially offset by higher net income contributions primarily from our investments in Jericho Plaza (\$0.8 million), 1551 Broadway due to a refinancing prior to the sale (\$2.2 million), 3 Columbus Circle (\$1.6 million), 450 West 33rd Street, a mezzanine debt joint venture (\$1.1 million), 717 Fifth Avenue (\$1.8 million), 180 Broadway (\$1.2 million) and 600 Lexington Avenue (\$4.2 million). Occupancy at our joint venture properties was 92.3% at December 31, 2011 and 95.2% at December 31, 2010. At December 31, 2011, approximately 7.0% and 10.7% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during 2012. We estimated that current market rents on these expected 2012 lease expirations at our Manhattan and Suburban joint venture properties were approximately 29.5% higher and 5.7% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income decreased during 2011. In 2011, debt investments totaling \$352.8 million (inclusive of the 280 Park Avenue transaction) were sold or repaid resulting in the recognition of additional income of \$43.0 million during 2011. In September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for \$180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately \$64.8 million. During 2011, we also originated or purchased \$615.0 million of new debt investments at a weighted average current yield of 10.0%. The weighted average investment balance outstanding and weighted average yield were \$809.1 million and 7.9%, respectively, for 2011 compared to \$862.0 million and 8.5%, respectively, for 2010. As of December 31, 2011, the debt and preferred equity investments had a weighted average term to maturity of approximately 3.0 years.

The decrease in other income was primarily due to lower contribution from the Service Corporation (\$2.4 million) and lower lease buy-out income (\$1.6 million), which was partially offset by an increase in other fee income (\$2.7 million).

Property Operating Expenses (in millions)	2011	2010	\$ Change	% Change
Operating expenses	\$263.7	\$224.7	\$39.0	17.4%
Real estate taxes	174.5	145.8	28.7	19.7
Ground rent	32.9	31.2	1.7	5.4
Total	\$471.1	\$401.7	\$69.4	17.3%
Same-Store Properties	\$385.9	\$375.6	\$10.3	2.7%
Acquisitions	74.0	12.8	61.2	478.1
Other	11.2	13.3	(2.1)	(15.8)
Total	\$471.1	\$401.7	\$69.4	17.3%

Same-Store Properties operating expenses increased approximately \$10.3 million. There were increases in real estate taxes (\$4.4 million), payroll costs (\$1.1 million), cleaning and repairs and maintenance (\$4.7 million), ground rent (\$1.7 million) and other expenses (\$0.2 million). This was partially offset by decreases in utilities (\$0.3 million) and insurance costs (\$1.5 million).

Other Expenses (in millions)	2011	2010	\$ Change	% Change
Interest expense, net of interest income	\$300.0	\$239.7	\$ 60.3	25.2%
Depreciation and amortization expense	277.3	225.2	52.1	23.1
Loan loss and other investment reserves, net of recoveries	6.7	17.8	(11.1)	(62.4)
Transaction related costs	5.6	11.8	(6.2)	(52.5)
Marketing, general and administrative expense	80.1	75.9	4.2	5.5
Total	\$669.7	\$570.4	\$ 99.3	17.4%

The increase in interest expense was primarily attributable to higher average consolidated debt balances outstanding during the period due to the increase in investment activity in 2011, inclusive of the acquisitions of 1515 Broadway, 521 Fifth Avenue and 180 Maiden Lane. The weighted average debt balance outstanding increased from \$4.8 billion during the year ended December 30, 2010 to \$5.8 billion during the year ended December 31, 2011. The weighted average interest rate increased from 4.76% for the year ended December 31, 2010 to 4.87% for the year ended December 31, 2011.

Loan loss and other investment reserves decreased year over year. We recorded \$11.1 million in reserves and \$4.4 million in recoveries in 2011 compared to \$17.8 million in reserves and no recoveries in 2010.

Marketing, general and administrative expense were \$80.1 million or 5.4% of total revenues, including our share of joint venture revenues, in 2011 compared to \$75.9 million or 5.6% in 2010.

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 and funds for acquisition and 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 our 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 us, our 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 and 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 capital.

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 December 31, 2012 are as follows (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Property mortgages and other loans	\$348,505	\$198,788	\$285,347	\$ 572,053	\$1,153,525	\$2,057,246	\$4,615,464
Corporate obligations	—	75,898	7	255,165	304,266	1,269,620	1,904,956
Joint venture debt—our share	176,511	309,090	36,457	528,278	933,634	151,391	2,135,361
Total	\$525,016	\$583,776	\$321,811	\$1,355,496	\$2,391,425	\$3,478,257	\$8,655,781

As of December 31, 2012, we had approximately \$211.4 million of consolidated cash on hand, inclusive of approximately \$21.4 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may seek to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us at efficient levels or at all. Management believes that these sources of liquidity, if we are able to access them, along with potential refinancing opportunities for secured debt, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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

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

Cash and cash equivalents were \$190.0 million and \$138.2 million at December 31, 2012 and 2011, respectively, representing an increase of \$51.8 million. The increase was a result of the following changes in cash flows (in thousands):

	Year ended December 31,		
	2012	2011	Increase (Decrease)
Net cash provided by operating activities	\$ 353,743	\$ 312,860	\$ 40,883
Net cash used in investing activities	\$(1,170,393)	\$(739,597)	\$(430,796)
Net cash provided by financing activities	\$ 868,442	\$ 232,099	\$ 636,343

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2012, our portfolio was 91.4% occupied. Our debt and preferred equity and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2012, when compared to the year ended December 31, 2011, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	\$ (97,812)
Capital expenditures and capitalized interest	10,952
Escrow cash—capital improvements/acquisition deposits	(99,361)
Joint venture investments	(105,254)
Distributions from joint ventures	15,517
Proceeds from sales of real estate/partial interest in property	17,937
Debt and preferred equity and other investments	(172,775)
Increase in net cash used by investing activities	\$(430,796)

Funds spent on capital expenditures, which comprise building and tenant improvements, decreased from \$159.1 million for the year ended December 31, 2011 to \$148.1 million for the year ended December 31, 2012. The decreased capital expenditures relate primarily to lower costs incurred in connection with the redevelopment of properties and the build-out of space for tenants resulting from leasing activity.

We generally fund our investment activity through property level financing, our 2012 credit facility, senior unsecured notes, convertible or exchangeable securities, construction loans, sale of real estate and from time to time, we issue common or preferred stock or the Operating Partnership may issue common or preferred units of limited partnership interest.

During the year ended December 31, 2012, when compared to the year ended December 31, 2011, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	\$ 254,579
Repayments under our debt obligations	538,903
Proceeds from issuance of common and preferred stock	(92,924)
Redemption of preferred stock	(200,013)
Noncontrolling interests, contributions in excess of distributions	144,957
Other financing activities	48,213
Dividends and distributions paid	(57,372)
Increase in net cash provided in financing activities	\$ 636,343

CAPITALIZATION | As of December 31, 2012, we had 91,249,632 shares of common stock, 2,759,758 units of limited partnership interest in the Operating Partnership held by persons other than the Company, 66,668 performance based LTIP units, 7,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock, and 9,200,000 shares of our 6.50% Series I cumulative redeemable preferred stock, or Series I preferred stock, outstanding. In addition, we also had preferred units of limited partnership interests in the Operating Partnership having aggregate liquidation preferences of \$49.6 million held by persons other than the Company.

In September 2012, we redeemed 4,000,000 shares, or \$100.0 million, of Series C preferred stock at a redemption price of \$25.00 per share plus \$0.3707 in accumulated and unpaid dividends on such preferred stock through September 24, 2012. We recognized \$6.3 million of costs to partially redeem the Series C preferred stock. As a result of this redemption, we have 7,700,000 shares of Series C Preferred stock outstanding.

In August 2012, we issued 9,200,000 shares of our Series I preferred stock with a mandatory liquidation preference of \$25.00 per share. The Series I preferred shareholders receive annual distributions of \$1.625 per share paid on a quarterly basis and distributions are cumulative, subject to certain provisions. We are entitled to redeem our Series I preferred stock at par for cash at our option on or after August 10, 2017. Net proceeds from the Series I preferred stock (\$222.2 million) was recorded net of underwriters' discount and issuance costs.

In July 2012, we redeemed all 4,000,000 shares, or \$100.0 million, of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, at a redemption price of \$25.00 per share plus \$0.4922 in accumulated and unpaid dividends on such preferred stock through July 14, 2012. We recognized \$3.7 million of costs to fully redeem the Series D preferred stock.

In July 2011, we, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$250.0 million of our common stock. During the year ended December 31, 2012,

we sold 2.6 million shares of our common stock through the ATM Program for aggregate gross proceeds of approximately \$204.6 million (\$201.3 million of net proceeds after related expenses). The net proceeds were used to repay debt, fund new investments and for other corporate purposes. As of December 31, 2012, we had \$45.4 million available to issue under the ATM Program.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN |

In March 2012, we filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which automatically became effective upon filing. We registered 3,500,000 shares of common stock under the DRIP. The DRIP commenced on September 24, 2011.

During the years ended December 31, 2012 and 2011, we issued approximately 1.3 million and 473 shares of our common stock and received approximately \$99.6 million and \$34,000 of net proceeds, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

SECOND AMENDED AND RESTATED 2005 STOCK OPTION AND INCENTIVE PLAN |

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 10,730,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity based awards under the Second Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. As of December 31, 2012, no 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, which remain subject to performance based vesting.

2005 LONG-TERM OUTPERFORMANCE COMPENSATION PROGRAM |

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan were entitled to earn LTIP Units in our Operating Partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. On June 14, 2006, the compensation committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of \$49,250,000, taking into account forfeitures, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions

that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Outperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned vested on each of November 30, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

The cost of the 2005 Outperformance Plan (approximately \$8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately \$1.6 million of compensation expense during the year ended December 31, 2010 in connection with the 2005 Outperformance Plan. The cost of the 2005 Outperformance Plan had been fully expensed as of June 30, 2010.

2006 LONG-TERM OUTPERFORMANCE COMPENSATION PROGRAM | In August 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units were earned under the 2006 Outperformance Plan.

The cost of the 2006 Outperformance Plan (approximately \$16.4 million, subject to adjustment for forfeitures) was amortized into earnings through July 31, 2011, the final vesting period. We recorded compensation expense of approximately \$70,000 and \$0.2 million during the years ended December 31, 2011 and 2010, respectively, in connection with the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of September 30, 2011.

2010 NOTIONAL UNIT LONG-TERM COMPENSATION PLAN | In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, 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 approximately \$15 million up to approximately \$75 million of LTIP Units in the Operating Partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, approximately \$25 million of awards could be earned at any time after the beginning of the second year and an additional approximately \$25 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, our 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, 366,815 LTIP Units, 385,583 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) and the remainder is scheduled to vest ratably on January 1, 2014 and 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 (approximately \$31.7 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$10.7 million, \$9.3 million and \$4.0 million during the years ended December 31, 2012, 2011 and 2010, respectively, related to the 2010 Long-Term Compensation Plan.

2011 OUTPERFORMANCE PLAN | In August 2011, the compensation committee of our 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 may earn, in the aggregate, up to \$85 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 will be entitled to share in a “performance pool” comprised of LTIP Units with a value equal to 10% of the amount, if any, by which our total return to stockholders during the three-year period exceeds a cumulative total return to stockholders of 25%, subject to the maximum of \$85 million of LTIP Units; provided that if maximum performance has been achieved, approximately one-third of each award may be earned at any time after the beginning of the second year and an additional approximately one-third of each award may be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2011 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 additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

The cost of the 2011 Outperformance Plan (approximately \$26.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$5.5 million and \$0.1 million during the years ended December 31, 2012 and 2011, respectively, related to the 2011 Outperformance Plan.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS |

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

During the year ended December 31, 2012, approximately 8,307 phantom stock units were earned. As of December 31, 2012, there were approximately 75,156 phantom stock units outstanding.

EMPLOYEE STOCK PURCHASE PLAN | On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase

price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2012, approximately 66,323 shares of our common stock had been issued under the ESPP.

MARKET CAPITALIZATION | At December 31, 2012, borrowings under our mortgages and other loans payable, our 2012 credit facility, senior unsecured notes, trust preferred securities and our share of joint venture debt represented 53.1% of our combined market capitalization of approximately \$16.3 billion (based on a common stock price of \$76.65 per share, the closing price of our common stock on the NYSE on December 31, 2012). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our Operating Partnership, and our share of joint venture debt.

INDEBTEDNESS | The table below summarizes our consolidated mortgages and other loans payable, our 2012 credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2012 and 2011, respectively (amounts in thousands).

	December 31,	
Debt Summary:	2012	2011
Balance		
Fixed rate	\$4,884,354	\$4,802,009
Variable rate—hedged	38,371	30,000
Total fixed rate	4,922,725	4,832,009
Variable rate	1,150,762	921,349
Variable rate—supporting variable rate assets	446,933	341,138
Total variable rate	1,597,695	1,262,487
Total	\$6,520,420	\$6,094,496
Percent of Total Debt:		
Fixed rate	75.5%	79.3%
Variable rate	24.5%	20.7%
Total	100.0%	100.0%
Effective Interest Rate for the Year:		
Fixed rate	5.78%	5.99%
Variable rate	2.89%	2.16%
Effective interest rate	5.08%	4.87%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.21% and 0.30% at December 31, 2012 and 2011, respectively). Our consolidated debt at December 31, 2012 had a weighted average term to maturity of approximately 5.85 years.

Certain of our debt and preferred equity investments, with a face amount of approximately \$446.9 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2012.

MORTGAGE FINANCING | As of December 31, 2012, our total mortgage debt (excluding our share of joint venture debt of approximately \$2.1 billion) consisted of approximately \$3.5 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.64% and approximately \$1.0 billion of variable rate debt with an effective weighted average interest rate of approximately 3.29%.

CORPORATE INDEBTEDNESS

2012 CREDIT FACILITY | In November 2012, we entered into a \$1.6 billion credit facility, or the 2012 credit facility, which refinanced, extended and upsized the previous 2011 revolving credit facility. The 2012 credit facility consists of a \$1.2 billion revolving credit facility, or the revolving credit facility, and a \$400.0 million term loan, or the term loan facility. The revolving credit facility matures in March 2017 and includes two six-month extension options, subject to certain conditions and the payment of an extension fee of 10 basis points for each such extension. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to \$1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our current lenders and other financial institutions. The term loan facility matures on March 30, 2018.

The 2012 credit facility bears interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 115 basis points to 200 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 December 31, 2012, the applicable spread was 145 basis points for revolving credit facility and 165 basis points for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point fee on the unused balance of the commitments under the revolving credit facility. As of December 31, 2012, the facility fee was 30 basis points. At December 31, 2012, we had approximately \$79.5 million of outstanding letters of credit and \$70.0 million borrowings under the revolving credit facility and \$400.0 million outstanding under the term loan facility, with undrawn capacity of \$1.1 billion under the 2012 credit facility.

The Company, ROP and the Operating Partnership are all borrowers jointly and severally obligated under the 2012 credit facility. No other subsidiary of ours is an obligor under the 2012 credit facility.

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

2011 REVOLVING CREDIT FACILITY | The 2012 credit facility replaced our \$1.5 billion revolving credit facility, or the 2011 revolving credit facility, which was terminated concurrently with the entering into the 2012 credit facility. The 2011 revolving credit facility bore interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP, and required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility. The 2011 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2011 revolving credit facility and as of November 2012, we were in compliance with all such restrictions and covenants.

2007 REVOLVING CREDIT FACILITY | The 2011 revolving credit facility replaced our \$1.5 billion revolving credit facility, or the 2007 revolving credit facility, which was terminated concurrently with the entering into the 2011 revolving credit facility. The 2007 revolving credit facility bore interest at a spread over the 30-day LIBOR ranging from 70 basis points to 110 basis points, based on our leverage ratio, and required a 12.5 to 20 basis point fee, also based on our leverage ratio, on the unused balance payable annually in arrears. The 2007 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2007 revolving credit facility and as of October 31, 2011, we were in compliance with all such restrictions and covenants.

MASTER REPURCHASE AGREEMENT | In September 2012, we entered into a Master Repurchase Agreement, or MRA, with a financial institution, with a maximum facility capacity of \$175.0 million, under which we agreed to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a certain date or on demand. The MRA's interest rate is based on 1-month LIBOR plus 300 basis points. The MRA matures in September 2013, and has a 1-year extension option. At December 31, 2012, we had approximately \$116.7 million outstanding under this facility, which is included in mortgage notes payable and loans.

SENIOR UNSECURED NOTES | The following table sets forth our senior unsecured notes and other related disclosures as of December 31, 2012 and 2011, respectively, by scheduled maturity date (amounts in thousands):

Issuance	December 31,			Coupon Rate ⁽¹⁾	Effective Rate	Term (in Years)	Maturity
	2012 Unpaid Principal Balance	2012 Accreted Balance	2011 Accreted Balance				
March 26, 2007 ⁽²⁾	\$ 16,893	\$ 16,893	\$ 119,423	3.00%	3.00%	20	March 30, 2027
June 27, 2005 ⁽³⁾⁽⁴⁾	7	7	657	4.00%	4.00%	20	June 15, 2025
November 15, 2012 ⁽⁵⁾	200,000	200,000	—	4.50%	4.50%	10	December 1, 2022
March 16, 2010 ⁽⁵⁾	250,000	250,000	250,000	7.75%	7.75%	10	March 15, 2020
August 5, 2011 ⁽⁵⁾	250,000	249,620	249,565	5.00%	5.03%	7	August 15, 2018
October 12, 2010 ⁽⁶⁾	345,000	287,373	277,629	3.00%	7.13%	7	October 15, 2017
March 31, 2006 ⁽³⁾⁽⁷⁾	255,308	255,165	274,804	6.00%	6.02%	10	March 31, 2016
August 13, 2004 ⁽³⁾⁽⁷⁾	75,898	75,898	98,578	5.88%	5.88%	10	August 15, 2014
	\$1,393,106	\$1,334,956	\$1,270,656				

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

(2) In March 2007, the Operating Partnership issued \$750.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of 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 our common stock, if any, at our option. The notes are currently redeemable at the Operating Partnership's option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events. On March 30, 2012, we repurchased \$102.2 million of aggregate principal amount of the exchangeable notes pursuant to a mandatory offer to repurchase the notes. On the issuance date, \$66.6 million was recorded in equity and was fully amortized as of March 31, 2012.

