AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 11, 1997

REGISTRATION NO. 333-29329

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SL GREEN REALTY CORP.
(Exact name of registrant as specified in its governing instrument)

70 WEST 36TH STREET
NEW YORK, NY 10018
(Address of principal executive offices)

STEPHEN L. GREEN
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
SL GREEN REALTY CORP.
70 WEST 36TH STREET
NEW YORK, NY 10018
(Name and address of agent for service)

Copies to:

MICHAEL F. TAYLOR, ESQ. BROWN & WOOD LLP ONE WORLD TRADE CENTER NEW YORK, NEW YORK 10048-0557 (212) 839-5300	ALAN L. GOSULE, ESQ. ROBERT E. KING, JR., ESQ. ROGERS & WELLS 200 PARK AVENUE NEW YORK, NEW YORK 10166 (212) 878-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. /X/

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)
Common Stock, $.01 par value per share.....	11,615,000 shares	$20.00	$232,300,000	$70,393.94

(1) Includes 1,515,000 shares that are issuable upon exercise of the Underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME

EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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CROSS REFERENCE SHEET

ITEM NUMBER AND CAPTION		LOCATION OR HEADING IN PROSPECTUS
1.	Forepart of Registration Statement and Outside Front Cover Page of Prospectus	Forepart of Registration Statement and Outside Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages of Prospectus
3.	Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; The Company; Risk Factors
4.	Determination of Offering Price	Outside Front Cover Page; Underwriting
5.	Dilution	Dilution
6.	Selling Security Holders	Not applicable
7.	Plan of Distribution	Outside Front Cover Page; Underwriting
8.	Use of Proceeds	Use of Proceeds; Structure and Formation of the Company
9.	Selected Financial Data	Selected Financial Information
10.	Management's Discussion and Analysis of Financial Condition and Results of Operations	Management's Discussion and Analysis of Financial Condition and Results of Operations
11.	General Information as to Registrant	Outside Front Cover Page; Prospectus Summary; The Company; Management; Structure and Formation of the Company; Capital Stock
12.	Policy with Respect to Certain Activities	Prospectus Summary; The Company; Policies with Respect to Certain Activities; Partnership Agreement; Capital Stock; Additional Information
13.	Investment Policies of Registrant	Prospectus Summary; The Company; Business and Growth Strategies; Policies with Respect to Certain Activities
14.	Description of Real Estate	Prospectus Summary; The Properties
15.	Operating Data	The Company; The Properties; Financial Statements
16.	Tax Treatment of Registrant and its Security Holders	Prospectus Summary; Material Federal Income Tax Consequences
17.	Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters	Risk Factors; Distributions; The Company; Structure and Formation of the Company
18.	Description of Registrant's Securities	Capital Stock
19.	Legal Proceedings	The Properties
20.	Security Ownership of Certain Beneficial Owners and Management	Principal Stockholders
21.	Directors and Executive Officers	Management
22.	Executive Compensation	Management
23.	Certain Relationships and Related Transactions	The Company; Management; Structure and Formation of the Company; Certain Relationships and Transactions
24.	Selection, Management and Custody of Registrant's Investments	Outside Front Cover Page; Prospectus Summary; The Company; The Properties
25.	Policies with Respect to Certain Transactions	Policies with Respect to Certain Activities
26.	Limitations of Liability	The Company; Capital Stock; Management
27.	Financial Statements and Information	Prospectus Summary; Selected Financial Information; Financial Statements
28.	Interests of Named Experts and Counsel	Experts; Legal Matters
29.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Management

SUBJECT TO COMPLETION, DATED AUGUST 11, 1997

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

[LOGO]

PROSPECTUS

10,100,000 SHARES

SL GREEN REALTY CORP.
COMMON STOCK

SL Green Realty Corp. (together with its subsidiaries, the "Company") has been formed for the purpose of continuing the commercial real estate business of S.L. Green Properties, Inc., and its affiliates ("SL Green"). For more than 17 years, SL Green has acquired and managed Class B office properties in Manhattan. Upon completion of the Offering, the Company will own or have contracted to acquire interests in nine Class B office properties encompassing approximately 2.2 million rentable square feet located in midtown Manhattan (the "Properties"). In addition, the Company will manage 29 office properties (including the Properties) encompassing approximately 6.4 million rentable square feet. Interests of SL Green in certain properties deemed inconsistent with the Company's investment objectives will not be acquired by the Company. See "The Properties--Assets Not Being Transferred to the Company." The Company will operate as a fully integrated, self-administered and self-managed real estate investment trust (a "REIT"). Management expects that the Company will be the first publicly-traded real estate company to invest primarily in Manhattan office properties.

The Company is selling all of the shares of Common Stock, par value $.01 per share, of the Company ("Common Stock") offered by this Prospectus. Upon completion of the Offering, approximately 21% of the equity in the Company will be beneficially owned by officers and directors of the Company and certain other affiliated parties, on a fully diluted basis.

There is currently no public market for the Common Stock. The Company anticipates that the initial public offering price per share will be between $19.00 and $21.00. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "SLG."

SEE "RISK FACTORS" BEGINNING ON PAGE 13 FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK, INCLUDING, AMONG OTHERS:

- Concentration of all of the Company's properties in midtown Manhattan, and the dependence of such properties on the conditions of the New York metropolitan economy and the midtown Manhattan office market.

- Absence of arm's length negotiations with respect to the Company's interests in the Properties and other assets to be contributed by SL Green to the Company in connection with its formation and the fact that SL Green and certain related persons will receive substantial economic benefits (including the issuance to officers, directors and affiliates of the Company of equity interests in the Company valued at approximately $54.7 million, the use of $20 million of Offering proceeds to repay a portion of a loan made to a company owned by Stephen L. Green and of $6.4 million of Offering proceeds to purchase the interests of third party partners in the Properties), resulting in the risk that the consideration to be paid by the Company for such assets may exceed the fair market value of such assets and other potential conflicts of interest including those related to sales and refinancings of Properties.

- The Company's estimated initial annual distributions represent 106% of its estimated initial cash available for distribution, resulting in the likelihood that the Company will be required to fund distributions from working capital or borrowings or reduce such distributions.

- Recent and expected growth requiring the Company to integrate successfully new acquisitions.

- Limitations on the Company's ability to sell or reduce the amount of mortgage indebtedness on two of the Properties.

- Lehman Brothers Inc. ("Lehman"), the lead managing underwriter of the Offering, and certain of its affiliates will receive material benefits from the Offering and the formation transactions in addition to underwriting discounts and commissions, including payment to Lehman of a financial advisory fee equal to 0.75% of the gross proceeds of the Offering and the repayment to a Lehman affiliate of an approximately $40 million loan made prior to the Offering.

- Limitations on the stockholders' ability to change control of the Company, including restrictions on ownership of more than 9.0% of the outstanding shares of Common Stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)

Per Share	$	$	$
Total(3)	$	$	$

(1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses payable by the Company estimated at approximately $4,150,000.
(3) The Company has granted the Underwriters an option to purchase up to an aggregate of 1,515,000 shares of Common Stock to cover over-allotments. If all of such shares are purchased, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The shares of Common Stock offered by this Prospectus are offered by the Underwriters subject to prior sale, withdrawal, cancellation or modification of the offer without notice to, delivery to and acceptance by the Underwriters and to certain further conditions. It is expected that delivery of the shares of Common Stock offered hereby will be made at the offices of Lehman Brothers Inc., New York, New York, on or about , 1997.

LEHMAN BROTHERS

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

LEGG MASON WOOD WALKER
INCORPORATED

PRUDENTIAL SECURITIES INCORPORATED

, 1997

[MAP OF MIDTOWN MANHATTAN SHOWING PROPERTY LOCATIONS
WITH FOOTNOTE IDENTIFYING ACQUISITION PROPERTIES]
[PHOTOGRAPH OF BAR BUILDING LOBBY WITH CAPTION NOTING THE BUILDING]
[PHOTOGRAPH OF 1140 AVENUE OF THE AMERICAS WITH CAPTION NOTING THE ADDRESS
AND FOOTNOTE IDENTIFYING THE PROPERTY AS AN ACQUISITION PROPERTY]
[PHOTOGRAPH OF 470 PARK AVENUE SOUTH WITH CAPTION NOTING THE ADDRESS]
[PHOTOGRAPH OF 673 FIRST AVENUE WITH CAPTION NOTING THE ADDRESS]
[PHOTOGRAPH OF 1372 BROADWAY WITH CAPTION NOTING THE ADDRESS
AND FOOTNOTE IDENTIFYING THE PROPERTY AS AN ACQUISITION PROPERTY]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SUCH TRANSACTIONS MAY INCLUDE THE PURCHASE OF SHARES OF COMMON STOCK TO COVER A SYNDICATE SHORT POSITION IN THE COMMON STOCK OR FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE COMMON STOCK AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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CAUTIONARY STATEMENT