(3) Issued by ROP.

(4) Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491. During the year ended December 31, 2012, we repurchased \$650,000 of these bonds at par.

(5) Issued by us, the Operating Partnership and ROP, as co-obligors.

(6) In October 2010, the Operating Partnership issued \$345.0 million of these exchangeable notes. Interest on these 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 our 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 11.6800 shares of our 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 our common stock, if any, at our option. The notes are guaranteed by ROP. On the issuance date, \$78.3 million was recorded in equity. As of December 31, 2012, approximately \$57.6 million remained unamortized.

(7) On December 27, 2012, we repurchased \$42.4 million aggregate principal amount of notes, consisting of \$22.7 million of the 5.875% Notes and \$19.7 million of the 6.0% Notes, for a total consideration of \$46.4 million and realized a net loss on early extinguishment of debt of approximately \$3.8 million.

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

RESTRICTIVE COVENANTS | The terms of the 2012 credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends (as discussed below), make

certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that 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 us to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2012 and 2011, we were in compliance with all such covenants.

MARKET RATE RISK | We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We often use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2012 and 2011 would increase our annual interest cost by approximately \$15.4 million and \$12.3 million and would increase our share of joint venture annual interest cost by approximately \$8.5 million and \$4.8 million, respectively.

We recognize most derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is 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.

Approximately \$4.9 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and variable rate joint venture debt as of December 31, 2012 was based on a spread of LIBOR plus 90 basis points to LIBOR plus 950 basis points.

CONTRACTUAL OBLIGATIONS | The combined aggregate principal maturities of mortgages and other loans payable, our 2012 credit facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense (based on weighted average interest rates for the quarter), and our obligations under our capital lease and ground leases, as of December 31, 2012 are as follows (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Property mortgages and other loans	\$348,505	\$198,788	\$285,347	\$ 572,053	\$1,153,525	\$2,057,246	\$4,615,464
Revolving credit facility	—	—	—	—	—	70,000	70,000
Term loan and Trust preferred securities	—	—	—	—	—	500,000	500,000
Senior unsecured notes	—	75,898	7	255,165	304,266	699,620	1,334,956
Capital lease	1,555	1,705	1,743	1,857	2,007	99,828	108,695
Ground leases	37,431	37,531	37,757	38,315	38,561	1,480,791	1,670,386
Estimated interest expense	321,669	306,015	289,910	261,169	197,046	444,216	1,820,025
Joint venture debt	176,511	309,090	36,457	528,278	933,634	151,393	2,135,363
Total	\$885,671	\$929,027	\$651,221	\$1,656,837	\$2,629,039	\$5,503,094	\$12,254,889

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

CAPITAL EXPENDITURES | We estimate that for the year ending December 31, 2013, we expect to incur approximately \$167.1 million of capital expenditures which are net of loan reserves, (including tenant improvements and leasing commissions) on existing wholly owned properties, and our share of capital expenditures at our joint venture properties, net of

loan reserves, will be approximately \$44.9 million. We expect to fund these capital expenditures with operating cash flow, additional property level mortgage financings and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect our capital needs will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains.

We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of \$1.32 per share, we would pay approximately \$120.5 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility and senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

RELATED PARTY TRANSACTIONS

Cleaning/Security/Messenger and Restoration Services | Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately \$4.0 million, \$2.7 million and \$2.2 million for the years ended December 31, 2012, 2011 and 2010 respectively. We paid Alliance approximately \$17.9 million, \$16.1 million and \$14.2 million for three years ended December 31, 2012, respectively, for these services (excluding services provided directly to tenants).

Marketing Services | A-List Marketing, LLC, or A-List, provides marketing services to us. Ms. Deena Wolff, a sister of Mr. Marc Holliday, is the owner of A-List. The aggregate amount of fees we paid to A-List for these marketing services was approximately \$155,500, \$140,300 and \$86,300 for the three years ended December 31, 2012, respectively.

Leases | Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease was \$35,516 per annum for year one increasing to \$40,000 in year seven.

Management Fees | S.L. Green Management Corp., a consolidated entity, receives property management fees from an

entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately \$384,900, \$420,300 and \$390,700 for the three years ended December 31, 2012, respectively.

Gramercy Capital Corp. | Our related party transactions with Gramercy are discussed in Note 6, "Investment in Unconsolidated Ventures—Gramercy Capital Corp.," in the accompanying financial statements.

Insurance | We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. As of December 31, 2012, the first property portfolio maintains a blanket limit of \$775.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. The second portfolio maintains a limit of \$750.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. Both policies expire on December 31, 2013. Each policy includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. We maintain liability policies which cover all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2013. 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 be 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.

- **Terrorism:** Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Belmont has a terrorism coverage limit of \$650 million in a layer in excess of \$100.0 million. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

- **NBCR:** Belmont has acted as a direct insurer of NBCR and since December 31, 2011, has provided coverage up to \$750 million on our entire property portfolio for certified acts of terrorism above a program trigger of \$100.0 million. Belmont is responsible for a small deductible and 15% of a loss, with the remaining 85% covered by the Federal government.

- **General Liability:** For the period commencing October 31, 2010, Belmont insures a retention on the general liability insurance of \$150,000 per occurrence and a \$2.1 million annual aggregate stop loss limit. We have secured excess insurance to protect against catastrophic liability losses above the \$150,000 retention. Prior policy years carried a higher per occurrence deductible and/or higher aggregate stop loss. Belmont has retained a third party administrator to manage all claims within the retention and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of \$200.0 million per occurrence and in the aggregate on a per location basis.

- **Environmental Liability:** Belmont insures a deductible of \$975,000 per occurrence in excess of \$25,000 on a \$25 million per occurrence and \$30 million aggregate environmental liability policy covering the entire portfolio.

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

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of certified terrorism, subject to the current program trigger of \$100.0 million. There is no assurance that TRIPRA will be extended. 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 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, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

FUNDS FROM OPERATIONS | Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, 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 debt restructurings, 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 years ended December 31, 2012, 2011 and 2010 are as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826
Add:			
Depreciation and amortization	332,028	277,345	225,193
Discontinued operations depreciation adjustments	82	676	5,326
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	35,593	31,179	32,163
Net income attributable to noncontrolling interests	11,188	29,712	18,581
Depreciable real estate reserves	—	5,789	2,750
Gain on investment in marketable securities	—	—	(397)
Less:			
Gain on sale of discontinued operations	6,627	46,085	35,485
Equity in net gain on sale of joint venture property/interest	37,053	2,918	128,921
Purchase price fair value adjustment	—	498,195	—
Depreciation on non-rental real estate assets	940	922	875
Funds from Operations	\$ 490,255	\$ 413,813	\$ 389,161
Cash flows provided by operating activities	\$ 353,743	\$ 312,860	\$ 321,058
Cash flows (used in) provided by investing activities	\$(1,170,393)	\$(739,597)	\$ 18,815
Cash flows provided by (used in) financing activities	\$ 868,442	\$ 232,099	\$(350,758)

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

ACCOUNTING STANDARDS UPDATES | The Accounting Standards Updates are discussed in Note 2, "Significant Accounting Policies Accounting Standards Updates" in the accompanying consolidated financial statements.

FORWARD LOOKING INFORMATION | This report includes certain statements that may be deemed to be "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provisions thereof. All statements, other than statements of historical facts, included in this report that

address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), development trends of the real estate industry and the Manhattan, Brooklyn, Westchester County, Connecticut, Long Island and Northern 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 metropolitan real estate market in particular;
- dependence upon certain geographic markets;
- risks of real estate acquisitions, dispositions and developments, including the cost of construction delays and cost overruns;
- risks relating to 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 our status as a REIT;
- risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;
- the continuing threat of terrorist attacks, in particular in the New York Metropolitan area and on our tenants;
- our ability to obtain adequate insurance coverage at a reasonable cost and the potential for losses in excess of our

insurance coverage, including as a result of environmental contamination; and,

- legislative, regulatory and/or safety requirements adversely affecting REITs and the real estate business, including costs of compliance with the Americans with Disabilities Act, the Fair Housing Act and other similar laws and regulations.

Other factors and risks to our business, many of which are beyond our control, are described in other sections of this report and in our other filings with the 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK | See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Rate Risk” for additional information regarding our exposure to interest rate fluctuations.

The table below presents the principal cash flows based upon maturity dates of our debt obligations and debt and preferred equity investments and the related weighted average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2012 (in thousands):

Date	Fixed Rate	Long-Term Debt		Average Interest Rate	Debt and Preferred Equity Investments ⁽¹⁾	
		Average Interest Rate	Variable Rate		Amount	Weighted Yield
2013	\$ 215,437	5.76%	\$ 133,067	2.89%	\$ 229,593	11.20%
2014	257,856	5.78	16,829	2.86	591,189	10.06
2015	268,261	5.78	17,093	2.85	138,968	9.22
2016	569,582	5.75	257,636	2.86	268,149	9.25
2017	1,446,888	5.72	10,904	2.95	125,804	8.88
Thereafter	2,164,701	5.18	1,162,166	2.99	3,500	7.09
Total	\$4,922,725	5.44%	\$1,597,695	2.90%	\$1,357,203	9.89%
Fair Value	\$5,334,244		\$1,577,494			

(1) Our debt and preferred equity investments had an estimated fair value ranging between \$1.3 billion and \$1.4 billion at December 31, 2012.

The table below presents the principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted average interest rates by expected maturity dates as of December 31, 2012 (in thousands):

Date	Long Term Debt			
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
2013	\$ 19,025	5.27%	\$157,486	3.23%
2014	107,983	5.24	201,108	3.12
2015	3,068	5.17	33,389	2.70
2016	398,830	4.95	129,448	2.42
2017	664,580	4.44	269,054	2.33
Thereafter	64,901	7.47	86,491	2.80
Total	\$1,258,387	5.46%	\$876,976	2.92%
Fair Value	\$1,195,179		\$836,294	

The table below lists all of our derivative instruments, which are hedging variable rate debt, excluding joint ventures, and their related fair value as of December 31, 2012 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	Mortgage	LIBOR	775,000	3.650%	4/2012	4/2013	\$ —
Interest Rate Cap	Mortgage	LIBOR	475,000	6.000%	3/2012	3/2013	—
Interest Rate Cap	Mortgage	LIBOR	271,912	6.000%	11/2012	11/2013	—
Interest Rate Swap	Revolving credit facility	LIBOR	30,000	2.295%	7/2010	6/2016	(1,881)
Interest Rate Swap	Mortgage	LIBOR	8,500	0.740%	2/2012	2/2015	(78)
Total Consolidated Hedges							\$(1,959)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps had no value at December 31, 2012. We had also hedged certain floating rate debt at a joint venture. These hedges represented an obligation of approximately \$33.2 million at December 31, 2012.

Consolidated Balance Sheets

(Amounts in thousands, except per share data)	December 31,	
	2012	2011
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 2,886,099	\$ 2,684,626
Building and improvements	7,389,766	7,147,527
Building leasehold and improvements	1,346,748	1,302,790
Properties under capital lease	40,340	12,208
	11,662,953	11,147,151
Less: accumulated depreciation	(1,393,323)	(1,136,603)
	10,269,630	10,010,548
Assets held for sale	4,901	76,562
Cash and cash equivalents	189,984	138,192
Restricted cash	136,071	86,584
Investment in marketable securities	21,429	25,323
Tenant and other receivables, net of allowance of \$21,652 and \$16,772 in 2012 and 2011, respectively	48,544	32,107
Related party receivables	7,531	4,001
Deferred rents receivable, net of allowance of \$29,580 and \$29,156 in 2012 and 2011, respectively	340,747	281,974
Debt and preferred equity investments, net of discount of \$13,572 and \$24,996 and allowance of \$7,000 and \$50,175 in 2012 and 2011, respectively	1,357,203	985,942
Investments in unconsolidated joint ventures	1,032,243	893,933
Deferred costs, net	261,145	210,786
Other assets	718,326	737,900
Total assets	\$14,387,754	\$13,483,852
Liabilities		
Mortgages and other loans payable	\$ 4,615,464	\$ 4,314,741
Revolving credit facility	70,000	350,000
Term loan and senior unsecured notes	1,734,956	1,270,656
Accrued interest payable and other liabilities	73,769	126,135
Accounts payable and accrued expenses	159,598	142,428
Deferred revenue/gains	321,764	357,193
Capitalized lease obligations	37,518	17,112
Deferred land leases payable	20,897	18,495
Dividend and distributions payable	37,839	28,398
Security deposits	46,253	46,367
Liabilities related to assets held for sale	136	61,988
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	7,218,194	6,833,513
Commitments and contingencies	—	—
Noncontrolling interests in operating partnership	212,907	195,030
Series H preferred units, \$0.01 par value, \$25.00 liquidation preference, 80 issued and outstanding at December 31, 2012 and 2011, respectively	2,000	2,000
Series G preferred units, \$0.01 par value, \$25.00 liquidation preference, 1,902 issued and outstanding at December 31, 2012	47,550	—
Equity		
SL Green stockholders equity:		
Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 7,700 and 11,700 issued and outstanding at December 31, 2012 and 2011, respectively	180,340	274,022
Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, none and 4,000 issued and outstanding at December 31, 2012 and 2011, respectively	—	96,321
Series I preferred stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at December 31, 2012	221,965	—
Common stock, \$0.01 par value, 160,000 shares authorized and 94,896 and 89,210 issued and outstanding at December 31, 2012 and 2011, respectively (including 3,646 and 3,427 shares at December 31, 2012 and 2011 held in Treasury, respectively)	950	892
Additional paid-in-capital	4,667,900	4,236,959
Treasury stock at cost	(322,858)	(308,708)
Accumulated other comprehensive loss	(29,587)	(28,445)
Retained earnings	1,701,092	1,704,506
Total SL Green stockholders' equity	6,419,802	5,975,547
Noncontrolling interests in other partnerships	487,301	477,762
Total equity	6,907,103	6,453,309
Total liabilities and equity	\$14,387,754	\$13,483,852

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

Consolidated Statements of Income

(Amounts in thousands, except per share data)	Year Ended December 31,		
	2012	2011	2010
Revenues			
Rental revenue, net	\$1,077,976	\$ 961,935	\$ 782,530
Escalation and reimbursement	167,388	145,596	118,212
Investment and preferred equity income	119,155	120,418	147,926
Other income	35,736	35,479	35,718
Total revenues	1,400,255	1,263,428	1,084,386
Expenses			
Operating expenses (including \$18,101 (2012), \$16,266 (2011) and \$14,320 (2010) paid to related parties)	298,322	263,709	224,693
Real estate taxes	210,467	174,454	145,830
Ground rent	37,866	32,919	31,191
Interest expense, net of interest income	330,569	285,917	230,648
Amortization of deferred financing costs	19,450	14,118	9,046
Depreciation and amortization	332,028	277,345	225,193
Loan loss and other investment reserves, net of recoveries	564	6,722	17,751
Transaction related costs	5,625	5,561	11,849
Marketing, general and administrative	82,840	80,103	75,946
Total expenses	1,317,731	1,140,848	972,147
Income from continuing operations before equity in net income of unconsolidated joint ventures, gains on sale, purchase price fair value adjustment, depreciable real estate reserves, gain (loss) on early extinguishment of debt, noncontrolling interests and discontinued operations	82,524	122,580	112,239
Equity in net income from unconsolidated joint ventures	76,418	1,583	39,607
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	37,053	2,918	128,921
Purchase price fair value adjustment	—	498,195	—
Gain on sale of investment in marketable securities	4,940	4,866	490
Depreciable real estate reserves	—	(5,789)	(2,750)
Gain (loss) on early extinguishment of debt	(6,978)	904	(1,900)
Income from continuing operations	193,957	625,257	276,607
Net income from discontinued operations	9,116	5,780	7,064
Gain on sale of discontinued operations	6,627	46,085	35,485
Net income	209,700	677,122	319,156
Net income attributable to noncontrolling interests:			
Noncontrolling interests in the operating partnership	(5,597)	(14,629)	(4,574)
Noncontrolling interests in other partnerships	(5,591)	(15,083)	(14,007)
Preferred units distribution	(2,107)	—	—
Net income attributable to SL Green	196,405	647,410	300,575
Preferred stock redemption costs	(10,010)	—	—
Preferred stock dividends	(30,411)	(30,178)	(29,749)
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826
Amounts attributable to SL Green common stockholders:			
Income from continuing operations	\$ 105,019	\$ 65,523	\$ 102,208
Purchase price fair value adjustment	—	498,195	—
Gain on sale of unconsolidated joint ventures/real estate	35,769	2,850	126,778
Net income from discontinued operations	8,799	5,646	6,946
Gain on sale of discontinued operations	6,397	45,018	34,894
Net income	\$ 155,984	\$ 617,232	\$ 270,826
Basic earnings per share:			
Net income from continuing operations before gains on sale and discontinued operations	\$ 1.18	\$ 6.73	\$ 1.31
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.40	0.03	1.62
Net income from discontinued operations	0.10	0.07	0.09
Gain on sale of discontinued operations	0.07	0.54	0.45
Net income attributable to SL Green common stockholders	\$ 1.75	\$ 7.37	\$ 3.47
Diluted earnings per share:			
Net income from continuing operations before gains on sale and discontinued operations	\$ 1.17	\$ 6.70	\$ 1.30
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.40	0.03	1.62
Net income from discontinued operations	0.10	0.07	0.09
Gain on sale of discontinued operations	0.07	0.53	0.44
Net income attributable to SL Green common stockholders	\$ 1.74	\$ 7.33	\$ 3.45
Basic weighted average common shares outstanding	89,319	83,762	78,101
Diluted weighted average common shares and common share equivalents outstanding	92,873	86,244	79,761

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

Consolidated Statements of Comprehensive Income

(Amounts in thousands)	Year Ended December 31,		
	2012	2011	2010
Net income	\$209,700	\$677,122	\$319,156
Other comprehensive income (loss):			
Net unrealized gain (loss) on derivative instruments	953	(4,145)	(3,938)
SL Green's share of joint venture net unrealized gain on derivative instruments	1,174	799	269
Unrealized gain (loss) on marketable securities	(3,657)	(2,731)	13,487
Other comprehensive income (loss)	(1,530)	(6,077)	9,818
Comprehensive income	208,170	671,045	328,974
Net income attributable to noncontrolling interests	(13,295)	(29,712)	(18,581)
Other comprehensive loss attributable to noncontrolling interests	388	291	1,061
Preferred stock redemption costs	(10,010)	—	—
Comprehensive income attributable to SL Green	\$185,253	\$641,624	\$311,454