INFORMATION CONTAINED IN THIS PROSPECTUS CONTAINS "FORWARD-LOOKING STATEMENTS" RELATING TO, WITHOUT LIMITATION, FUTURE ECONOMIC PERFORMANCE, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS AND PROJECTIONS OF REVENUE AND OTHER FINANCIAL ITEMS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE CAUTIONARY STATEMENTS SET FORTH UNDER THE CAPTION "RISK FACTORS" AND ELSEWHERE IN THE PROSPECTUS IDENTIFY IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD- LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION INCLUDED ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION CONTAINED IN THIS PROSPECTUS ASSUMES THAT (I) THE INITIAL PUBLIC OFFERING PRICE IS $20.00 PER SHARE (THE MIDPOINT OF THE PRICE RANGE SET FORTH ON THE COVER PAGE OF THIS PROSPECTUS), (II) THE TRANSACTIONS DESCRIBED UNDER "STRUCTURE AND FORMATION OF THE COMPANY" ARE CONSUMMATED, AND (III) THE UNDERWRITERS' OVERALLOTMENT OPTION IS NOT EXERCISED. AS USED HEREIN, (I) THE "COMPANY" MEANS SL GREEN REALTY CORP., A MARYLAND CORPORATION, AND ONE OR MORE OF ITS SUBSIDIARIES (INCLUDING SL GREEN OPERATING PARTNERSHIP, L.P.), AND THE PREDECESSORS THEREOF OR, AS THE CONTEXT MAY REQUIRE, SL GREEN REALTY CORP. ONLY OR SL GREEN OPERATING PARTNERSHIP, L.P. ONLY AND (II) "SL GREEN" MEANS SL GREEN PROPERTIES, INC., A NEW YORK CORPORATION, AS WELL AS THE AFFILIATED PARTNERSHIPS AND OTHER ENTITIES THROUGH WHICH STEPHEN L. GREEN HAS HISTORICALLY CONDUCTED COMMERCIAL REAL ESTATE ACTIVITIES. SEE "GLOSSARY OF SELECTED TERMS" FOR THE DEFINITIONS OF CERTAIN TERMS USED IN THIS PROSPECTUS.

THE COMPANY

The Company has been formed for the purpose of continuing the commercial real estate business of SL Green. For more than 17 years, SL Green has been engaged in the business of owning, managing, leasing, acquiring and repositioning Class B office properties in Manhattan. Upon completion of the Offering, the Company will own or have contracted to acquire interests in nine Class B office properties encompassing approximately 2.2 million rentable square feet located in midtown Manhattan (the "Properties") and will manage 29 office properties (including the Properties) encompassing approximately 6.4 million rentable square feet. Of these Properties, interests in six office Properties encompassing approximately 1.2 million rentable square feet are currently owned and managed by SL Green (the "Core Portfolio") and interests in three office Properties encompassing approximately 1.0 million rentable square feet will be acquired upon completion of the Offering (the "Acquisition Properties"). As of June 30, 1997, the weighted average occupancy rate of the Core Portfolio was 97% and of the Acquisition Properties was 89%. Also, upon completion of the Offering, the Company will own options to acquire an interest in an additional Class B office property in midtown Manhattan containing approximately 250,000 rentable square feet and an additional Class B office property in downtown Manhattan containing approximately 800,000 rentable square feet of office space. See "The Properties--The Option Properties." Interests of SL Green in certain properties deemed inconsistent with the Company's investment objectives will not be acquired by the Company. See "The Properties--Assets Not Being Transferred to the Company." The Company will operate as a fully integrated, self-administered and self-managed real estate investment trust (a "REIT"). Management expects that the Company will be the first publicly-traded real estate company to invest primarily in Manhattan office properties.

The term "Class B" is generally used in the Manhattan office market to describe office properties which are more than 25 years old but which are in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan. Class B office properties can be distinguished from Class A properties in that Class A properties are generally newer properties with higher finishes and obtain the highest rental rates within their markets.

A variety of tenants who do not require, desire or cannot afford Class A space are attracted to Class B office properties due to their prime locations, excellent amenities, distinguished architecture and relatively less expensive rental rates. Class B office space has historically attracted many smaller growth oriented firms (many of which have fueled the recent growth in the New York metropolitan economy) and has played a critical role in satisfying the space requirements of particular industry groups in Manhattan, such as the advertising, apparel, business services, engineering, not-for-profit, "new media" and publishing industries. In addition, several areas of Manhattan, including many in which particular trades or industries traditionally congregate, are dominated by Class B office space and contain no or very limited Class A office space. Examples of such areas include the Garment District (where three of the Properties are located), the Flatiron District (where one Property is located), the areas immediately south and north of Houston Street ("Soho" and "Noho", respectively), Chelsea (where one Property is located), and the area surrounding the United Nations (where one Property is located). Businesses significantly concentrated in

certain of these areas include those in the following industries: new media, garment, apparel, toy, jewelry, interior decoration, antiques, giftware, contract furnishing and UN-related businesses. The concentration of businesses creates strong demand for the available Class B office space in those locations. Tenants that currently occupy space in SL Green owned or managed properties include Cowles Business Media, Kallir, Philips, Ross Inc., NationsBank, New York Hospital, Newbridge Communications, Ross Stores and UNICEF.

As described herein, current developments in the New York metropolitan economy provide an attractive environment for owning, operating and acquiring Class B office properties in Manhattan. See "Business and Growth Strategies--The Market Opportunity" and "Risk Factors--The Company's Dependence on the Midtown Markets Due to Limited Geographic Diversification Could Adversely Affect The Company's Financial Performance" below. The Company will seek to capitalize on growth opportunities in its marketplace by acquiring Class B office properties on a selective basis and, when necessary, enhancing their value after acquisition through repositioning of the properties in their respective submarkets. As described more fully below, the Company may have certain competitive advantages over other potential acquirors of Class B Manhattan office space due to its local market expertise, long-term relationships with brokers and property owners attributable to its property management and leasing businesses, enhanced access to capital as a public company and ability to offer tax-advantaged acquisition structures. Additionally, the Company will seek to optimize its properties' cash flow through ongoing intensive management and leasing. See "Business and Growth Strategies--Growth Strategies."

SL Green was founded in 1980 by Stephen L. Green, its Chairman, President and Chief Executive Officer. Since that time, SL Green has become a full service, fully integrated real estate company which, upon completion of the Offering, will have a portfolio of approximately 6.4 million rentable square feet of Class B office properties under management. Throughout its history, SL Green has been involved in the acquisition of 31 Class B office properties in Manhattan containing approximately four million square feet and the management of 50 Class B office properties in Manhattan containing approximately 10.5 million square feet.

SL Green has offices in midtown and downtown Manhattan and has established a staff of more than 50 persons, including 40 professionals with experience in all aspects of commercial real estate. The Company will be led by, in addition to Stephen L. Green, six senior executives that average more than seven years with SL Green and more than 19 years in the commercial real estate business. This management team has developed a comprehensive knowledge of the Manhattan Class B office market, an extensive network of tenant and other business relationships and experience in acquiring underperforming office properties and repositioning them into profitable Class B properties through intensive full service management and leasing efforts. Upon completion of the Offering, approximately 21% of the equity of the Company, on a fully diluted basis, will be beneficially owned by officers and directors of the Company and certain other affiliated parties.

RISK FACTORS

An investment in the Common Stock involves various risks, and prospective investors should carefully consider the matters discussed under "Risk Factors" prior to making an investment in the Company. Such risks include, among others:

- concentration of all of the Properties in midtown Manhattan, and the dependence of the Properties on the conditions of the New York metropolitan economy and the Midtown Markets (as defined herein), which increases the risk of the Company's being adversely affected by a downturn in the New York metropolitan economy or the Midtown Markets;

- absence of arm's length negotiations with respect to the Company's interests in the Properties and the other assets to be contributed by SL Green to the Company in connection with its formation, resulting in the risks that the consideration to be paid by the Company for such assets may exceed the fair market value of such assets and that the market value of the Common Stock may exceed the stockholders' proportionate share of the aggregate fair market value of such assets;

- conflicts of interest in connection with the Formation Transactions (as defined below), including the fact that officers, directors and affiliates of the Company will receive equity interests in the Company and the Operating Partnership (as defined below) with a value of approximately $54.7 million, based on the assumed initial public offering price;

- conflicts of interest involving officers and directors of the Company in business decisions regarding the Company, including conflicts associated with sales and refinancings of Properties and the prepayment of debt secured by the Properties and conflicts associated with the provision of cleaning and security services with respect to the Properties by entities controlled by related parties;

- the Company's estimated initial annual distributions represent 106% of its estimated initial cash available for distribution, resulting in the likelihood that the Company will be required to fund distributions from working capital or borrowings or reduce such distributions.

- integration of recent or expected acquisitions, including the risk that certain of these properties may have characteristics or deficiencies unknown to the Company that affect their valuation or revenue potential;

- limitations on the ability of the Company to sell, or reduce the amount of mortgage indebtedness on, two of the Properties (673 First Avenue and 470 Park Avenue South) for up to 12 years following the completion of the Offering (the "Lock-out Period"), except in certain circumstances (the "Lock-out Provisions"), even if any such sale or reduction in mortgage indebtedness would be in the best interests of the Company's stockholders, which could benefit certain participants in the Formation Transactions (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities), and the possibility that future property acquisitions in which the Company uses partnership interests as consideration will include comparable limitations;

- Lehman and certain affiliates will receive material benefits from the Offering and the Formation Transactions in addition to underwriting discounts and commissions, including payment to Lehman of a financial advisory fee equal to 0.75% of the gross proceeds of the Offering and the repayment to a Lehman affiliate of an approximately $40 million loan made to the Company prior to the Offering;