Consolidated Statements of Equity

(Amounts in thousands, except per share data)	Series C Preferred Stock	Series D Preferred Stock	Series I Preferred Stock
Balance at December 31, 2009	\$151,981	\$ 96,321	\$ —
Net income			
Other comprehensive income:			
Preferred dividends			
Redemption of units and DRIP proceeds			
Reallocation of noncontrolling interest in the operating partnership			
Deferred compensation plan and stock award, net			
Amortization of deferred compensation plan			
Deconsolidation of real estate investments			
Equity component of convertible notes			
Net proceeds from preferred stock offering	122,041		
Proceeds from stock options exercised			
Cash contributions from noncontrolling interests			
Cash distributions to noncontrolling interests			
Cash distribution declared (\$0.40 per common share of which none represented a return of capital for federal income tax purposes)			
Balance at December 31, 2010	\$274,022	\$ 96,321	\$ —
Net income			
Other comprehensive income:			
Preferred dividends			
Redemption of units and DRIP proceeds			
Reallocation of noncontrolling interest in the operating partnership			
Deferred compensation plan and stock award, net			
Amortization of deferred compensation plan			
Proceeds from issuance of common stock			
Proceeds from stock options exercised			
Consolidation of joint venture interest			
Cash distributions to noncontrolling interests			
Cash distribution declared (\$0.55 per common share, none of which represented a return of capital for federal income tax purposes)			
Balance at December 31, 2011	\$274,022	\$ 96,321	\$ —
Net income			
Other comprehensive income			
Preferred dividends			
DRIP proceeds			
Conversion of units of the Operating Partnership to common stock			
Redemption of preferred stock	(93,682)	(96,321)	
Reallocation of noncontrolling interest in the operating partnership			
Deferred compensation plan and stock award, net			
Amortization of deferred compensation plan			
Net proceeds from preferred stock offering			221,965
Proceeds from issuance of common stock			
Proceeds from stock options exercised			
Consolidation of joint venture interest			
Cash distributions to noncontrolling interests			
Cash distribution declared (\$1.08 per common share, none of which represented a return of capital for federal income tax purposes)			
Balance at December 31, 2012	\$180,340	\$ —	\$221,965

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

SL Green Realty Corp. Stockholders

Common Stock		Additional Paid In-Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Shares	Par Value						
77,515	\$809	\$3,525,901	\$(302,705)	\$(33,538)	\$ 949,669	\$ 524,691	\$4,913,129
					300,575	14,007	314,582
				10,879			10,879
					(29,749)		(29,749)
470	5	23,339					23,344
					(18,948)		(18,948)
212	2	535	(517)				20
		31,741					31,741
					3,011	(9,532)	(6,521)
		76,039					76,039
							122,041
110	1	3,287					3,288
						2,788	2,788
						(13,494)	(13,494)
					(31,595)		(31,595)
78,307	\$817	\$3,660,842	\$(303,222)	\$(22,659)	\$1,172,963	\$ 518,460	\$5,397,544
					647,410	15,083	662,493
				(5,786)			(5,786)
					(30,178)		(30,178)
13		898					898
					(39,040)		(39,040)
262	3	696	(5,486)				(4,787)
		33,252					33,252
6,957	70	531,236					531,306
244	2	10,035					10,037
						87,798	87,798
						(143,579)	(143,579)
					(46,649)		(46,649)
85,783	\$892	\$4,236,959	\$(308,708)	\$(28,445)	\$1,704,506	\$ 477,762	\$6,453,309
					196,405	5,591	201,996
				(1,142)			(1,142)
					(30,411)		(30,411)
1,305	13	99,557					99,570
1,096	11	87,502					87,513
					(10,010)		(200,013)
					(61,238)		(61,238)
43	3	719	(14,150)				(13,428)
		28,742					28,742
							221,965
2,640	27	201,252					201,279
383	4	13,169					13,173
						25,894	25,894
						(21,946)	(21,946)
					(98,160)		(98,160)
91,250	\$950	\$4,667,900	\$(322,858)	\$(29,587)	\$1,701,092	\$487,301	\$6,907,103

Consolidated Statements of Cash Flows

(Amounts in thousands, except per share data)	Year Ended December 31,		
	2012	2011	2010
Operating Activities			
Net income	\$ 209,700	\$ 677,122	\$ 319,156
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	351,539	292,311	240,445
Equity in net income from unconsolidated joint ventures	(76,418)	(1,583)	(39,607)
Distributions of cumulative earnings from unconsolidated joint ventures	91,145	11,185	27,472
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(37,053)	(2,918)	(128,921)
Purchase price fair value adjustment	—	(498,195)	—
Depreciable real estate reserves	—	5,789	2,750
Gain on sale of discontinued operations	(6,627)	(46,085)	(35,485)
Gain on sale of debt securities	—	(19,840)	—
Loan loss and other investment reserves, net of recoveries	564	6,722	17,751
Gain on sale of investments in marketable securities	(4,940)	(4,866)	(490)
(Gain) loss on early extinguishment of debt	6,978	(904)	1,900
Deferred rents receivable	(66,079)	(87,230)	(47,223)
Other non-cash adjustments	(15,229)	2,385	(749)
Changes in operating assets and liabilities:			
Restricted cash—operations	(13,812)	(681)	4,513
Tenant and other receivables	(10,998)	(4,720)	271
Related party receivables	(3,529)	2,461	2,398
Deferred lease costs	(48,368)	(38,412)	(42,035)
Other assets	(35,932)	4,029	4,860
Accounts payable, accrued expenses and other liabilities	9,389	10,704	(3,706)
Deferred revenue and land leases payable	3,413	5,586	(2,242)
Net cash provided by operating activities	353,743	312,860	321,058
Investing Activities			
Acquisitions of real estate property	(544,568)	(446,756)	(270,614)
Additions to land, buildings and improvements	(148,148)	(159,100)	(108,145)
Escrowed cash—capital improvements/acquisition deposits	(70,080)	29,281	(40,215)
Investments in unconsolidated joint ventures	(215,174)	(109,920)	(87,844)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	127,876	112,359	52,920
Net proceeds from disposition of real estate/joint venture interest	178,485	160,548	623,121
Other investments	(32,413)	12,186	32,607
Debt and preferred equity and other investments, net of repayments/participations	(466,371)	(338,195)	(183,015)
Net cash (used in) provided by investing activities	(1,170,393)	(739,597)	18,815
Financing Activities			
Proceeds from mortgages and other loans payable	1,230,167	826,000	168,360
Repayments of mortgages and other loans payable	(688,065)	(765,378)	(149,832)
Proceeds from revolving credit facility and senior unsecured notes	1,751,480	1,901,068	670,992
Repayments of revolving credit facility and senior unsecured notes	(1,581,554)	(2,043,144)	(1,046,626)
Proceeds from stock options exercised and DRIP issuance	112,743	10,211	14,535
Net proceeds from sale of common stock	201,279	516,168	—
Net proceeds from sale of preferred stock	221,965	—	122,041
Redemption of preferred stock	(200,013)	—	—
Purchases of treasury stock	(14,150)	(5,486)	—
Distributions to noncontrolling interests in other partnerships	(21,946)	(143,578)	(13,489)
Contributions from noncontrolling interests in other partnerships	25,894	—	2,788
Redemption of noncontrolling interests in operating partnership	—	—	(13,012)
Distributions to noncontrolling interests in operating partnership	(3,296)	(727)	(511)
Dividends paid on common and preferred stock	(121,238)	(63,866)	(58,984)
Other obligations related to mortgage loan participations	5,000	35,850	—
Deferred loan costs and capitalized lease obligation	(49,824)	(35,019)	(47,020)
Net cash provided by (used in) financing activities	868,442	232,099	(350,758)
Net increase (decrease) in cash and cash equivalents	51,792	(194,638)	(10,885)
Cash and cash equivalents at beginning of period	138,192	332,830	343,715
Cash and cash equivalents at end of period	\$ 189,984	\$ 138,192	\$ 332,830
Supplemental cash flow disclosures			
Interest paid	\$ 320,849	\$ 275,106	\$ 222,904
Income taxes paid	\$ 17	\$ 138	\$ 1,041

In December 2012, 2011 and 2010, the Company declared quarterly distributions per share of \$0.33, \$0.25 and \$0.10, respectively. These distributions were paid in January 2013, 2012 and 2011, respectively.

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

Notes to Consolidated Financial Statements

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, a consolidated variable interest entity. All of the management, leasing and construction services with respect to the properties which are wholly owned by us are conducted through SL Green Management LLC which is 100% owned by our Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to 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 our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of December 31, 2012, noncontrolling investors held, in the aggregate, a 2.94% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. See Note 14, “Noncontrolling Interests in Operating Partnership.”

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

As of December 31, 2012, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan, a borough of New York City. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy ⁽¹⁾
Manhattan	Consolidated properties	27	18,347,945	93.8%
	Unconsolidated properties	9	5,934,434	95.0%
Suburban	Consolidated properties	25	3,863,000	79.9%
	Unconsolidated properties	5	1,539,700	84.7%
		66	29,685,079	91.7%

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

As of December 31, 2012, we also owned investments in 15 stand alone retail properties encompassing approximately 473,764 square feet, 16 development properties encompassing approximately 2,617,491 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet), two land interests and 31 west coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage two office properties owned by third parties and affiliated companies encompassing approximately 626,415 rentable square feet. As of December 31, 2012, we also held debt and preferred equity investments with a book value of \$1.4 billion.

Partnership Agreement | In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership agreement, we allocate all distributions and profits and losses in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to 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 our common stock on a one-for-one basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation | The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as debt and preferred equity investments. 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 a 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 for the years ended December 31, 2012 and 2011 are approximately \$607.4 million and \$446.4 million, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets for the years ended December 31, 2012 and 2011 are approximately \$379.6 million and \$279.3 million, respectively, related to our 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 a parent. Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet and the presentation of net income was modified to require earnings and other comprehensive income to be attributed to controlling and noncontrolling interests.

We assess the accounting treatment for each joint venture and debt and preferred equity investment. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIE's, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we or our partner approves, among other things, the annual budget, receives a detailed monthly reporting package from us, meets on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of our joint venture. Our joint venture agreements typically contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

Investment in Commercial Real Estate Properties | Real estate properties are presented at cost less accumulated depreciation and amortization. Costs directly related to the development or redevelopment of properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

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

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

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

Depreciation expense (including amortization of the capital lease asset) amounted to approximately \$306.8 million, \$254.5 million and \$207.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be 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 and without interest charges for consolidated properties) 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. In addition, we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2010, we recorded a \$2.8 million impairment charge on one of our equity investments. During 2011, we recorded a \$5.8 million impairment charge in connection with the expected sale of one of our equity investments. These charges are included in depreciable real estate reserves in the consolidated statements of income. See Note 6, "Investments in Unconsolidated Joint Ventures." We do not believe that the values of any of our consolidated properties or equity investments were impaired at December 31, 2012.

A variety of costs are incurred in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include, but are not limited to, pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

Results of operations of properties acquired are included in the consolidated statements of income from the date of acquisition.

FASB guidance requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests at their fair values on the acquisition date. The

guidance also requires that acquisition related transaction costs be expensed as incurred, acquired research and development value be capitalized and acquisition related restructuring costs be capitalized only if they meet certain criteria. As such, we expense acquisition related transaction costs as incurred, which are included in transaction related costs on our consolidated statements of income.

When we acquire our partner's equity interest in an existing unconsolidated joint venture and gain control over the investment, we record the consolidated investment at fair value. The difference between the book value of our equity investment on the purchase date and our share of the fair value of the investment's purchase price is recorded as a purchase price fair value adjustment in our consolidated statements of income.

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

We recognized an increase of approximately \$10.5 million, \$19.8 million and \$22.7 million in rental revenue for the years ended December 31, 2012, 2011 and 2010, respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in

interest expense for the amortization of the above-market rate mortgages assumed of approximately \$1.8 million, \$5.9 million and \$2.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2012 and 2011 (amounts in thousands):

	December 31,	
	2012	2011
Identified intangible assets (included in other assets):		
Gross amount	\$ 725,861	\$ 673,495
Accumulated amortization	(263,107)	(193,442)
Net	\$ 462,754	\$ 480,053
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$ 651,921	\$ 622,029
Accumulated amortization	(357,225)	(290,893)
Net	\$ 294,696	\$ 331,136

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

2013	\$ (268)
2014	390
2015	1,223
2016	3,415
2017	3,273

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

2013	\$16,622
2014	12,887
2015	8,843
2016	5,556
2017	4,445

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

Fair Value Measurements | Fair value is a market based measurement, not an entity specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB guidance establishes a fair value hierarchy

that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

We determined the fair value of our current investments in marketable securities using Level 1, Level 2 and Level 3 inputs. Additionally, we determined the valuation allowance for loan losses based on Level 3 inputs. See Note 5, "Debt and Preferred Equity Investments."

The estimated fair values of tangible and intangible assets and liabilities recorded in connection with business combinations are based on Level 3 inputs. We estimate fair values based on cash flow projections utilizing appropriate discount and/or capitalization rates and available market information.

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

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

- *Cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and other assets and liabilities:* The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and other assets and liabilities reported in our consolidated balance sheets approximates fair value due to the short-term nature of these instruments.
- *Debt and preferred equity investments:* The fair value of debt and preferred equity investments is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings. See "Reserve for Possible Credit Losses" below regarding valuation allowances for loan losses.
- *Derivative instruments:* 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.
- *Mortgage and other loans payable and other debt:* The fair value of borrowings is estimated by discounting the future cash flows using current interest rates at which similar borrowings could be made by us.

The methodologies used for measuring fair value have been categorized into three broad levels as follows:
Level 1—Quoted prices in active markets for identical instruments.

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

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

Level 3—Valuations based significantly on unobservable inputs.

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

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

Investment in Marketable Securities | We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component. Included in accumulated other comprehensive loss at December 31, 2012 and 2011 is approximately \$3.3 million and \$6.9 million, respectively, in net unrealized gains related to marketable securities.

During the years ended December 31, 2012, 2011 and 2010, we disposed of certain of our marketable securities for aggregate net proceeds of \$6.8 million, \$6.2 million and \$2.8 million and realized gains of \$4.9 million, \$4.5 million and \$1.9 million, respectively, which are included in gain (loss) on investment in marketable securities on the consolidated statements of income. During the years ended December 31, 2011 and 2010, we sold \$22.5 million and \$41.9 million of Level 3 securities and realized a gain of \$0.4 million and a loss of \$1.1 million, respectively, which are also included in gain (loss) on investment in marketable securities on the consolidated statements of income. There were no sales of Level 3 securities during the year ended December 31, 2012.

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

At December 31, 2012 and 2011, we held the following marketable securities (amounts in thousands):

	December 31,	
	2012	2011
Level 1—Equity marketable securities	\$ 2,202	\$ 8,065
Level 2—Commercial mortgage backed securities	15,575	13,369
Level 3—Rake bonds	3,652	3,889
Total marketable securities available-for-sale	\$21,429	\$25,323

The cost basis of the Level 3 securities was \$3.7 million and \$3.9 million at December 31, 2012 and 2011, respectively. The Level 3 securities mature at various times through 2030.

Investments in Unconsolidated Joint Ventures | We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the joint venture term or 10 years where the joint venture has an infinite life. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for \$218.4 million which we guarantee at two joint ventures and performance guarantees under a master lease at another joint venture. See Note 6, “Investments in Unconsolidated Joint Ventures.”

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

Deferred Lease Costs | Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly owned properties. Approximately \$11.0 million, \$9.6 million and \$8.6 million of their compensation for the years ended December 31, 2012, 2011 and 2010, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

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

Revenue Recognition | Rental revenue is recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes, management records amounts funded to construct the tenant improvements as a capital asset. For these tenant improvements, management records 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, management records our contribution towards those improvements as a lease incentive, which is included in deferred leasing costs on our consolidated balance sheets and amortized as a reduction to rental revenue

on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying 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 sheet is net of such allowance.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. Electricity is most often supplied by the landlord either on a sub-metered basis, or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) are typically provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided outside normal business hours. These escalations are based on actual expenses incurred in the prior calendar year. If the expenses in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

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

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

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

and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount 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.

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

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

Reserve for Possible Credit Losses | The expense for possible credit losses in connection with debt and preferred equity investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit 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. The write off of the reserve balance is called a charge off. We recorded loan loss reserves of \$3.0 million, \$10.9 million and \$19.8 million on investments being held to maturity during the years ended December 31, 2012, 2011 and 2010, respectively. During 2010, we recorded loan loss reserves and charge offs of \$1.0 million against our held for sale investment. We also recorded recoveries of approximately

\$2.4 million, \$4.4 million and \$3.7 million during the years ended December 31, 2012, 2011 and 2010, respectively, in connection with the sale of our investments. This is included in loan loss and other investment reserves, net of recoveries in the accompanying consolidated statements of income.

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.

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

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future elect, to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or a TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRSs generate income, resulting in Federal and state income tax liability for these entities. Our TRSs recorded Federal, state and local tax provision of zero, zero and \$0.9 million during the years ended December 31, 2012, 2011 and 2010, respectively, and made estimated tax payments of zero, \$0.1 million and \$1.0 million during the years ended December 31, 2012, 2011 and 2010, respectively.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical

merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that 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.

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

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

Stock Based Employee Compensation Plans | We have a stock based employee compensation plan, described more fully in Note 13, "Equity."

Our 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 our employee stock options.