- the anti-takeover effect of limiting actual or constructive ownership of Common Stock to 9.0% of the number of outstanding shares, subject to certain exceptions, and of certain other provisions contained in the organizational documents of the Company and the Operating Partnership, which could have the effect of delaying, deferring or preventing a transaction or change in control of the Company that might involve a premium price for the Common Stock or otherwise would be in the best interests of the Company's stockholders;

- dependence on smaller and growth-oriented businesses to rent Class B office space;

- office real estate investment risks, such as the effect of the large number of competitive office properties in the Midtown Markets, the need to renew leases or re-lease space upon lease expirations and to pay renovation and re-leasing costs in connection therewith, the effect of economic and other conditions on office property cash flows and values, the ability of tenants to make lease payments, the ability of a property to generate revenue sufficient to meet operating expenses (including future debt service), potential environmental liabilities, the illiquidity of real estate investments and the possibility that acquired properties fail to perform as expected;

- the inability to refinance outstanding indebtedness upon maturity or to refinance such indebtedness on favorable terms, the risk of rising interest rates in connection with variable rate debt and the absence of limitations in the Company's organizational documents on the incurrence of debt;

- immediate and substantial dilution of $7.02 in the net tangible book value per share of the shares of Common Stock purchased in the Offering; and

- taxation of the Company as a corporation if it fails to qualify as a REIT for Federal income tax purposes, the Company's liability for certain Federal, state and local income taxes in such event and the resulting decrease in cash available for distribution.

CONFLICTS OF INTEREST

Following the formation of the Operating Partnership and the completion of the Offering, there will be conflicts of interest, with respect to certain transactions, between the holders of Units (including Mr. Green) and the stockholders of the Company. In particular, the consummation of certain business combinations, the sale of any properties or a reduction of indebtedness could have adverse tax consequences to holders of Units which would make such transactions less desirable to such holders. The Company has adopted certain policies that are designed to eliminate or minimize certain potential conflicts of interest. Subject to the Lock-out Provisions, the limited partners of the Operating Partnership have agreed that in the event of a conflict in the fiduciary duties owed by the Company to its stockholders and by the General Partner to such limited partners, the General Partner will fulfill its fiduciary duties to such limited partnership by acting in the best interests of the Company's stockholders. See "Policies with Respect to Certain Activities--Conflict of Interest Policies" and "Partnership Agreement."

BUSINESS AND GROWTH STRATEGIES

The Company's primary business objective is to maximize total return to stockholders through growth in distributable cash flow and appreciation in the value of its assets. The Company plans to achieve this objective by capitalizing on the external and internal growth opportunities described below and continuing the operating strategies historically practiced by SL Green.

Unless indicated otherwise, information contained herein concerning the New York metropolitan economy and the Manhattan office market is derived from a report commissioned by the Company and prepared by the Rosen Consulting Group, a nationally known real estate consulting company, and is included herein (the "Rosen Market Study"), with the consent of the Rosen Consulting Group.

THE MARKET OPPORTUNITY

- The Company believes that the continuing recovery of the New York commercial real estate market from the downturn of the late 1980s and early 1990s creates an attractive environment for owning, operating and acquiring Class B office properties in Manhattan.

- Recent net private sector job growth (especially in smaller companies), an improving business environment and "quality of life" enhancements in New York City have led to growing demand for office space in Manhattan.

- The Midtown Markets in particular have benefited from the growth in smaller companies that have traditionally been attracted to Class B space in the Midtown Markets due to its prime locations and relatively less expensive rental rates (as compared to Class A space) and from the relocation of larger firms from Class A space to Class B space.

- The Company expects the supply of office space in the Midtown Markets to remain relatively stable for the foreseeable future because new construction generally is not economically feasible at current market rental rates and property values, there are relatively few sites available for construction and the lead time required for construction typically exceeds three years.

- As a result of these positive supply and demand fundamentals, the Class B office vacancy rate in the Midtown Markets declined to 11.3% as of June 30, 1997 from its 1990s high of 17.3% in 1992 and asking rental rates for Class B office space in the Midtown Markets increased to $24.44 per square foot as of June 30, 1997 from their 1990s low of $21.89 per square foot as of year-end 1993. These developments coupled with projected continuing decreases in vacancy rates and increases in rental rates create attractive opportunities for owning and acquiring Class B office properties in Manhattan. However, concentration of the Properties in these markets increases the risk of the Company being adversely affected by any downturn in the New York metropolitan economy. See "Risk Factors--The Company's Dependence on the Midtown Markets Due to Limited Geographic Diversification Could Adversely Affect the Company's Financial Performance."

GROWTH STRATEGIES

- The Company will seek to capitalize on current opportunities in the Class B Manhattan office market through (i) property acquisitions--continuing to acquire Class B office properties at significant discounts to replacement costs that provide attractive initial yields and the potential for cash flow growth, (ii) property repositioning--repositioning acquired properties that are underperforming through renovations, active management and proactive leasing and (iii) integrated leasing and property management.

- PROPERTY ACQUISITIONS. In acquiring properties, the Company believes that it will have the following advantages over its competitors: (i) over 17 years experience as a full service, fully integrated real estate company focused on the Class B office market in Manhattan, (ii) enhanced access to capital as a public company, (as compared to the generally fragmented and far less institutional ownership of competing Manhattan Class B office properties) and (iii) the ability to offer tax-advantaged structures to sellers. In addition, the Company may benefit from the recent abolition of the New York State Real Property Transfer Gains Tax and from recent tax law developments reducing the transfer tax rates applicable to certain REIT acquisition transactions.

- PROPERTY REPOSITIONING. The Company believes that there are a significant number of potential acquisitions that could greatly benefit from management's experience in enhancing property cash flow and value by renovating and repositioning properties to be among the best in their submarkets.

- INTEGRATED LEASING AND PROPERTY MANAGEMENT. The Company will seek to capitalize on management's extensive knowledge of the Class B Manhattan marketplace and the needs of the tenants therein by continuing SL Green's proactive approach to leasing and management, which includes (i) the use of in-depth market research, (ii) the utilization of an extensive network of third-party brokers, (iii) comprehensive building management analysis and planning and (iv) a commitment to tenant satisfaction and providing "Class A" tenant services. The Company believes that SL Green's proactive leasing efforts have contributed to average occupancy rates at the Properties that are above the market average. See "Business and Growth Strategies--Growth Strategies--Integrated Leasing and Property Management." In addition, SL Green's commitment to tenant service and satisfaction is evidenced by the renewal of approximately 80% of the expiring rentable square footage (78% of the expiring leases determined by number of leases) at the Properties in the Core Portfolio owned and managed by SL Green during the period from January 1, 1994 through June 30, 1997.

THE PORTFOLIO

GENERAL. Upon the completion of the Offering, the Company will own or have contracted to acquire interests in nine Class B office Properties located in midtown Manhattan which contain approximately 2.2 million rentable square feet. Of these Properties, six office properties encompassing approximately 1.2 million rentable square feet are currently owned and managed by SL Green and three office properties encompassing approximately 1.0 million rentable square feet will be acquired on or after completion of the Offering. See "Structure and Formation of the Company--Formation Transactions." Upon completion of the Offering, the Company will effectively own 100% of the economic interest in all of the Properties. Certain of the Properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. One Property (673 First Avenue) includes an underground parking garage. In addition to the foregoing, upon completion of the Offering, the Company will own options to acquire an interest in an office building containing approximately 250,000 rentable square feet in midtown Manhattan and a property containing approximately 800,000 rentable square feet of office space in downtown Manhattan. See "The Properties--The Option Properties."

The following table sets forth certain information with respect to each of the Properties as of June 30, 1997:

	YEAR BUILT/ RENOVATED	SUBMARKET	APPROXIMATE RENTABLE SQUARE FEET	PERCENTAGE OF PORTFOLIO RENTABLE SQUARE FEET	PERCENT LEASED	ANNUALIZED RENT(1)	PERCENTAGE OF PORTFOLIO ANNUALIZED RENT
CORE PORTFOLIO							
673 First Avenue	1928/1990	Grand Central South	422,000	19.0%	100%	$10,837,480	22.1%
470 Park Avenue South(4)	1912/1994	Park Avenue South/Flatiron	260,000(4)	11.7	99	5,853,720	12.0
Bar Building (5)	1922/1985	Rockefeller Center	165,000(5)	7.4	89(5)	4,139,704	8.5
70 W. 36th Street	1923/1994	Garment	151,000	6.8	98	2,795,986	5.7
1414 Avenue of the Americas	1923/1990	Rockefeller Center	111,000	5.0	98	3,370,001	6.9
29 W. 35th Street	1911/1985	Garment	78,000	3.5	92	1,393,135	2.8
			1,187,000	53.5	97	28,390,028	58.0
ACQUISITION PROPERTIES							
1372 Broadway	1914/1985	Garment	508,000	22.9	84	9,631,140	19.7
1140 Avenue of the Americas	1926/1951	Rockefeller Center	191,000	8.6	98	4,917,520	10.0
50 W. 23rd Street	1892/1992	Chelsea	333,000	15.0	91	5,995,608	12.3
Total/Weighted Average			2,219,000(6)	100.0%	94%	$48,934,296	100.0%