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

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 our board of directors authorizes the award, adopts any relevant performance measures and communicates the award to the employees. For programs with performance measures, the total estimated compensation cost is based on the fair value of the award at the applicable reporting date estimated using a binomial model. For share based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share based incentive compensation plans, we accept the return of shares of the Company's common stock, at the current quoted market price, from certain key employee 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 our 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 our common stock at the time of grant, and are subject to such conditions and restrictions as the compensation committee of our board of directors may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

Derivative Instruments | In the normal course of business, we use a variety of derivative instruments to manage, or hedge, interest rate risk. We require that hedging derivative instruments are effective in reducing the interest rate risk exposure

that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

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

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

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

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

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

Earnings per Share | We present both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income 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. This also includes units of limited partnership interest. The dilutive effect of the outstanding nonvested shares of common stock, or nonvested shares, and restricted stock units, or RSUs, that have not yet been granted, but are contingently issuable under the share based compensation, programs is reflected in the weighted average diluted shares calculation by application of the treasury stock method at the beginning of the quarterly period in which all necessary conditions have been satisfied. The dilutive effect of stock options 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 debentures as the conversion premium will be paid in cash.

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

Concentrations of Credit Risk | Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is located in the New York Metropolitan area. See Note 5, "Debt and Preferred Equity Investments." We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Long Island, Westchester County, Connecticut, Northern New Jersey and the west coast. The tenants located in our buildings operate in various industries. Other than three tenants who account for approximately 6.9%, 6.4% and 6.0% of our share of annualized cash rent, respectively, no other tenant

in our portfolio accounted for more than 1.9% of our annualized cash rent, including our share of joint venture annualized rent, at December 31, 2012. Approximately 10%, 8%, 7% and 6% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively, for the year ended December 31, 2012. Approximately 10%, 8%, 7% and 7% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively, for the year ended December 31, 2011. Approximately 10%, 9%, 7%, 7% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2010. In addition, two debt and preferred equity investments accounted for more than 10.0% of the income earned on debt and preferred equity investments during 2012. As of December 31, 2012, approximately 74.8% of our workforce is covered by three collective bargaining agreements. Approximately 77.2% of our workforce which services substantially all of our properties is covered by a collective bargaining agreement which expires in 2015. See Note 15, "Employee Benefits."

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

Accounting Standards Updates | In May 2011, the FASB issued updated guidance on fair value measurement which amends U.S. GAAP to conform to IFRS measurement and disclosure requirements. The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value, changes certain fair value measurement principles and enhances disclosure requirements. This guidance was effective as of the first quarter of 2012, and its adoption did not have a material impact on our consolidated financial statements.

In December 2011, the FASB issued guidance that concluded when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity must apply the accounting guidance for sales of real estate to determine whether it should derecognize the in substance real estate. The reporting entity is precluded from derecognizing the real estate until legal ownership has been transferred to the lender to satisfy the debt. The guidance is effective for calendar year-end public and nonpublic companies in 2013 and is to be applied on a prospective basis. Early adoption of the guidance is permitted. Adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2013, the FASB issued guidance on the presentation and disclosure of reclassification adjustments out of accumulated other comprehensive income, or AOCI. The standard requires an entity to present information about significant items reclassified out of AOCI by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to financial statements. The guidance is effective for calendar year-end public companies in 2013 beginning in the first quarter and is to be applied on a prospective basis. Early adoption of the guidance is permitted. Adoption of this guidance will not have a material impact on our consolidated financial statements.

3. PROPERTY ACQUISITIONS

2012 Acquisitions | In December 2012, we acquired a 68,000 square foot (unaudited) mixed use retail, office and residential building located at 131–137 Spring Street for \$122.3 million. We are currently in the process of analyzing the fair value of the in-place leases; and consequently, no value has yet been assigned to the leases. Therefore, the purchase price allocation is preliminary and subject to change.

In December 2012, we acquired the aggregate 42,000 square foot (unaudited) vacant retail buildings located at 985–987 Third Avenue for \$18.0 million.

In October 2012, we, along with Stonehenge Partners, acquired a 99-year leasehold position covering an 82,250 square foot, 96 unit residential building located at 1080 Amsterdam Avenue which we plan to redevelop into luxury residential units.

In September 2012, we acquired the aggregate 267,000 square foot (unaudited) office buildings located at 635 and 641 Sixth Avenue for \$173.0 million.

In June 2012, we acquired a 215,000 square foot (unaudited) office building located at 304 Park Avenue South for \$135.0 million. The property was acquired with approximately \$102.0 million in cash and \$33.0 million in units of limited partnership interest of the Operating Partnership.

In October 2011, we formed a joint venture with Stonehenge Partners and, in January 2012, we acquired five retail and two multifamily properties in Manhattan for \$193.1 million, inclusive of the issuance of \$47.6 million aggregate liquidation preference of 4.5% Series G preferred units of limited partnership interest of the Operating Partnership. Simultaneous with the closing, we financed the multifamily component, which encompasses 385 units and 488,000 square feet (unaudited), with an aggregate 12-year \$100.0 million fixed rate mortgage which bears interest at 4.125% and one of the retail properties financed with a 5-year \$8.5 million fixed rate mortgage which bears interest at 3.75%. We hold an 80% interest in this joint venture which we consolidate as it is a VIE and we have been designated as the primary beneficiary.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these 2012 acquisitions (amounts in thousands):

	635-641 Sixth Avenue	304 Park Avenue South	Stonehenge Properties
Land	\$ 69,848	\$ 54,189	\$ 65,533
Building and building leasehold	104,474	75,619	128,457
Above market lease value	—	2,824	594
Acquired in-place leases	7,727	8,265	9,573
Other assets, net of other liabilities	—	—	2,190
Assets acquired	182,049	140,897	206,347
Fair value adjustment to mortgage note payable	—	—	—
Below market lease value	9,049	5,897	13,239
Liabilities assumed	9,049	5,897	13,239
Purchase price allocation	\$173,000	\$135,000	\$193,108
Net consideration funded by us at closing	\$173,000	\$135,000	\$ 78,121
Equity and/or debt investment held	\$ —	\$ —	\$ —
Debt assumed	\$ —	\$ —	\$ —

2011 Acquisitions | In November 2011, we acquired all of the interests in 51 East 42nd Street, a 142,000 square foot (unaudited) office building for approximately \$80.0 million, inclusive of the issuance of \$2.0 million, aggregate liquidation preference of 6.0% Series H preferred units of limited partnership interest of the Operating Partnership.

In November 2011 we, along with The Moinian Group, formed a joint venture to recapitalize 180 Maiden Lane, a fully leased, 1.1 million square foot (unaudited) Class A office tower. The consideration for our 49.9% stake in the joint venture included \$41.0 million in cash and common units of limited partnership interest of the Operating Partnership valued at \$31.7 million. The transaction valued the property at \$442.3 million. In connection with the issuance of these Operating Partnership units, we recorded an \$8.3 million fair value adjustment due to changes in our stock price. Simultaneous with the closing of the recapitalization, the joint venture refinanced the existing \$344.2 million indebtedness with a five-year \$280 million mortgage. We consolidate this joint venture, which is a VIE in which we have been designated as the primary beneficiary, due to the control we exert over leasing activities at the property.

In May 2011, we acquired a substantial ownership interest in the 205,000 square foot (unaudited) office condominium at 110 East 42nd Street, along with control of the asset. We had previously provided a \$16.0 million senior mezzanine loan as part of our sale of the condominium unit in 2007. The May 2011 transaction included a consensual modification of that loan. In conjunction with the transaction, we successfully restructured the in-place mortgage financing, which had previously been in default.

In April 2011, we purchased SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ's, 31.5% economic interest in 1515 Broadway, thereby consolidating full ownership of the 1,750,000 square foot (unaudited) building. The transaction valued the consolidated interests at \$1.23 billion. This valuation was based on a negotiated sales agreement and took into consideration such factors as whether this was a distressed sale and whether a minority discount was warranted. We acquired the interest subject to the \$458.8 million mortgage encumbering the property. We recognized a purchase price fair value adjustment of \$475.1 million upon the closing of this transaction. This property, which we initially acquired in May 2002, was previously accounted for as an investment in unconsolidated joint ventures.

In January 2011, we purchased City Investment Fund, or CIF's, 49.9% interest in 521 Fifth Avenue, thereby assuming full ownership of the 460,000 square foot (unaudited) building. The transaction valued the consolidated interests at approximately \$245.7 million, excluding \$4.5 million of cash and other assets acquired. We acquired the interest subject to the \$140.0 million mortgage encumbering the property. We recognized a purchase price fair value adjustment of \$13.8 million upon the closing of this transaction. In April 2011, we refinanced the property with a new \$150.0 million 2-year mortgage which carries a floating rate of interest of 200 basis points over the 30-day LIBOR. In connection with that refinancing, we acquired the fee interest in the property for \$15.0 million.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these 2011 acquisitions (amounts in thousands):

	51 East 42nd Street	180 Maiden Lane	110 East 42nd Street	1515 Broadway	521 Fifth Avenue
Land	\$44,095	\$191,523	\$34,000	\$ 462,700	\$110,100
Building	33,470	233,230	46,411	707,938	146,686
Above market lease value	5,616	7,944	823	18,298	3,318
Acquired in-place leases	4,333	29,948	5,396	98,661	23,016
Other assets, net of other liabilities	—	—	—	27,127	—
Assets acquired	87,514	462,645	86,630	1,314,724	283,120
Fair value adjustment to mortgage note payable	—	—	—	(3,693)	—
Below market lease value	7,514	20,320	2,326	84,417	25,977
Liabilities assumed	7,514	20,320	2,326	80,724	25,977
Purchase price allocation	\$80,000	\$442,325	\$84,304	\$1,234,000	\$257,143
Net consideration funded by us at closing	\$81,632	\$ 81,835	\$ 2,744	\$ 259,228	\$ 70,000
Equity and/or debt investment held	—	—	\$16,000	\$ 40,942	\$ 41,432
Debt assumed	\$ —	\$ —	\$65,000	\$ 458,767	\$140,000

2010 Acquisitions | In January 2010, we became the sole owner of 100 Church Street, a 1.05 million square foot (unaudited) office tower located in downtown Manhattan, following the successful foreclosure of the senior mezzanine loan at the property. Our initial investment totaled \$40.9 million, which was comprised of a 50% interest in the senior mezzanine loan and two other mezzanine loans at 100 Church Street, which we acquired from Gramercy Capital Corp. (NYSE: GKK), or Gramercy, in the summer of 2007. At closing of the foreclosure, we funded an additional \$15.0 million of capital into the project as part of our agreement with Wachovia Bank, N.A. to extend and restructure the existing financing. Gramercy declined to fund its share of this capital and instead transferred its interests in the investment to us at closing. The restructured \$139.7 million mortgage carries an interest rate of 350 basis points over the 30-day LIBOR. The restructured mortgage, which was scheduled to mature in January 2013, was repaid in March 2011.

In August 2010, we acquired 125 Park Avenue, a Manhattan office tower, for \$330 million. In connection with the acquisition, we assumed \$146.25 million of in-place financing. The 5.748% interest-only loan matures in October 2014.

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

In December 2010, we acquired two retail condominiums in Williamsburg, Brooklyn, for approximately \$18.4 million. The retail condominiums are fully leased with rent commencement upon completion of the redevelopment work.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these 2010 acquisitions (amounts in thousands):

	100 Church Street	125 Park Avenue	Gramercy	Williamsburg
Land	\$ 32,494	\$120,900	\$501,021	\$ 6,200
Building	86,806	201,726	—	10,158
Above market lease value	118	11,282	23,178	2,304
Acquired in-place leases	17,380	28,828	217,312	—
Restricted cash	53,735	—	—	—
Assets acquired	190,533	362,736	741,511	18,662
Fair value adjustment to mortgage note payable	—	12,147	22,806	—
Below market lease value	8,025	20,589	—	277
Other liabilities, net of other assets	1,674	—	2,091	—
Liabilities assumed	9,699	32,736	24,897	277
Purchase price allocation	\$180,834	\$330,000	\$716,614	\$18,385
Net consideration funded by us at closing	\$ 15,000	\$183,750	\$ 86,864	\$18,385
Equity and/or debt investment held	\$ 40,938	\$ —	\$111,751	\$ —
Debt assumed	\$139,672	\$146,250	\$265,604	\$ —

4. PROPERTY DISPOSITIONS AND ASSETS HELD FOR SALE |

In October 2012, we entered into an agreement to sell the property located at 44 West 55th Street for \$6.3 million. This transaction closed on February 6, 2013.

In February 2012, we sold our leased fee interest at 292 Madison Avenue for \$85.0 million. We recognized a gain of \$6.6 million on the sale which is net of a \$1.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In May 2011, we sold our 359,000 square foot (unaudited) property located at 28 West 44th Street for \$161.0 million. We recognized a gain of \$46.1 million on the sale.

In September 2010, we sold our 292,000 square foot (unaudited) property located at 19 West 44th Street in

Manhattan for \$123.2 million. We recognized a gain on the sale of approximately \$35.5 million which is net of a \$0.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

Discontinued operations includes the results of operations of real estate assets sold prior to, or held for sale as of December 31, 2012. This includes 19 West 44th Street, which was sold in September 2010, 28 West 44th Street, which was sold in May 2011, 292 Madison Avenue, which was sold in February 2012, and 44 West 55th Street, which is held for sale.

The following table summarizes income from discontinued operations for the years ended December 31, 2012, 2011 and 2010, respectively (amounts in thousands).

	Year Ended December 31,		
	2012	2011	2010
Revenues			
Rental revenue	\$ 3,357	\$12,636	\$22,912
Escalation and reimbursement revenues	31	873	4,683
Other income	8,189	60	881
Total revenues	11,577	13,569	28,476
Operating expense	714	1,654	7,403
Real estate taxes	95	1,033	4,776
Transaction related costs	160	—	—
Interest expense, net of interest income	1,410	4,253	2,998
Amortization of deferred financing costs	—	172	883
Depreciation and amortization	82	676	5,326
Marketing, general and administrative and transaction related costs	—	1	26
Total expenses	2,461	7,789	21,412
Net income from discontinued operations	\$ 9,116	\$ 5,780	\$ 7,064

5. DEBT AND PREFERRED EQUITY INVESTMENTS | During the years ended December 31, 2012 and 2011, our debt and preferred equity investments (net of discounts) increased approximately \$672.9 million and \$622.5 million, respectively, due to originations, purchases, accretion of discounts and paid-in-kind interest. We recorded approximately \$298.7 million and \$589.4 million in repayments, participations, sales and foreclosures and loan loss reserves of \$3.0 million and \$10.9 million during those periods, respectively, which offset the increases in debt and preferred equity investments.

As of December 31, 2012 and 2011, we held the following debt investments with an aggregate weighted average current yield of approximately 9.79% at December 31, 2012 (amounts in thousands):

Loan Type	December 31,			Initial Maturity Date
	2012 Senior Financing	2012 Carrying Value, Net of Discounts	2011 Carrying Value, Net of Discounts	
Other Loan	\$ 15,000	\$ 3,500	\$ 3,500	September 2021
Mortgage/Mezzanine Loan ⁽¹⁾	1,109,000	115,804	108,817	March 2017
Mezzanine Loan	165,000	71,067	40,375	November 2016
Junior Participation	133,000	49,000	49,000	June 2016
Mortgage/Mezzanine Loan	169,212	46,496	46,416	May 2016
Mezzanine Loan	177,000	15,906	17,112	May 2016
Mezzanine Loan	205,000	66,544	64,973	February 2016
Mortgage ⁽²⁾	—	218,068	—	—
Junior Participation ⁽³⁾⁽⁴⁾	—	—	8,725	—
Junior Participation ⁽⁴⁾⁽⁵⁾	—	—	11,000	—
Total fixed rate	\$1,973,212	\$ 586,385	\$349,918	
Mezzanine Loan ⁽⁶⁾	\$ 81,000	\$ 34,940	\$ 34,940	October 2016
Mezzanine Loan	55,000	35,000	35,000	July 2016
Mezzanine Loan ⁽⁷⁾	92,711	56,289	—	December 2015
Mortgage/Mezzanine Loan ⁽⁸⁾	—	47,679	—	February 2015
Mortgage	—	15,000	—	September 2014
Mezzanine Loan	170,000	60,000	60,000	August 2014
Mortgage/Mezzanine Loan ⁽⁹⁾	330,000	132,000	30,747	July 2014
Mezzanine Loan ⁽¹⁰⁾	62,500	37,500	—	July 2014
Mezzanine Loan ⁽¹¹⁾	75,000	7,650	7,650	July 2013
Junior Participation ⁽⁴⁾	60,250	10,875	10,875	June 2013
Mezzanine Loan	—	—	10,000	—
Mortgage ⁽¹²⁾	—	—	3,000	—
Mezzanine Loan ⁽¹³⁾	—	—	8,392	—
Mortgage ⁽¹⁴⁾	—	—	86,339	—
Other Loan	—	—	3,196	—
Total floating rate	\$ 926,461	\$ 436,933	\$290,139	
Total	2,899,673	1,023,318	640,057	
Loan loss reserve ⁽⁴⁾	—	(7,000)	(19,125)	—
	\$2,899,673	\$1,016,318	\$620,932	

(1) Interest is added to the principal balance for this accrual only loan. In January 2013, we sold 50% of the mezzanine loan at 97% of the accrued balance. See Note 22, "Subsequent Events."

(2) In November 2012, we acquired this non-performing loan with an original balance of \$219.0 million, which accrues interest at its default rate. We are recognizing income at the original contractual rate.

(3) This loan was in default and on non-accrual status. We sold our interest in the loan in February 2012 and recovered \$0.4 million against the reserve on this loan.

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

(5) In March 2012, we sold our interest in this loan and recovered \$2.0 million against the reserve on this loan.

(6) As of December 31, 2012, we were committed to fund an additional \$15.1 million in connection with this loan.

(7) As of December 31, 2012, we were committed to fund an additional \$28.7 million in connection with this loan.

(8) As of December 31, 2012, we were committed to fund an additional \$11.0 million in connection with this loan.

(9) As a result of the acquisition of the remaining 50% interest in November 2011 in the joint venture which held an investment in a debt position on the property located at 450 West 33rd Street, we have reclassified our investment as a debt investment. See Note 6, "Investments in Unconsolidated Joint Ventures." As part of the restructuring and refinancing of the related senior mortgage in July 2012, our outstanding investment in the amount of \$49.9 million was repaid in full at maturity and we also entered into a loan participation in the amount of \$182.0 million on the \$462.0 million outstanding senior mortgage which maturity was extended to July 2014. In September 2012, we sold \$50 million of our interest in the senior mortgage to a third party.

(10) In November 2012, we entered into a loan participation agreement in the amount of \$5.0 million on a \$37.5 million mortgage. As a result of the transfer not meeting the conditions for sale accounting, the portion that was participated out has been recorded in other liabilities in the accompanying consolidated balance sheet.

(11) In November 2011, we entered into a loan participation agreement in the amount of \$7.4 million on a \$15.0 million mortgage. Due to our continued involvement with the loan, the portion that was participated out has been recorded in other assets and other liabilities in the accompanying consolidated balance sheet.

- (12) In June 2011, we funded an additional \$5.5 million and extended the maturity date of this loan to February 2013. In September 2011, we entered into a loan participation in the amount of \$28.5 million on a \$31.5 million mortgage and assigned our right as servicer to a third party. In December 2012, the outstanding loan balance, including the participation interest, was paid off.
- (13) In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity. See Note 4 to the next table. This mezzanine loan was on non-accrual status as of January 2012. In June 2012, we acquired an additional 38.6% participation interest in this mezzanine loan. As a result of this acquisition, we had complete control over this position and could, therefore, control any restructuring. On July 26, 2012, the mezzanine holders foreclosed out the equity position and as a result, we consolidated the operations of this investment in August and September 2012. In September 2012, we, together with Blackstone Real Estate Partners VII, or Blackstone, Gramercy Capital Corp. and Square Mile Capital Management LLC, formed a joint venture to recapitalize the underlying portfolio of west coast office properties and restructure the senior and mezzanine loans that expired in August 2012. We contributed our debt and preferred equity investment to the joint venture, and accounted for our investment under the equity method as of September 28, 2012 because we no longer controlled the joint venture. We own a 27.63% ownership interest in the joint venture. Blackstone, which has a 56.3% ownership interest in the joint venture, will oversee the portfolio's management and leasing activities through its Equity Office Properties affiliate. See Note 6, "Investments in Unconsolidated Joint Ventures."
- (14) We hold an 88% interest in the consolidated joint venture that acquired this loan. This investment is denominated in British Pounds. This loan was not repaid on its maturity date and was placed in receivership. The entity that held the property which served as collateral for our loan position was determined to be a VIE under a reconsideration event and we were determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012. In November 2012, the entity that held the property sold the property for \$100.0 million (£62.5 million), at which time our note was repaid and we recognized additional income of \$8.9 million on the sale of the note.

Preferred Equity Investments | As of December 31, 2012 and 2011, we held the following preferred equity investments with an aggregate weighted average current yield of approximately 10.12% at December 31, 2012 (amounts in thousands):

Type	December 31,			Initial Mandatory Redemption
	2012 Senior Financing	2012 Carrying Value, Net of Discounts	2011 Carrying Value, Net of Discounts	
Preferred equity ⁽¹⁾	\$ 926,260	\$210,918	\$203,080	July 2016
Preferred equity ⁽¹⁾⁽²⁾	57,087	19,136	—	April 2016
Preferred equity	70,000	10,000	—	October 2014
Preferred equity ⁽¹⁾⁽³⁾	480,000	100,831	141,980	July 2014
Preferred equity ⁽¹⁾⁽⁴⁾⁽⁵⁾	—	—	51,000	—
Loan loss reserve ⁽⁵⁾	—	—	(31,050)	—
	\$1,533,347	\$340,885	\$365,010	

- (1) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
- (2) As of December 31, 2012, we are committed to fund an additional \$6.5 million on this loan.
- (3) This investment was classified as held for sale at June 30, 2009, but as held-to-maturity for all periods subsequent to June 30, 2009. The reserve previously taken against this loan is being accreted up to the face amount through the maturity date. In connection with a recapitalization of the investment, our mezzanine loan was converted to preferred equity in 2011. We also made an additional \$50.0 million junior preferred equity loan. This junior preferred equity loan was repaid at par in February 2012.
- (4) This investment was on non-accrual status. In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity in 2011. In June 2012, we acquired 100% of the interests in the most senior preferred equity position. In September 2012, we reclassified our debt and preferred equity investments, inclusive of related reserves, as investments in unconsolidated joint ventures as part of the recapitalization and refinancing transaction discussed in Note 13 of the prior table.
- (5) Loan loss reserves are specifically allocated to investments. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.

The following table is a rollforward of our total loan loss reserves at December 31, 2012, 2011 and 2010 (amounts in thousands):

	2012	2011	2010
Balance at beginning of year	\$ 50,175	\$ 61,361	\$ 93,844
Expensed	3,000	10,875	24,418
Recoveries	(2,436)	(4,370)	(3,662)
Charge offs and reclassifications	(43,739)	(17,691)	(53,239)
Balance at end of period	\$ 7,000	\$ 50,175	\$ 61,361

At December 31, 2012, 2011 and 2010 all debt and preferred equity investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

We have determined that we have one portfolio segment of financing receivables at December 31, 2012 and 2011 comprising commercial real estate which is primarily recorded in debt and preferred equity investments. Included in other assets is an additional amount of financing receivables totaling approximately \$121.3 million at December 31, 2012 and

\$108.7 million at December 31, 2011. The nonaccrual balance of financing receivables at December 31, 2012 and 2011 was zero and \$102.6 million, respectively. No financing receivables were 90 days past due at December 31, 2012. The recorded

investment for financing receivables past due 90 days associated with two financing receivables was \$17.3 million at December 31, 2011. All financing receivables are individually evaluated for impairment.

The following table presents impaired loans, which may include non-accrual loans, as of December 31, 2012 and 2011, respectively (amounts in thousands):

	December 31, 2012			December 31, 2011		
	Unpaid Principal Balance	Recorded Investment	Allowance Allocated	Unpaid Principal Balance	Recorded Investment	Allowance Allocated
With no related allowance recorded:						
Commercial real estate	\$ —	\$ —	\$ —	\$106,623	\$ 83,378	\$ —
With an allowance recorded:						
Commercial real estate	10,750	10,750	7,000	86,121	81,475	50,175
Total	\$10,750	\$10,750	\$7,000	\$192,744	\$164,853	\$50,175

The following table presents the average recorded investment in impaired loans, which may include non-accrual loans and the related investment and preferred equity income recognized during the years ended December 31, 2012 and 2011, respectively (amounts in thousands):

	Year Ended December 31,	
	2012	2011
Average recorded investment in impaired loans	\$50,231	\$191,288
Investment and preferred equity income recognized	3,712	9,554

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

6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES |

We have investments in several real estate joint ventures with various partners, including CIF, SITQ, Canada Pension Plan Investment Board, or CPPIB, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, Harel Insurance and Finance, or Harel, Louis Cappelli, or Cappelli, The Moinian Group, or Moinian, Vornado Realty Trust (NYSE: VNO), or Vornado, Blackstone, Gramercy Capital Corp. (NYSE: GKK), or Gramercy, Square Mile Capital Management LLC, or

Square Mile, Plaza Global Real Estate Partners LP or Plaza, as well as private investors. All the investments below are voting interest entities, except for 33 Beekman, 3 Columbus Circle and 180/182 Broadway which are VIEs in which we are not the primary beneficiary. Our net equity investment in these three VIEs was \$117.7 million and \$161.9 million at December 31, 2012 and 2011, respectively. As we do not control the joint ventures listed below, we account for them under the equity method of accounting. We assess the accounting treatment for each joint venture on a stand alone basis. This includes a review of each joint venture or LLC agreement to determine which party has what rights and whether those rights are protective or participating. In situations where we or our partner are involved in some or all of the following: approving the annual budget, receiving a detailed monthly reporting package from us, meeting with us on a quarterly basis to review the results of the joint venture, reviewing and approving the joint venture's tax return before filing, and approving all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights. Our joint venture agreements typically contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

The table below provides general information on each of our joint ventures as of December 31, 2012 (amounts in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price (\$) ⁽¹⁾
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	95,800
21 West 34th Street	Sutton	50.00%	50.00%	30	07/05	22,400
1604–1610 Broadway	Onyx/Sutton	45.00%	63.00%	30	11/05	4,400
27–29 West 34th Street	Sutton	50.00%	50.00%	41	01/06	30,000
717 Fifth Avenue ⁽⁹⁾	Sutton/Nakash	10.92%	10.92%	120	09/06	251,900
800 Third Avenue	Private Investors	42.95%	42.95%	526	12/06	285,000
1745 Broadway	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	04/07	520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	210,000
16 Court Street	CIF	35.00%	35.00%	318	07/07	107,500
The Meadows ⁽²⁾	Onyx	50.00%	50.00%	582	09/07	111,500
388 and 390 Greenwich Street ⁽³⁾	SITQ	50.60%	50.60%	2,600	12/07	1,575,000
180/182 Broadway ⁽⁴⁾	Harel/Sutton	25.50%	25.50%	71	02/08	43,600
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	05/10	193,000
11 West 34th Street ⁽⁵⁾	Private Investor/Sutton	30.00%	30.00%	17	12/10	10,800
7 Renaissance	Cappelli	50.00%	50.00%	37	12/10	4,000
3 Columbus Circle ⁽⁶⁾	Moinian	48.90%	48.90%	769	01/11	500,000
280 Park Avenue ⁽⁷⁾	Vornado	50.00%	50.00%	1,237	03/11	400,000
1552–1560 Broadway ⁽⁸⁾	Sutton	50.00%	50.00%	49	08/11	136,550
747 Madison Avenue	Harel/Sutton	33.33%	33.33%	10	09/11	66,250
724 Fifth Avenue	Sutton	50.00%	50.00%	65	01/12	223,000
10 East 53rd Street	CPPIB	55.00%	55.00%	390	02/12	252,500
33 Beekman ⁽¹⁰⁾	Harel/Naftali	45.90%	45.90%	145	08/12	31,000
West Coast office portfolio ⁽¹¹⁾	Blackstone/SquareMile/Gramercy	27.63%	27.63%	4,474	09/12	880,103
521 Fifth Avenue ⁽¹²⁾	Plaza	50.50%	50.50%	460	11/12	315,000
21 East 66th Street ⁽¹³⁾	Private Investors	32.28%	32.28%	17	12/12	75,000
315 West 36th Street	Private Investors	35.50%	35.50%	148	12/12	45,000

(1) Acquisition price represents the actual or implied gross purchase price for the joint venture.

(2) We, along with Onyx, acquired the remaining 50% interest on a pro-rata basis in September 2009. We recorded a \$2.8 million depreciable real estate reserve in 2010 against this joint venture investment. In August 2012, Onyx made a capital contribution to the joint venture, which was distributed to us in full redemption of our preferred equity interest.

(3) The property is subject to a 13-year triple-net lease arrangement with a single tenant. The lease commenced in 2007.

(4) In December 2010, our 180–182 Broadway joint venture with Jeff Sutton announced an agreement with Pace University to convey a long-term ground lease condominium interest to Pace University for 20 floors of student housing. The joint venture also admitted Harel, which contributed \$28.1 million to the joint venture, for a 49% partnership interest. In August 2011, the joint venture sold the property located at 63 Nassau Street for \$2.8 million.

(5) In December 2010, our \$12.0 million first mortgage collateralized by 11 West 34th Street was repaid at par, resulting in our recognition of additional income of approximately \$1.1 million. Simultaneous with the repayment, the joint venture was recapitalized with the Company having a 30% interest. The property is subject to a long-term net lease arrangement.

(6) We issued 306,296 operating partnership units in connection with this investment. We had an obligation to fund an additional \$47.5 million to the joint venture, of which \$46.8 million has been funded as of December 31, 2012. This liability is recorded in accrued interest payable and other liabilities. In addition, we made a \$125.0 million bridge loan to this joint venture which bore interest at a rate of 7.5%. This loan was repaid when the joint venture refinanced its debt in April 2011. In September 2012, the joint venture sold to Young & Rubicam, Inc. a portion of the property, generally floors three through eight, through a condominium form of ownership, or Y&R units, for \$143.6 million. As the joint venture has an option to repurchase the Y&R unit, no gain was recognized as a result of this transaction.

- (7) In March 2011, we contributed our debt investment with a carrying value of \$286.6 million to a newly formed joint venture in which we hold a 50% interest. We realized \$38.7 million of additional income upon the contribution. This income is included in preferred equity and investment income. The joint venture paid us approximately \$111.3 million and also assumed \$30 million of related floating rate financing which matures in June 2016. In May 2011, this joint venture took control of the underlying property as part of a recapitalization transaction which valued the investment at approximately \$1.1 billion. We hold an effective 49.5% ownership interest in the joint venture.
- (8) In connection with this acquisition, the joint venture also acquired a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway. The purchase price relates only to the purchase of the 1552 Broadway interest which comprises 13,045 square feet. In May 2012, we, along with Sutton, acquired the property at 155 West 46th Street for \$8.4 million. This property is adjacent to 1552 and 1560 Broadway.
- (9) In June 2012, this retail condominium was recapitalized. The recapitalization triggered a promote which resulted in a reduction of our economic interest. In addition, we sold 50% of our remaining interest at a property valuation of \$617.6 million. We recognized \$67.9 million of additional cash income, equivalent to profit, due to the distribution of refinancing proceeds and a gain on sale of \$3.0 million, which is net of a \$1.0 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.
- (10) The joint venture acquired the fee interest in the property and will develop an approximately 30 story building for student housing. Upon completion of the development, the joint venture will convey a long-term ground lease condominium interest in the building to Pace University.
- (11) In September 2012, the Company, together with an affiliate of Blackstone, Gramercy and Square Mile, formed a joint venture to recapitalize a 31-property, 4.5-million square-foot West Coast office portfolio. Following the recapitalization, Blackstone became the majority owner of the joint venture, with Equity Office Properties, a Blackstone affiliate, being responsible for the portfolio's management and leasing. Prior to the recapitalization, the Company held \$26.7 million in mezzanine and preferred equity positions in the entity that owned the portfolio. The new joint venture extended the \$678.8 million mortgage secured by the portfolio for a term of two years with a one-year extension option. In addition, the joint venture entered into a new \$68.0 million mezzanine loan for a term of two years. See Note 5, "Debt and Preferred Equity Investments."
- (12) In November 2012, we sold our 49.5% partnership interest in 521 Fifth Avenue to Plaza Global Real Estate Partners for a gross valuation price of \$315.0 million for this property. We recognized a gain of \$19.4 million on the sale which is net of a \$1.0 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale. This gain is included in equity in net gain on sale of interest in unconsolidated joint venture/real estate on the consolidated statement of income. We also refinanced the existing \$150.0 million loan with a \$170.0 million seven-year mortgage loan which bears interest at 220 basis points over LIBOR. Following the sale, we deconsolidated the entity effective November 30, 2012 and accounted our investment under the equity method because of lack of control.
- (13) We hold a 32.28% interest in the three retail and two residential units and a 16.14% in four residential units.

In July 2012, we, along with our joint venture partner, sold One Court Square for \$481.1 million, which included the assumption by the purchaser of \$315.0 million of existing debt. We recognized a gain of \$1.0 million on the sale of this property.

In April 2012, we, along with our joint venture partner, Jeff Sutton, sold the property located at 379 Broadway for \$48.5 million, inclusive of the fee position which was acquired for \$13.5 million. We recognized a gain on sale of this investment of \$6.5 million.

In March 2012, we, along with our joint venture partner, Jeff Sutton, sold the property located at 141 Fifth Avenue for \$46.0 million. We recognized a gain on sale of this investment of \$7.3 million which is net of a \$1.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In November 2011, we acquired the remaining 50% interest in the joint venture which held an investment in a debt

position on the property located at 450 West 33rd Street. As we own 100% of this investment, we have reclassified it and recorded it as a debt investment. See Note 5, "Debt and Preferred Equity Investments."

In August 2011, we sold our 10% interest in the joint venture that held 1551-1555 Broadway for approximately \$9.7 million. We recognized a gain of \$4.0 million on the sale.

In May 2010, Green Hill Acquisition LLC, our wholly owned subsidiary, sold its 45% beneficial interest in the property located at 1221 Avenue of the Americas for total consideration of \$577.4 million, of which approximately \$95.9 million represented payment for existing reserves and the assumption of our pro-rata share of in-place financing. The sale generated proceeds to us of approximately \$500.9 million. We recognized a gain of approximately \$126.8 million on the sale of our interest, which is net of a \$4.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

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 December 31, 2012 and 2011, respectively, are as follows (amounts in thousands):

Property	Maturity Date	Interest Rate ⁽¹⁾	December 31,	
			2012	2011
717 Fifth Avenue ⁽²⁾	06/2024	9.00%	\$ 294,509	\$ —
717 Fifth Avenue ⁽²⁾	07/2022	4.45%	300,000	—
388 and 390 Greenwich Street ⁽³⁾	12/2017	3.20%	996,082	1,106,757
315 West 36th Street	12/2017	3.04%	25,000	—
800 Third Avenue	08/2017	6.00%	20,910	20,910
1 and 2 Jericho Plaza	05/2017	5.65%	163,750	163,750
1745 Broadway	01/2017	5.68%	340,000	340,000
21 West 34th Street	12/2016	5.76%	100,000	100,000
280 Park Avenue	06/2016	6.57%	710,000	710,000
11 West 34th Street	01/2016	4.82%	17,491	17,761
7 Renaissance	02/2015	10.00%	856	—
100 Park Avenue	09/2014	6.64%	212,287	214,625
21 East 66th Street	04/2013	5.63%	12,000	—
1604–1610 Broadway ⁽⁴⁾	—	5.66%	27,000	27,000
One Court Square	—	—	—	315,000
141 Fifth Avenue	—	—	—	25,000
Total fixed rate debt			\$3,219,885	\$3,040,803
21 East 66th Street	06/2033	2.88%	\$ 2,033	\$ —
521 Fifth Avenue ⁽⁵⁾	11/2019	2.41%	170,000	—
388 and 390 Greenwich Street ⁽³⁾	12/2017	1.36%	142,297	31,622
600 Lexington Avenue	10/2017	2.32%	124,384	125,000
33 Beekman ⁽⁶⁾	08/2017	2.96%	18,362	—
10 East 53rd Street	02/2017	2.71%	125,000	—
724 Fifth Avenue	01/2017	2.56%	120,000	—
Other loan payable	06/2016	1.11%	30,000	30,000
3 Columbus Circle ⁽⁷⁾	04/2016	2.45%	247,253	254,896
The Meadows ⁽⁸⁾	09/2015	7.75%	57,000	84,698
747 Madison Avenue	10/2014	3.00%	33,125	33,125
West Coast office portfolio	09/2014	3.96%	745,025	—
180/182 Broadway ⁽⁹⁾	12/2013	2.96%	71,524	30,722
16 Court Street	10/2013	2.71%	84,916	85,728
1552 Broadway ⁽¹⁰⁾	08/2013	3.21%	113,869	95,405
27–29 West 34th Street ⁽¹¹⁾	05/2013	2.21%	53,375	53,900
717 Fifth Avenue ⁽²⁾	—	—	—	245,000
379 West Broadway ⁽¹²⁾	—	—	—	20,991
Total floating rate debt			\$2,138,163	\$1,091,087
Total mortgages and other loan payable			\$5,358,048	\$4,131,890

(1) Effective weighted average interest rate for the year ended December 31, 2012.