	NUMBER OF LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT(2)	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT(3)
CORE PORTFOLIO			
673 First Avenue	15	$ 25.68	$ 21.79
470 Park Avenue South(4)	27	22.66	19.43
Bar Building (5)	58	28.33	24.74
70 W. 36th Street	38	18.90	16.13
1414 Avenue of the Americas	31	30.85	30.87
29 W. 35th Street	8	19.53	16.23
	177	24.65	21.43
ACQUISITION PROPERTIES			

1372 Broadway.....	32	22.47	21.57
1140 Avenue of the Americas...	39	26.30	24.70
50 W. 23rd Street.....	16	19.58	17.09
Total/Weighted Average.....	264	$ 23.58	$ 21.11

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(1) As used throughout this Prospectus, Annualized Rent represents the monthly contractual rent under existing leases as of June 30, 1997 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of June 30, 1997 for the 12 months ending June 30, 1998 are approximately $815,000.

(2) Annualized Rent Per Leased Square Foot, as used throughout this Prospectus, represents Annualized Rent, as described in footnote (1) above, presented on a per leased square foot basis.

(3) As used throughout this Prospectus, Annual Net Effective Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by SL Green, the remaining lease payments under the lease (excluding "free rent" and operating expense pass-throughs, if any) divided by the number of months remaining under the lease multiplied by 12 and (b) for leases entered into after an interest in the relevant property was first acquired by SL Green and for leases at the Acquisition Properties, all lease payments under the lease (excluding "free rent" and operating expense pass-throughs, if any) divided by the number of months in the lease multiplied by 12, and, in the case of both (a) and (b), adjusted for tenant improvement costs and leasing commissions, if any, paid or payable by SL Green and presented on a per leased square foot basis. Annual Net Effective Rent Per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Rent Per Leased Square Foot.

(4) 470 Park Avenue South is comprised of two buildings, 468 Park Avenue South (a 17-story office building) and 470 Park Avenue South (a 12-story office building).

(5) SL Green first acquired an interest in the Bar Building in October 1996. SL Green has commenced an aggressive leasing program at the Property and as of July 15, 1997, approximately 93% of the rentable square feet in the Property was leased. The Bar Building is comprised of two buildings, 36 West 44th Street (a 14-story building) and 35 West 43rd Street (a four-story building).

(6) Includes approximately 2,043,000 square feet of rentable office space, 146,000 square feet of rentable retail space and 30,000 square feet of garage space.

STRUCTURE OF THE COMPANY

The Company will issue the Common Stock offered hereby and will be the sole general partner of SL Green Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") and issuer of the Units. The Company will conduct substantially all of its business, and will hold all of its interests in the Properties, through the Operating Partnership. As the sole general partner of the Operating Partnership, the Company will have exclusive power to manage and conduct the business of the Operating Partnership, subject to certain exceptions (including the Lock-out Provisions). See "Partnership Agreement." The Units may be exchanged for cash or, at the option of the Company, shares of Common Stock on a one-for-one basis generally commencing two years after completion of the Offering. See "Partnership Agreement--Transfers of Interests--Redemption of Units." The Operating Partnership will receive a contribution of its interests in the Core Portfolio as well as 95% of the economic interest in S.L. Green Management Corp. (the "Management Corporation"), S.L. Green Leasing, Inc. (formerly S.L. Green Realty, Inc.) (the "Leasing Corporation") and Emerald City Construction Corp. (the "Construction Corporation" and, together with the Management Corporation and the Leasing Corporation, the "Service Corporations") from the Property-owning entities, the partners or members of such entities and the holders of interests in the Service Corporations. See "--Formation Transactions."

The following diagram depicts the ownership structure of the Company upon completion of the Offering and the Formation Transactions (as defined below):

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(1) 100% of the economic interest in all of the Properties will be owned through the Operating Partnership.

FORMATION TRANSACTIONS

Certain transactions have been consummated or will be consummated concurrently with the completion of the Offering. These transactions (the "Formation Transactions") include the following:

- The Company was organized as a Maryland corporation and the Operating Partnership was organized as a Delaware limited partnership in June 1997. In connection with the formation of the Company, certain members of SL Green management (Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen) were issued an aggregate of 553,616 shares of Common Stock for total consideration of $3,831 in cash (the aggregate par value amount of such stock at the time of issuance).

- Lehman Brothers Holdings Inc. ("LBHI"), an affiliate of Lehman Brothers Inc., entered into a credit agreement with SL Green pursuant to which LBHI agreed to loan to a company owned by Stephen L. Green up to $46 million (the "LBHI Loan") to acquire interests in the Core Portfolio and the Acquisition Properties, to fund property related operating expenses, to fund organizational expenses of the Company and to purchase short-term United States Treasury instruments ("Treasury Securities"). The LBHI Loan is secured by partnership interests in certain Property-owning entities and the Treasury Securities.