(2) This loan was repaid in June 2012 and was replaced with a \$300.0 million mortgage and a \$290.0 million mezzanine loan. See Note 9 of the prior table.

(3) Comprised of a \$576.0 million mortgage and a \$562.4 million mezzanine loan, both of which are fixed rate loans, except for \$72.0 million of the mortgage and \$70.3 million of the mezzanine loan which are floating. Up to \$200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us. We believe it is unlikely that we will be required to perform under this guarantee.

(4) This loan went into default in November 2009 due to the non-payment of debt service. The joint venture is in discussions with the special servicer to resolve this default.

(5) In connection with the sale of our 49.5% membership interest in the entity, the existing loan was refinanced with a \$170.0 million seven-year mortgage. As we no longer controlled the entity, we deconsolidated the entity effective November 30, 2012. See Note 12 of prior table.

(6) This loan has a committed amount of \$75.0 million, which is recourse to us. Our partner has indemnified us for their pro rata share of the recourse guarantee. A portion of the guarantee burns off upon the joint venture reaching certain milestones. We believe it is unlikely that we will be required to perform under this guarantee.

(7) We provided 50% of a bridge loan to this joint venture. In April 2011, our joint venture with The Moinian Group which owns the property located at 3 Columbus Circle, New York, refinanced the bridge loan and replaced it with a \$260.0 million five-year mortgage with the Bank of China, which carries a floating rate of interest of 210 basis points over the 30-day LIBOR, at which point SL Green and Deutsche Bank's bridge loan was repaid. The joint venture has the ability to increase the mortgage by

\$40.0 million based on meeting certain performance hurdles. In connection with this obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata obligation under the master lease. In February 2012, the terms of the mortgage were modified to remove the Y&R condominium from the mortgage lien and from the existing master lease. See Note 6 of prior table.

- (8) As a result of the refinancing and restructuring in August 2012, we replaced the existing loan with a \$60.0 million, three-year mortgage, of which \$3.0 million was unfunded as of December 31, 2012, and recognized additional income of \$10.8 million due to the repayment of the previous mortgage at a discount.
- (9) This loan has a committed amount of \$90.0 million.
- (10) This loan has a committed amount of \$125.0 million.
- (11) In April 2012, this loan was extended by one-year.
- (12) This property was sold in April 2012 and the mortgage was repaid at a discount.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, 1 and 2 Jericho Plaza, 3 Columbus Circle and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately \$7.9 million, \$8.6 million and \$5.8 million from these services for the years ended December 31, 2012, 2011 and 2010, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

The combined balance sheets for the unconsolidated joint ventures, at December 31, 2012 and 2011, are as follows (amounts in thousands):

	2012	2011
Assets		
Commercial real estate property, net	\$6,910,991	\$5,699,113
Other assets	728,113	599,596
Total assets	\$7,639,104	\$6,298,709
Liabilities and members' equity		
Mortgages and other loans payable	\$5,358,048	\$4,131,890
Other liabilities	406,929	250,925
Members' equity	1,874,127	1,915,894
Total liabilities and members' equity	\$7,639,104	\$6,298,709
Company's net investment in unconsolidated joint ventures	\$1,032,243	\$ 893,933

The combined statements of income for the unconsolidated joint ventures, from acquisition date through three years ended December 31, 2012 are as follows (amounts in thousands):

	2012	2011	2010
Total revenues	\$511,157	\$480,935	\$593,159
Operating expenses	83,697	75,513	94,515
Real estate taxes	53,613	51,511	66,588
Transaction related costs	2,044	2,665	1,105
Interest	231,215	223,400	224,766
Depreciation and amortization	166,336	137,070	141,284
Total expenses	536,905	490,159	528,258
Gain on early extinguishment of debt	21,421	—	—
Net (loss) income before gain on sale	\$ (4,327)	\$ (9,224)	\$ 64,901
Company's equity in net income of unconsolidated joint ventures	\$ 76,418	\$ 1,583	\$ 39,607

The 2012 equity in net income of unconsolidated joint ventures includes \$67.9 million of additional income due to the distribution of refinancing proceeds from the recapitalization of 717 Fifth Avenue.

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

At December 31, 2012, we held 0.7 million shares, or approximately 1.3% of Gramercy's common stock. Our total investment of approximately \$2.2 million is based on the market value of our common stock investment in Gramercy at December 31, 2012. As we no longer have any significant influence over Gramercy, we account for our investment as available-for-sale securities. During 2012, we sold 2.5 million shares for net proceeds of \$6.8 million and realized gains of \$4.9 million. During 2011, we sold 2.1 million shares of Gramercy common stock and realized a gain of approximately \$4.5 million on the sale. These gains were reclassified out of accumulated other comprehensive loss.

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

Effective June 2012, the first and third leases were amended and replaced with a new lease for approximately 8,100 square feet pursuant to a lease which ends in April 2015, with annual rent under this lease of approximately \$345,000 for year one increasing to \$357,000 in year three.

Marc Holliday, our chief executive officer, remains a board member of Gramercy.

7. DEFERRED COSTS | Deferred costs at December 31, 2012 and 2011 consisted of the following (amounts in thousands):

	2012	2011
Deferred financing	\$ 152,596	\$ 113,620
Deferred leasing	285,931	238,394
	438,527	352,014
Less accumulated amortization	(177,382)	(141,228)
Deferred costs, net	\$ 261,145	\$ 210,786

8. MORTGAGES AND OTHER LOANS PAYABLE | The first mortgages and other loans payable collateralized by the respective properties and assignment of leases at December 31, 2012 and 2011, respectively, were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate ⁽¹⁾	December 31,	
			2012	2011
400 East 57th Street	02/2024	4.13%	\$ 70,000	\$ —
400 East 58th Street	02/2024	4.13%	30,000	—
919 Third Avenue ⁽²⁾	06/2023	5.12%	500,000	500,000
100 Church	07/2022	4.68%	230,000	—
One Madison Avenue	05/2020	5.91%	607,678	626,740
Other loan payable ⁽³⁾	09/2019	8.00%	50,000	50,000
885 Third Avenue	07/2017	6.26%	267,650	267,650
2 Herald Square	04/2017	5.36%	191,250	191,250
485 Lexington Avenue	02/2017	5.61%	450,000	450,000
120 West 45th Street	02/2017	6.12%	170,000	170,000
300 Main Street	02/2017	5.75%	11,500	11,500
762 Madison Avenue	02/2017	3.75%	8,371	—
Landmark Square	12/2016	4.00%	84,486	86,000
420 Lexington Avenue ⁽⁴⁾	09/2016	7.50%	184,992	187,182
500 West Putnam	01/2016	5.52%	24,060	24,563
625 Madison Avenue	11/2015	7.22%	125,603	129,098
711 Third Avenue	06/2015	4.99%	120,000	120,000
125 Park Avenue	10/2014	5.75%	146,250	146,250
609 Partners, LLC ⁽⁵⁾	07/2014	5.00%	23	31,721
220 East 42nd Street	11/2013	5.25%	185,906	190,431
609 Fifth Avenue ⁽¹⁰⁾	—	—	—	94,963
673 First Avenue ⁽¹¹⁾	—	—	—	29,906
110 East 42nd Street ⁽¹²⁾	—	—	—	65,000
292 Madison Avenue ⁽¹³⁾	—	—	—	59,099
Total fixed rate debt			\$3,457,769	\$3,431,353
1515 Broadway ⁽⁶⁾	04/2018	3.60%	\$ 769,813	\$ 450,363
180 Maiden Lane ⁽⁷⁾	11/2016	2.42%	271,215	279,332
Master repurchase ⁽¹⁴⁾	09/2013	3.21%	116,667	—
Other loan payable ⁽⁸⁾	—	—	—	62,792
521 Fifth Avenue ⁽⁹⁾	—	—	—	150,000
Total floating rate debt			\$1,157,695	\$ 942,487
Total mortgages and other loans payable			\$4,615,464	\$4,373,840

(1) Effective average interest rate for the year ended December 31, 2012.

(2) We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. In June 2011, our joint venture replaced the \$219.9 million 6.87% mortgage that was due to mature in August 2011 with a \$500.0 million mortgage.

(3) This loan is secured by a portion of a preferred equity investment.

(4) We increased this loan by \$40.0 million in March 2011.

(5) As part of an acquisition, we issued 63.9 million units of our 5.0% Series E preferred units, or the Series E units, with a liquidation preference of \$1.00 per unit. As of December 31, 2012, 63.8 million Series E units had been redeemed.

(6) We acquired the remaining interest in this joint venture in April 2011. As a result, we have consolidated this investment since April 2011. In April 2012, we refinanced the \$447.2 million mortgage that was due in December 2014 with a \$775.0 million seven-year mortgage which carries interest at the rate equal to the greater of (a) 285 basis points over 90-day LIBOR or (b) 3.6% per annum.

(7) In connection with this consolidated joint venture obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata share of the obligation under the master lease.

(8) This loan, which was denominated in British pounds, bore interest at 250 basis points over the three month GBP LIBOR. In November 2012, this loan was repaid in connection with the sale of the London property.

(9) We assumed a \$140.0 million mortgage in connection with the acquisition of the remaining partnership interest in January 2011. As a result, we consolidated this investment since January 2011. In April 2011, we refinanced the property with a new \$150.0 million two-year mortgage which carried a floating rate of interest of 200 basis points over the 30-day LIBOR. In November 2012, we sold 49.5% of our partnership interest in 521 Fifth Avenue and refinanced the property with a new \$170.0 million seven-year mortgage which bears interest at 220 basis points over LIBOR. As we no longer controlled the entity, we deconsolidated this entity effective November 30, 2012 and accounted for our investment under the equity method. See Note 6, "Investments in Unconsolidated Joint Ventures."

- (10) In December 2012, we repaid the \$93.3 million mortgage loan, which bore interest at a fixed rate of 5.85% per annum and was scheduled to mature in October 2013. We recognized a loss from early extinguishment of debt of approximately \$3.1 million consisting mainly of prepayment penalty.
- (11) In November 2012, we repaid the \$29.1 million mortgage loan, which bore interest at a fixed rate of 5.67% per annum and was scheduled to mature in February 2013. There was no prepayment penalty.
- (12) We took control of this property in May 2011 and assumed the mortgage as part of the transaction. This loan consists of a \$65.0 million A-tranche and an \$18.1 million B-tranche which was owed to us. The B-tranche does not accrue interest and is due only under certain circumstances as described in the loan agreement. In December 2012, we repaid the \$65.0 million mortgage loan, which bore interest at a fixed rate of 5.81% per annum and was scheduled to mature in July 2017. There was no prepayment penalty.
- (13) This property was sold in February 2012 and the related mortgage, which was included in liabilities related to assets held for sale at December 31, 2011, was assumed by the purchaser.
- (14) In September 2012, we entered into a Master Repurchase Agreement, or MRA, with a financial institution, with a maximum facility capacity of \$175.0 million, under which we agreed to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a certain date or on demand. The MRA's interest rate is based on 1-month LIBOR plus 300 basis points. The MRA matures in September 2013, and has a 1-year extension option.

At December 31, 2012 and 2011, the gross book value of the properties and debt and preferred equity investments collateralizing the mortgages and other loans payable was approximately \$7.6 billion and \$7.4 billion, respectively.

9. CORPORATE INDEBTEDNESS

2012 Credit Facility | In November 2012, we entered into a \$1.6 billion credit facility, or the 2012 credit facility, which refinanced, extended and upsized the previous 2011 revolving credit facility. The 2012 credit facility consists of a \$1.2 billion revolving credit facility, or the revolving credit facility, and a \$400.0 million term loan, or the term loan facility. The revolving credit facility matures in March 2017 and includes two six-month extension options, subject to certain conditions and the payment of an extension fee of 10 basis points for each such extension. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to \$1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our current lenders and other financial institutions. The term loan facility matures on March 30, 2018.

The 2012 credit facility bears interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 115 basis points to 200 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 December 31, 2012, the applicable spread was 145 basis points for revolving credit facility and 165 basis points for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point fee on the unused balance of the commitments under the revolving credit facility. As of December 31, 2012, the facility fee was 30 basis points. At December 31, 2012, we had approximately \$79.5 million of outstanding letters of credit and \$70.0 million drawn under the revolving credit facility and \$400.0 million outstanding under the term loan facility, with total undrawn capacity of \$1.1 billion under the 2012 credit facility.

The Company, ROP and the Operating Partnership are all borrowers jointly and severally obligated under the 2012 credit facility. No other subsidiary of ours is an obligor under the 2012 credit facility.

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

2011 Revolving Credit Facility | The 2012 credit facility replaced our \$1.5 billion revolving credit facility, or the 2011 revolving credit facility, which was terminated concurrently with the entering into the 2012 credit facility. The 2011 revolving credit facility bore interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP, and required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility. The 2011 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2011 revolving credit facility and as of November 2012, we were in compliance with all such restrictions and covenants.

2007 Revolving Credit Facility | The 2011 revolving credit facility replaced our \$1.5 billion revolving credit facility, or the 2007 revolving credit facility, which was terminated concurrently with the entering into the 2011 revolving credit facility. The 2007 revolving credit facility bore interest at a spread over the 30-day LIBOR ranging from 70 basis points to 110 basis points, based on our leverage ratio, and required a 12.5 to 20 basis point fee, also based on our leverage ratio, on the unused balance payable annually in arrears. The 2007 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2007 revolving credit facility and as of October 31, 2011, we were in compliance with all such restrictions and covenants.

Senior Unsecured Notes | The following table sets forth our senior unsecured notes and other related disclosures as of December 31, 2012 and 2011, respectively by scheduled maturity date (amounts in thousands):

Issuance	December 31,			Coupon Rate ⁽¹⁾	Effective Rate	Term (in Years)	Maturity
	2012 Unpaid Principal Balance	2012 Accreted Balance	2011 Accreted Balance				
March 26, 2007 ⁽²⁾	\$ 16,893	\$ 16,893	\$ 119,423	3.00%	3.00%	20	March 30, 2027
June 27, 2005 ⁽³⁾⁽⁴⁾	7	7	657	4.00%	4.00%	20	June 15, 2025
November 15, 2012 ⁽⁵⁾	200,000	200,000	—	4.50%	4.50%	10	December 1, 2022
March 16, 2010 ⁽⁵⁾	250,000	250,000	250,000	7.75%	7.75%	10	March 15, 2020
August 5, 2011 ⁽⁵⁾	250,000	249,620	249,565	5.00%	5.03%	7	August 15, 2018
October 12, 2010 ⁽⁶⁾	345,000	287,373	277,629	3.00%	7.13%	7	October 15, 2017
March 31, 2006 ⁽³⁾⁽⁷⁾	255,308	255,165	274,804	6.00%	6.02%	10	March 31, 2016
August 13, 2004 ⁽³⁾⁽⁷⁾	75,898	75,898	98,578	5.88%	5.88%	10	August 15, 2014
	\$1,393,106	\$1,334,956	\$1,270,656				

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

(2) In March 2007, the Operating Partnership issued \$750.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of 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 our common stock, if any, at our option. The notes are currently redeemable at the Operating Partnership's option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events. On March 30, 2012, we repurchased \$102.2 million of aggregate principal amount of the exchangeable notes pursuant to a mandatory offer to repurchase the notes. On the issuance date, \$66.6 million was recorded in equity and was fully amortized as of March 31, 2012.

(3) Issued by ROP.

(4) Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491. During the year ended December 31, 2012, we repurchased \$650,000 of these bonds at par.

(5) Issued by us, the Operating Partnership and ROP, as co-obligors.

(6) In October 2010, the Operating Partnership issued \$345.0 million of these exchangeable notes. Interest on these 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 our 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 11.6800 shares of our 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 our common stock, if any, at our option. The notes are guaranteed by ROP. On the issuance date, \$78.3 million was recorded in equity. As of December 31, 2012, approximately \$57.6 million remained unamortized.

(7) On December 27, 2012, we repurchased \$42.4 million aggregate principal amount of notes, consisting of \$22.7 million of the 5.875% Notes and \$19.7 million of the 6.0% Notes, for a total consideration of \$46.4 million and realized a net loss on early extinguishment of debt of approximately \$3.8 million.

Restrictive Covenants | The terms of the 2012 credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends (as discussed below), make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that, 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 us to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2012 and 2011, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures | In June 2005, we issued \$100.0 million in unsecured floating rate trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly owned subsidiary of 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. 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 balance sheet and the related payments are classified as interest expense.

Principal Maturities | Combined aggregate principal maturities of mortgages and other loans payable, 2012 revolving credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of December 31, 2012, including as-of-right extension options, were as follows (amounts in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Term Loans and Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2013	\$ 49,496	\$ 299,009	\$ —	\$ —	\$ —	\$ 348,505	\$ 176,511
2014	52,515	146,273	—	—	75,898	274,686	309,090
2015	55,810	229,537	—	—	7	285,354	36,457
2016	55,299	516,754	—	—	255,165	827,218	528,278
2017	55,461	1,098,064	—	—	304,266	1,457,791	933,634
Thereafter	235,004	1,822,242	70,000	500,000	699,620	3,326,866	151,393
	\$503,585	\$4,111,879	\$70,000	\$500,000	\$1,334,956	\$6,520,420	\$2,135,363

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

	Years Ended December 31,		
	2012	2011	2010
Interest expense	\$332,188	\$287,921	\$232,794
Interest income	(1,619)	(2,004)	(2,146)
Interest expense, net	\$330,569	\$285,917	\$230,648
Interest capitalized	\$ 12,218	\$ 5,123	\$ —

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

Cash and cash equivalents, restricted cash, accounts receivable and accounts payable balances reasonably approximate their fair values due to the short maturities of these items. Mortgages and other loans payable, junior subordinate deferrable interest debentures and the senior unsecured notes had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately \$5.3 billion, compared to the book value of the related fixed rate debt of approximately \$4.9 billion at December 31, 2012. Our floating rate debt, inclusive of our 2012 revolving credit facility, but excluding \$30.0 million of which was swapped, had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately \$1.6 billion, compared to the book value of the related floating rate debt of

approximately \$1.6 billion at December 31, 2012. Our debt and preferred equity investments had an estimated fair value ranging between \$1.3 billion and \$1.4 billion, compared to the book value of approximately \$1.4 billion at December 31, 2012, based on Level 3 inputs.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of December 31, 2012. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

11. RENTAL INCOME | The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from January 1, 2013 to 2037. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at December 31, 2012 for the consolidated properties, including consolidated joint venture properties, and our share of unconsolidated joint venture properties are as follows (amounts in thousands):

	Consolidated Properties	Unconsolidated Properties
2013	\$ 989,702	\$ 214,291
2014	917,638	208,617
2015	863,405	195,122
2016	801,448	185,113
2017	717,112	168,718
Thereafter	3,915,024	720,492
	\$8,204,329	\$1,692,353

12. RELATED PARTY TRANSACTIONS

Cleaning/Security/Messenger and Restoration Services | Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately \$4.0 million, \$2.7 million and \$2.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. We paid Alliance approximately \$17.9 million, \$16.1 million and \$14.2 million for three years ended December 31, 2012, respectively, for these services (excluding services provided directly to tenants).

Marketing Services | A-List Marketing, LLC, or A-List, provides marketing services to us. Ms. Deena Wolff, a sister of Mr. Marc Holliday, is the owner of A-List. The aggregate amount of fees we paid to A-List for these marketing services was approximately \$155,500, \$140,300 and \$86,300 for the three years ended December 31, 2012, respectively.

Leases | Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due pursuant to the lease was \$35,516 per annum for year one increasing to \$40,000 in year seven.

Management Fees | S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately \$384,900, \$420,300 and \$390,700 for the three years ended December 31, 2012, respectively.

Other | Amounts due from/to related parties at December 31, 2012 and 2011 consisted of the following (amounts in thousands):

	2012	2011
Due from joint ventures	\$ 511	\$ 477
Other	7,020	3,524
Related party receivables	\$ 7,531	\$4,001
Due to a joint venture (included in Accounts payable and accrued expenses)	\$(8,401)	\$ —

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

13. EQUITY

Common Stock | Our authorized capital stock consists of 260,000,000 shares, \$0.01 par value, of which we have authorized the issuance of up to 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 December 31, 2012, 91,249,632 shares of common stock and no shares of excess stock were issued and outstanding.

In July 2011, we, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$250.0 million of our common stock. During the year ended December 31, 2012, we had sold 2.6 million shares of our common stock through the ATM Program for aggregate gross proceeds of approximately \$204.6 million (\$201.3 million of net proceeds after related expenses). The net proceeds were used to repay debt, fund new investments and for other corporate purposes. As of December 31, 2012, we had \$45.4 million available to issue under the ATM Program.

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 \$222.2 million in net proceeds from the issuance of the Series I preferred stock which was recorded net of underwriters' discount and issuance costs.

We have 7,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or the Series C preferred stock, outstanding with a mandatory liquidation preference of \$25.00 per share. The Series C preferred stockholders receive

annual dividends of \$1.90625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. We are entitled to redeem the Series C preferred stock at par for cash at our option. The Series C preferred stock was recorded net of underwriters' discount and issuance costs. In September 2012, we redeemed 4,000,000 shares of Series C preferred stock at a redemption price of \$25.00 per share plus \$0.3707 in accumulated and unpaid dividends on such preferred stock through September 24, 2012. We recognized \$6.3 million of costs to partially redeem the Series C preferred stock, which is included in preferred stock redemption costs on the consolidated statements of income.

We also had 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or the Series D preferred stock, outstanding with a mandatory liquidation preference of \$25.00 per share. The Series D preferred stockholders received annual dividends of \$1.96875 per share paid on a quarterly basis and dividends were cumulative, subject to certain provisions. In July 2012, we redeemed all 4,000,000 shares of our Series D preferred stock at a redemption price of \$25.00 per share plus \$0.4922 in accumulated and unpaid dividends on such preferred stock through July 14, 2012. We recognized \$3.7 million of costs to redeem the Series D preferred stock, which is included in preferred stock redemption costs on the consolidated statements of income.

Dividend Reinvestment and Stock Purchase Plan | In March 2012, we filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which automatically became effective upon filing. We registered 3,500,000 shares of our common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the years ended December 31, 2012 and 2011, we issued approximately 1.3 million and 473 shares of our common stock and received approximately \$99.6 million and \$34,000 of proceeds, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

Second Amended and Restated 2005 Stock Option and Incentive Plan | We have a stock option and incentive plan. The Second Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by our board of directors in April 2010 and our stockholders in June 2010 at our annual meeting of stockholders. The 2005 Plan authorizes the issuance of stock options, stock appreciation rights, unrestricted and restricted stock, phantom shares, dividend equivalent rights and other equity based awards. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 10,730,000 fungible units may be granted under the 2005 Plan. Currently,

different types of awards count against the limit on the number of fungible units differently, with (1) full-value awards (i.e., those that deliver the full value of the award upon vesting, such as restricted stock) counting as 1.65 fungible units per share subject to such award (2) stock options, stock appreciation rights and other awards that do not deliver full value and expire five year from the date of grant counting as 0.79 fungible units per share subject to such award and (3) all other awards (e.g., ten-year stock options) counting as 1.0 fungible units per share subject to such award. Awards granted under the 2005 Plan prior to the approval of the second amendment and restatement in June 2010 continue to count against the fungible unit limit based on the ratios that were in effect at the time such awards were granted, which may be different than the current ratios. As a result, depending on the types of awards issued, the 2005 Plan may result in the issuance of more or less than 10,730,000 shares. If a stock option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Currently, unless the 2005 Plan has been previously terminated by the board of directors, new awards may be granted under the 2005 Plan until June 15, 2020, which is the tenth anniversary of the date that the 2005 Plan was most recently approved by our stockholders. As of December 31, 2012, no 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, which remain subject to performance based vesting.

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

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 years ended December 31, 2012, 2011 and 2010, respectively.

	2012	2011	2010
Dividend yield	2.00%	2.00%	2.00%
Expected life of option	3.7 years	4.2 years	5.1 years
Risk-free interest rate	0.46%	1.00%	2.09%
Expected stock price volatility	37.40%	47.98%	50.07%

A summary of the status of our stock options as of December 31, 2012, 2011 and 2010 and changes during the years then ended are presented below:

	2012		2011		2010	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	1,277,200	\$63.37	1,353,002	\$58.85	1,324,221	\$56.74
Granted	361,331	75.36	212,400	66.42	180,250	62.00
Exercised	(382,612)	36.65	(243,901)	40.48	(109,636)	31.49
Lapsed or cancelled	(54,919)	72.99	(44,301)	65.89	(41,833)	77.33
Balance at end of year	1,201,000	\$75.05	1,277,200	\$63.37	1,353,002	\$58.85
Options exercisable at end of year	479,913	\$86.85	644,429	\$72.31	631,224	\$69.42
Weighted average fair value of options granted during the year	\$6,602,967		\$4,647,554		\$4,333,281	

All options were granted within a price range of \$20.67 to \$137.18. The remaining weighted average contractual life of the options outstanding was 4.07 years and the remaining average contractual life of the options exercisable was 4.31 years.

During the years ended December 31, 2012, 2011, and 2010, we recognized approximately \$5.1 million, \$4.7 million and \$4.4 million of compensation expense, respectively, for these options. As of December 31, 2012, there was approximately \$9.1 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of three years.

Stock based Compensation | Effective January 1, 1999, we implemented a deferred compensation plan, or the Deferred Plan, covering certain of our employees, including our executives. The shares issued under the Deferred Plan were granted to certain employees, including our executives and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached. A summary of our restricted stock as of December 31, 2012, 2011 and 2010 and charges during the years then ended are presented below:

	2012	2011	2010
Balance at beginning of year	2,912,456	2,728,290	2,330,532
Granted	92,729	185,333	400,925
Cancelled	(200,284)	(1,167)	(3,167)
Balance at end of year	2,804,901	2,912,456	2,728,290
Vested during the year	408,800	66,299	153,644
Compensation expense recorded	\$6,930,381	\$17,365,401	\$15,327,206
Weighted average fair value of restricted stock granted during the year	\$7,023,942	\$21,768,084	\$28,269,983

The fair value of restricted stock that vested during the years ended December 31, 2012, 2011 and 2010 was \$22.4 million, \$4.3 million and \$16.6 million, respectively. As of December 31, 2012, there was \$11.1 million of

total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted average period of approximately 2.4 years.

For the years ended December 31, 2012, 2011 and 2010, approximately \$4.1 million, \$3.4 million and \$2.2 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options.

We granted LTIP units which had a fair value of \$8.5 million as a component of 2011 bonus awards. 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 have a discount from SL Green's unrestricted 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.

2005 Long-Term Outperformance Compensation Program | In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan were entitled to earn LTIP Units in our Operating Partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. On June 14, 2006, the compensation committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of \$49,250,000, taking into account forfeitures, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants

as of June 8, 2006 was 490,475. Under the terms of the 2005 Outperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned vesting on each of November 30, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

The cost of the 2005 Outperformance Plan (approximately \$8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately \$1.6 million of compensation expense during the year ended December 31, 2010 in connection with the 2005 Outperformance Plan. The cost of the 2005 Outperformance Plan had been fully expensed as of June 30, 2010.

2006 Long-Term Outperformance Compensation Program |

In August 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units were earned under the 2006 Outperformance Plan.

The cost of the 2006 Outperformance Plan (approximately \$16.4 million, subject to adjustment for forfeitures) was amortized into earnings through July 31, 2011, the final vesting period. We recorded compensation expense of approximately \$70,000 and \$0.2 million during the years ended December 31, 2011 and 2010, respectively, in connection with the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of September 30, 2011.

2010 Notional Unit Long-Term Compensation Plan |

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, 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 approximately \$15 million up to approximately \$75 million of LTIP Units in the Operating Partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, approximately \$25 million of awards could be earned at any time after the beginning of the second year and an additional approximately \$25 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, our 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, 366,815 LTIP Units, 385,583 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) and the remainder is scheduled to vest ratably on January 1, 2014 and 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 (approximately \$31.7 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$10.7 million, \$9.3 million and \$4.0 million during the years ended December 31, 2012, 2011 and 2010, respectively, related to the 2010 Long-Term Compensation Plan.

2011 Outperformance Plan |

In August 2011, the compensation committee of our 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 may earn, in the aggregate, up to \$85 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 will be entitled to share in a “performance pool” comprised of LTIP Units with a value equal to 10% of the amount, if any, by which our total return to stockholders during the three-year period exceeds a cumulative total return to stockholders of 25%, subject to the maximum of \$85 million of LTIP Units; provided that if maximum performance has been achieved, approximately one-third of each award may be earned at any time after the beginning of the second year and an additional approximately one-third of each award may be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2011 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 additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

The cost of the 2011 Outperformance Plan (approximately \$26.1 million, subject to forfeitures) will be amortized

into earnings through the final vesting period. We recorded compensation expense of approximately \$5.5 million and \$0.1 million during the years ended December 31, 2012 and 2011, respectively, related to the 2011 Outperformance Plan.

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

During the year ended December 31, 2012, approximately 8,307 phantom stock units were earned. As of December 31, 2012, there were approximately 75,156 phantom stock units outstanding.

Employee Stock Purchase Plan | On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2012, approximately 66,323 shares of our common stock had been issued under the ESPP.

Earnings per Share | Earnings per share for the years ended December 31, 2012, 2011 and 2010 is computed as follows (amounts in thousands):

Numerator (Income)	2012	2011	2010
Basic Earnings:			
Income attributable to SL Green common stockholders	\$155,984	\$617,232	\$270,826
Effect of Dilutive Securities:			
Redemption of units to common shares	5,597	14,629	4,574
Stock options	—	—	—
Diluted Earnings:			
Income attributable to SL Green common stockholders	\$161,581	\$631,861	\$275,400
Denominator Weighted Average (Shares)			
Basic Shares:			
Shares available to common stockholders	89,319	83,762	78,101
Effect of Dilutive Securities:			
Redemption of units to common shares	3,207	1,985	1,321
3.0% exchangeable senior debentures due 2017	—	—	—
3.0% exchangeable senior debentures due 2027	—	—	—
4.0% exchangeable senior debentures due 2025	—	—	—
Stock based compensation plans	347	497	339
Diluted Shares	92,873	86,244	79,761

We have excluded approximately 627,000, 680,000 and 804,800 common stock equivalents from the diluted shares outstanding for the years ended December 31, 2012, 2011 and 2010, respectively, as they were anti-dilutive.

14. NONCONTROLLING INTERESTS IN OPERATING PARTNERSHIP | The noncontrolling interest ownership in the Operating Partnership represents interests held by entities other than the Company. As of December 31, 2012 and 2011, the noncontrolling interest unit holders owned 2.94% (2,759,758 units) and 3.12% (2,764,737 units) of the Operating Partnership, respectively. At December 31, 2012, there were also 66,668 performance based LTIP Units outstanding. At December 31, 2012, 2,826,426 shares of our common stock were reserved for issuance upon redemption of units of limited partnership interest of the Operating Partnership.

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

In January 2012, as part of an acquisition, the Operating Partnership issued 1,902,000 4.5% Series G preferred units of limited partnership interest, or the Series G preferred units, with a liquidation preference of \$25.00 per unit. 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 our 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 preferred units for cash before January 31, 2022.

In November 2011, as part of an acquisition, the Operating Partnership issued 80,000 6.0% Series H preferred units, or the Series H preferred units, with a mandatory liquidation preference of \$25.00 per unit. The Series H preferred unit-holders receive annual dividends of \$1.50 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series H preferred units can be redeemed at any time at par for cash at the Operating Partnership's option or the option of the unitholder.

We have included a rollforward analysis of the activity relating to the noncontrolling interests in the Operating Partnership below (amounts in thousands):

	Year Ended December 31,	
	2012	2011
Balance at beginning of period	\$195,030	\$ 84,338
Distributions	(3,296)	(1,264)
Issuance of common units	42,239	60,443
Redemption of common units	(87,513)	(865)
Net income	5,597	14,629
Accumulated other comprehensive loss allocation	(388)	(291)
Fair value adjustment	61,238	38,040
Balance at end of period	\$212,907	\$195,030

15. BENEFIT PLANS | The building employees are covered by multi employer defined benefit pension plans and post-retirement health and welfare plans. We participate in the Building Service 32BJ, or Union, Pension Plan and Health Plan. The Pension Plan is a multi employer, non-contributory defined benefit pension plan that was established under the terms of collective bargaining agreements between the Service Employees International Union, Local 32BJ, the Realty Advisory Board on Labor Relations, Inc. and certain other employees. This Pension Plan is administered by a joint board of trustees consisting of union trustees and employer trustees and operates under employer identification number 13-1879376. The Pension Plan year runs from July 1 to June 30. Employers contribute to the Pension Plan at a fixed rate on behalf of each covered employee. Separate actuarial information regarding such pension plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit. However, on September 28,

2011 and September 28, 2012, the actuary certified that for the plan years beginning July 1, 2011 and July 1, 2012, respectively, the Pension Plan was in critical status under the Pension Protection Act of 2006. The Pension Plan trustees adopted a rehabilitation plan consistent with this requirement. No surcharges have been paid to the Pension Plan as of December 31, 2012. For the years ended December 31, 2012, 2011 and 2010, the Pension Plan received contributions from employers totaling \$212.7 million, \$201.3 million and \$193.3 million, respectively.

The Health Plan was established under the terms of collective bargaining agreements between the Union, the Realty Advisory Board on Labor Relations, Inc. and certain other employers. The Health Plan provides health and other benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements, or other written agreements, with the Union. The Health Plan is administered by a Board of Trustees with equal representation by the employers and the Union and operates under employer identification number 13-2928869. The Health Plan receives contributions in accordance with collective bargaining agreements or participation agreements. Generally, these agreements provide that the employers contribute to the Health Plan at a fixed rate on behalf of each covered employee. Pursuant to the contribution diversion provision in the collective bargaining agreements, the collective bargaining parties agreed, beginning January 1, 2009, to divert to the Pension Plan \$1.95 million of employer contributions per quarter that would have been due to the Health Plan. Effective October 1, 2010, the diversion of contributions was discontinued. For the years ended December 31, 2012, 2011 and 2010, the Health Plan received contributions from employers totaling \$893.3 million, \$843.2 million and \$770.8 million, respectively.

Contributions we made to the multi employer plans for the years ended December 31, 2012, 2011 and 2010 are included in the table below (amounts in thousands):

Benefit Plan	2012	2011	2010
Pension Plan	\$ 2,506	\$ 2,264	\$ 1,835
Health Plan	8,020	6,919	5,754
Other plans	6,025	5,111	4,143
Total plan contributions	\$16,551	\$14,294	\$11,732

401(k) Plan | In August 1997, we implemented a 401(k) Savings/Retirement Plan, or the 401(k) Plan, to cover eligible employees of ours, and any designated affiliate. The 401(k) Plan permits eligible employees to defer up to 15% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) Plan. During 2000, we amended our 401(k) Plan to include a matching contribution, subject to ERISA limitations, equal to 50% of the first 4% of annual compensation deferred by an employee. During 2003, we amended our 401(k) Plan to provide for discretionary matching contributions only. For

2012, 2011 and 2010, a matching contribution equal to 50% of the first 6% of annual compensation was made. For the years ended December 31, 2012, 2011 and 2010, we made matching contributions of approximately \$561,000, \$502,000 and \$450,000, respectively.

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

We have entered into employment agreements with certain executives, which expire between July 2013 and January 2014. The minimum cash-based compensation, including base salary and guaranteed bonus payments, associated with these employment agreements total approximately \$4.5 million for 2013. In addition these employment agreements provide for deferred compensation awards based on our stock price and which were valued at approximately \$1.0 million on the grant date. The value of these awards may change based on fluctuations in our stock price.

We maintain “all-risk” property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. As of December 31, 2012, the first property portfolio maintains a blanket limit of \$775.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. The second portfolio maintains a limit of \$750.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. Both policies expire on December 31, 2013. Each policy includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. We maintain liability policies which cover all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2013. 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 be 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. Belmont has purchased reinsurance to reinsure the retained insurance risks not covered by other insurance.

Belmont is a form of self-insurance. We are responsible for the liquidity and capital resources of Belmont and its accounts are included in our consolidated financial statements. All

losses required to be paid by Belmont are recorded as losses by us.

Belmont had loss reserves of approximately \$6.2 million and \$6.4 million as of December 31, 2012 and 2011, respectively.

In June 2007, we renewed and extended the maturity date of the ground lease at 420 Lexington Avenue through December 31, 2029, with an option for further extension through 2080. Ground lease rent payments through 2029 will total approximately \$10.9 million per year. Thereafter, the ground lease will be subject to a revaluation by the parties thereto.

In October 2012, we, together with Stonehenge Partners, acquired a leasehold position at 1080 Amsterdam Avenue. The joint venture prepaid \$13.0 million of ground lease rent, which will be applied against rental payments over the term of the lease. The lease will expire on July 31, 2111 or earlier per terms of lease agreement. Land was estimated to be approximately 40% of the fair market value of the property. The portion of the lease attributed to land was classified as an operating lease and the remainder as a capital lease which had a cost basis of \$28.1 million at December 31, 2012.

The property located at 711 Third Avenue operates under an operating sub-lease, which expires in 2083. Under the sub-lease, we were responsible for ground rent payments of \$1.55 million annually through July 2011 on the 50% portion of the fee we do not own. The ground rent was reset in July 2011. Following the reset, we are responsible for ground rent payments of \$5.25 million annually through July 2016 and then \$5.5 million annually thereafter on the 50% portion of the fee we do not own.

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

The property located at 625 Madison Avenue operates under a ground lease (approximately \$4.6 million annually) with a term expiration date of 2022 and with two options to renew for an additional 23 years.

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

In April 1988, the SL Green predecessor entered into a lease agreement for the property at 673 First Avenue, which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the fair market value of the property. The portion of the lease attributed to land was classified as an operating lease and the remainder as a capital lease. The initial lease term was 49 years with an option for an additional 25 years. In November 2012, we extended the lease to August 2087, an additional 50 years past its scheduled 2037 expiration date, with an effective date of

September 2012. We continue to lease the property located at 673 First Avenue, which has been classified as a capital lease with a cost basis of \$12.2 million and cumulative amortization of \$6.3 million and \$6.0 million at December 31, 2012 and 2011, respectively.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of December 31, 2012 (amounts in thousands):

December 31,	Capital lease	Non-cancellable operating leases
2013	\$ 1,555	\$ 37,431
2014	1,705	37,531
2015	1,743	37,757
2016	1,857	38,315
2017	2,007	38,561
Thereafter	99,828	1,482,791
Total minimum lease payments	108,695	\$1,672,386
Less amount representing interest	(71,177)	
Present value of net minimum lease payments	\$ 37,518	

The following table summarizes the notional and fair value of our derivative financial instruments at December 31, 2012 based on Level 2 information pursuant to ASC 810-10. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (amounts in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	\$775,000	3.650%	04/2012	04/2013	\$ —
Interest Rate Cap	\$475,000	6.000%	03/2012	03/2013	\$ —
Interest Rate Cap	\$271,912	6.000%	11/2012	11/2013	\$ —
Interest Rate Swap	\$ 30,000	2.295%	07/2010	06/2016	\$(1,881)
Interest Rate Swap	\$ 8,500	0.740%	02/2012	02/2015	\$ (78)

Certain interest rate caps are not designated as a hedging instrument and changes in the value are marked to market through earnings.

On December 31, 2012, the derivative instruments were reported as an obligation at their fair value of approximately \$2.0 million. This is included in Other Liabilities on the consolidated balance sheet at December 31, 2012. Included in accumulated other comprehensive loss at December 31, 2012 was approximately \$16.8 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation, and active hedges and our share of joint venture accumulated other comprehensive loss of approximately \$16.1 million. Currently, all of our designated derivative instruments are effective hedging instruments.

In March 2010, we terminated forward swaps which resulted in a net loss of approximately \$19.5 million from the settlement of the hedges. This payment was included in financing activities in the consolidated statement of cash

17. FINANCIAL INSTRUMENTS: DERIVATIVES AND HEDGING |

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Reported net income and equity may increase or decrease prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

flows. This loss will be amortized over the 10-year term of the related financing. This loss is included in the \$16.8 million balance noted above. The balance in accumulated other comprehensive loss relating to derivatives was \$32.9 million and \$35.4 million at December 31, 2012 and 2011, respectively.

Over time, the realized and unrealized gains and losses held in accumulated other comprehensive loss will be reclassified into earnings as an adjustment to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately \$2.1 million of the current balance held in accumulated other comprehensive loss will be reclassified into interest expense and \$4.9 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.

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

The following table presents the effect of our derivative financial instruments and our share of our joint venture's derivative financial instruments on the consolidated statements of income as of December 31, 2012, 2011 and 2010, respectively (amounts in thousands):

Designation\Cash Flow	Derivative	Amount of (Loss) or Gain Recognized from in Other Comprehensive Loss (Effective Portion) For the Year Ended December 31,			Amount of (Loss) or Gain Reclassified from Accumulated Other Comprehensive Loss into Interest Expense/Equity in net income of unconsolidated joint ventures (Effective Portion) For the Year Ended December 31,			Amount of (Loss) or Gain Recognized in Interest Expense/Equity in Net Income of Unconsolidated Joint Ventures (Ineffective Portion) For the Year Ended December 31,		
		2012	2011	2010	2012	2011	2010	2012	2011	2010
Qualifying	Interest Rate Swaps/Caps	\$(10,594)	\$(16,049)	\$(17,619)	\$(12,657)	\$(12,625)	\$(12,661)	\$ (3)	\$(16)	\$(1,329)
Non-qualifying	Interest Rate Caps/Currency Hedges	—	—	—	—	—	—	\$(847)	(82)	—

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

19. SEGMENT INFORMATION | We are a REIT engaged in owning, managing, leasing, acquiring and repositioning commercial properties in the New York Metropolitan area and have two reportable segments, real estate and debt and preferred equity investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

Our real estate portfolio is primarily located in the geographical markets of the New York Metropolitan area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). See Note 5, "Debt and Preferred Equity Investments," for additional details on our debt and preferred equity investments.

Selected results of operations for the years ended December 31, 2012, 2011 and 2010, and selected asset information as of December 31, 2012 and 2011, regarding our operating segments are as follows (amounts in thousands):

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total revenues			
Year ended:			
December 31, 2012	\$ 1,281,100	\$ 119,155	\$ 1,400,255
December 31, 2011	1,143,010	120,418	1,263,428
December 31, 2010	936,460	147,926	1,084,386
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture/partial interest and purchase price fair value adjustments:			
Year ended:			
December 31, 2012	\$ 63,958	\$ 92,946	\$ 156,904
December 31, 2011	23,107	101,037	124,144
December 31, 2010	27,101	120,585	147,686
Total assets			
As of:			
December 31, 2012	\$13,021,095	\$1,366,659	\$14,387,754
December 31, 2011	12,490,502	993,350	13,483,852

Income from continuing operations represents total revenues less total expenses for the real estate segment and total investment income less allocated interest expense for the debt and preferred equity segment. Interest costs for the debt and preferred equity segment are imputed assuming 100% leverage at our 2012 revolving credit facility borrowing cost. We also allocate loan loss reserves, net of recoveries, to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses and transaction related costs (totaling approximately \$88.5 million, \$85.7 million and \$87.8 million for the years ended December 31, 2012, 2011 and 2010, respectively) to the debt and preferred equity segment since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

The table below reconciles income from continuing operations to net income attributable to SL Green common stockholders for the years ended December 31, 2012, 2011 and 2010 (amounts in thousands):

	Years ended December 31,		
	2012	2011	2010
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture and purchase price fair value adjustments	\$156,904	\$124,144	\$147,686
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	37,053	2,918	128,921
Purchase price fair value adjustment	—	498,195	—
Income from continuing operations	193,957	625,257	276,607
Net income from discontinued operations	9,116	5,780	7,064
Gain on sale of discontinued operations	6,627	46,085	35,485
Net income	209,700	677,122	319,156
Net income attributable to noncontrolling interests in operating partnership	(5,597)	(14,629)	(4,574)
Net income attributable to noncontrolling interests in other partnerships	(5,591)	(15,083)	(14,007)
Preferred units distribution	(2,107)	—	—
Net income attributable to SL Green	196,405	647,410	300,575
Preferred stock redemption costs	(10,010)	—	—
Preferred stock dividends	(30,411)	(30,178)	(29,749)
Net income attributable to SL Green common stockholders	\$155,984	\$617,232	\$270,826

20. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES | The following table provides information on non-cash investing and financing activities for the years ended December 31, 2012 and 2011, respectively (amounts in thousands):

	Years ended December 31,	
	2012	2011
Issuance of common stock as deferred compensation	\$ 722	\$ 699
Issuance of units in the operating partnership	42,239	62,443
Redemption of units in the operating partnership	87,513	865
Derivative instruments at fair value	92	1,870
Assignment of debt investment to joint venture	25,362	286,571
Mortgage assigned to joint venture	—	30,000
Tenant improvements and capital expenditures payable	1,738	3,990
Fair value adjustment to noncontrolling interest in operating partnership	61,238	39,040
Accrued acquisition liabilities	—	34,500
Assumption of mortgage loans	—	943,767
Consolidation of real estate investments and other adjustments	—	1,156,929
Consolidation of real estate investments – noncontrolling interest in other partnerships	—	87,264
Repayment of mezzanine loans	13,750	—
Redemption of Series E units	31,698	—
Repayment of financing receivable	28,195	—
Investment in joint venture	5,135	—
Capital lease obligation	28,132	—
Deconsolidation of a subsidiary	104,107	—
Transfer to net assets held for sale	4,901	—
Transfer to liabilities related to net assets held for sale	136	—
Issuance of preferred units	47,550	—

21. QUARTERLY FINANCIAL DATA (unaudited) | We are providing updated summary selected quarterly financial information, which is reflective of the reclassification of the properties sold or held during 2012 and 2011 as discontinued operations. Quarterly data for the last two years is presented in the tables below (in thousands).

2012 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$350,733	\$361,385	\$349,004	\$339,133
Income net of noncontrolling interests and before gains on sale	3,235	28,010	95,328	19,074
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	19,277	(4,807)	15,323	7,260
Purchase price fair value adjustment	—	—	—	—
Loss on early extinguishment of debt	(6,978)	—	—	—
Gain on sale of investment in marketable securities	2,703	2,237	—	—
Net income (loss) from discontinued operations	9,126	217	(67)	(160)
Gain on sale of discontinued operations	—	—	—	6,627
Net income attributable to SL Green	27,363	25,657	110,584	32,801
Preferred stock redemption costs	—	(10,010)	—	—
Preferred stock dividends	(7,407)	(7,915)	(7,544)	(7,545)
Net income attributable to SL Green common stockholders	\$ 19,956	\$ 7,732	\$103,040	\$ 25,256
Net income per common share—Basic	\$ 0.23	\$ 0.09	\$ 1.15	\$ 0.29
Net income per common share—Diluted	\$ 0.23	\$ 0.09	\$ 1.14	\$ 0.29

2011 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$328,877	\$306,624	\$298,705	\$329,222
Income net of noncontrolling interests and before gains on sale	1,833	9,544	10,176	72,898
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	(114)	3,032	—	—
Purchase price fair value adjustment	8,306	999	475,102	13,788
Gain (loss) on early extinguishment of debt	—	(67)	971	—
Gain (loss) on sale of investment in marketable securities	4,999	—	(6)	(127)
Depreciable real estate reserves	(5,789)	—	—	—
Net income from discontinued operations	1,116	1,116	1,675	1,873
Gain on sale of discontinued operations	—	—	46,085	—
Net income attributable to SL Green	10,351	14,624	534,003	88,432
Preferred stock dividends	(7,543)	(7,545)	(7,545)	(7,545)
Net income attributable to SL Green common stockholders	\$ 2,808	\$ 7,079	\$526,458	\$ 80,887
Net income per common share—Basic	\$ 0.03	\$ 0.08	\$ 6.30	\$ 1.02
Net income per common share—Diluted	\$ 0.03	\$ 0.08	\$ 6.26	\$ 1.01

22. SUBSEQUENT EVENTS | In January 2013, we sold 50% of our interest in the \$118.2 million mezzanine loan for \$57.8 million, which generated additional income of \$12.9 million.

In February 2013, we refinanced the \$775.0 million mortgage at 1515 Broadway that was due to mature in April 2018 with a \$900.0 million 12-year mortgage which carries a rate of interest of 3.93% per annum.

*Report of Independent Registered
Public Accounting Firm*

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF SL GREEN REALTY CORP. | We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2013 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
February 27, 2013

*Report of Independent Registered
Public Accounting Firm*

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF SL GREEN REALTY CORP. | We have audited SL Green Realty Corp.'s (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that,

in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2012 of the Company and our report dated February 27, 2013 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
February 27, 2013

Report of Management

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING | We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2012.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING | There have been no significant changes in our internal control over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Marc Holliday
Chief Executive Officer



James Mead
Chief Financial Officer

Corporate Directory

OUTSIDE DIRECTORS

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

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

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

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

EMPLOYEE DIRECTORS

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

Marc Holliday
Chief Executive Officer;
Executive Committee

OTHER EXECUTIVE OFFICERS

Andrew W. Mathias
President

James E. Mead
Chief Financial Officer

Andrew S. Levine
Chief Legal Officer,
General Counsel

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

AUDITORS
Ernst & Young LLP
New York, NY

REGISTRAR & TRANSFERAGENT

**Computershare
Shareowner Services**
Address Shareholder
Inquiries and Send
Certificates for Transfer and
Address changes to:
Computershare
Shareholder Relations
Department
P.O. Box 43006
Providence, RI 02940-3006
866-230-9138
TDD for Hearing Impaired:
800-231-5469

Foreign Shareowners:
201-680-6578

TDD Foreign Shareowners:
201-680-6610

Web Site address:
[www.computershare.com/
investor](http://www.computershare.com/investor)

STOCK LISTING
NYSE Symbol:
SLG, SLG PrC, SLG PrI

INVESTOR RELATIONS

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New York, NY 10170
Tel: 212-216-1654
E-mail: [heidi.gillette@
slgreen.com](mailto:heidi.gillette@slgreen.com)

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

ANNUAL MEETING
Thursday, June 13, 2013,
10:00 a.m. at
The Grand Hyatt New York
109 East 42nd Street
at Grand Central Terminal
New York, NY

SHAREHOLDERS
On March 28, 2013, the
Company had approximately
18,948 beneficial shareholders.

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

STOCK MARKET INFORMATION | Our common stock trades on the New York Stock Exchange, or the NYSE, under the symbol “SLG.” On March 28, 2013, the reported closing sale price per share of common stock on the NYSE was \$82.70 and there were approximately 343 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions declared by us with respect to the periods indicated.

Quarter Ended	2012			2011		
	High	Low	Dividends	High	Low	Dividends
March 31	\$79.27	\$68.16	\$0.25	\$75.73	\$67.05	\$0.10
June 30	\$83.31	\$70.91	\$0.25	\$90.01	\$74.72	\$0.10
September 30	\$85.14	\$76.37	\$0.25	\$87.54	\$58.15	\$0.10
December 31	\$79.63	\$71.37	\$0.33	\$71.33	\$55.14	\$0.25

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

NYSE DISCLOSURE REQUIREMENTS | Our Chief Executive Officer has submitted the NYSE Section 303A annual certification for 2012, and our Chief Executive Officer and Chief Financial Officer have filed with the SEC their Sarbanes-Oxley Section 302 certifications as exhibits to our Annual Report on Form 10-K for 2012.

Resources

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- ³ “NYC Statistics,” NYC: The Official Guide, <http://www.nycgo.com/articles/nyc-statistics-page/>
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- ⁵ “2011 Airport Traffic Report,” The Port Authority of New York and New Jersey, <http://www.panynj.gov/airports/pdf-traffic/ATR2011.pdf>
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- ⁷ “The Dynamic Population of Manhattan,” Mitchell L. Moss and Carson Qing, Rudin Center for Transportation Policy & Management, Wagner School of Public Service, New York University, http://wagner.nyu.edu/rudincenter/publications/dynamic_pop_manhattan.pdf
- ⁸ “2012 Annual Report to the New York City Council,” NYC Taxi & Limousine Commission, http://www.nyc.gov/html/tlc/downloads/pdf/annual_report_2012.pdf
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- ¹⁰ “NYC Statistics,” NYC: The Official Guide,” <http://www.nycgo.com/articles/nyc-statistics-page/>
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- ¹² New York Venture Capital Association, <http://www.nyvca.org/>
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- ¹⁵ New York City Economic Development Corporation, <http://www.nycedc.com/>

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- ¹⁶ “Amazon Said to Seek Up to 500,000 Square Feet in NYC,” David M. Levitt, Bloomberg, <http://www.bloomberg.com/news/2013-02-28/amazon-said-to-seek-up-to-500-000-square-feet-in-nyc.html/>
- ¹⁷ New York State Department of Labor, <http://www.labor.ny.gov/>
- ¹⁸ U.S. Census Bureau, <http://quickfacts.census.gov/qfd/states/36/36061.html>
- ¹⁹ “State of the Chains, 2012,” Kahliah Laney, Center for an Urban Future, <http://nycfuture.org/research/publications/state-of-the-chains-2012/>
- ²⁰ “New York City’s Retail Renaissance,” Eastern Consolidated, <http://www.easternconsolidated.com/research/new-york-citys-retail-renaissance?A=SearchResult&SearchID=4106110&ObjectID=5371691&ObjectType=35>

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- ²¹ “American Cities of the Future 2013/14,” Jacqueline Walls, fDi Intelligence, <http://www.fdiintelligence.com/Locations/Americas/American-Cities-of-the-Future-2013-14/>
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