- The Company will sell 10,100,000 shares of Common Stock in the Offering and will contribute the net proceeds therefrom to the Operating Partnership in exchange for 10,100,000 Units (which, including the issuance of Common Stock to Victor Capital Group, L.P. ("Victor Capital") and to the members of SL Green management referred to herein, will represent approximately an 81.9% economic interest in the Operating Partnership after the Offering).

- The Operating Partnership will receive a contribution of its interests in the Core Portfolio as well as 100% of the non-voting common stock of (representing 95% of the economic interest in) the Service Corporations from the Property-owning entities, the partners or members of such entities and the holders of interests in the Service Corporations. As consideration therefor, the Operating Partnership will issue to such entities, partners or members and holders 2,383,284 Units (having an aggregate value of approximately $47.7 million, based on the assumed initial offering price) and approximately $6.4 million.

- The management and leasing business of SL Green with respect to the Properties in which the Company will have a 100% ownership interest and the tenant representation business with respect to certain properties not owned by the Company will be transferred to SL Green Management LLC (the "Management LLC" and, together with the Management Corporation, the "Management Entities"), a limited liability company which will be a wholly owned subsidiary of the Company.

- The Operating Partnership will be granted (i) an option from Green 17 Battery LLC, a newly-formed limited liability company owned by Stephen L. Green ("17 Battery LLC"), to acquire its interest in 17 Battery Place, a property containing approximately 800,000 rentable square feet of office space in downtown Manhattan for a purchase price of approximately $59 million in cash and (ii) an option from Green 110E42 Realty LLC, a newly-formed limited liability company owned by Mr. Green ("110 Realty LLC"), to acquire its interest in 110 East 42nd Street, an office building containing approximately 250,000 rentable square feet in midtown Manhattan (together with 17 Battery Place, the "Option Properties") for a purchase price of approximately $30 million in cash. See "The Properties--The Option Properties."

- The Operating Partnership will acquire interests in the Acquisition Properties for an aggregate purchase price of approximately $113.0 million (including a $1.6 million escrow account established in connection with the acquisition of 50 West 23rd Street), to be funded with net proceeds from the Offering and mortgage financing.

- The Operating Partnership will use approximately $82.3 million of net proceeds from the Offering to repay mortgage debt encumbering the Core Portfolio and the LBHI Loan (including approximately $9.4 million in proceeds drawn under the LBHI Loan to fund purchase of the Acquisition Properties).

- The Company will issue to Victor Capital 85,600 shares of restricted Common Stock and the Operating Partnership will pay $900,000 (funded with borrowings under the LBHI Loan and proceeds from the Offering) to Victor Capital as consideration for financial advisory services rendered to the Company in connection with the Formation Transactions.

No independent third-party appraisals, valuations or fairness opinions have been obtained by the Company in connection with the Formation Transactions. Accordingly, there can be no assurance that the value of the Units and other consideration received in the Formation Transactions by persons or entities contributing interests in the Core Portfolio and the Service Corporations to the Operating Partnership is equivalent to the fair market value of such interests.

Additional information regarding the Formation Transactions is set forth under "Structure and Formation of the Company--Formation Transactions."

BENEFITS TO RELATED PARTIES

Certain affiliates of the Company will realize certain material benefits in connection with the Formation Transactions and the Offering, including the following:

- Certain continuing investors (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities) will receive 2,383,284 Units in consideration for their interests in the Properties, Property-owning entities and the management, leasing and construction businesses of SL Green with a total value of approximately $47.7 million, based on the assumed initial public offering price (representing approximately 18.1% of the equity of the Company on a fully-diluted basis).

- The Operating Partnership will use $20 million to repay a portion of the LBHI Loan that was made to Green Realty LLC, a newly-formed limited liability company indirectly owned by Stephen L. Green and unaffiliated with the Company ("Green Realty LLC") and invested in Treasury Securities pledged as collateral therefor (which, upon repayment of the LBHI Loan, will be released for the benefit of Stephen L. Green).

- Certain members of SL Green management (Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen) own an aggregate of 553,616 shares of restricted Common Stock that initially will have a value of $11.1 million, based on the assumed initial public offering price.

- Certain members of SL Green management (Stephen L. Green, David J. Nettina, Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen) will become officers and/or directors of the Company. In addition, each of such persons will enter into employment and noncompetition agreements with the Company. See "Management--Employment and Noncompetition Agreements." Also, the Company will grant to directors, officers and employees of the Company options to purchase an aggregate of 660,000 shares of Common Stock at the initial public offering price under the Company's stock option and incentive plan, subject to certain vesting requirements. In addition, pursuant to the terms of their employment agreements, Messrs. Nettina and Klein will receive loans to purchase Common Stock to be issued under such plan in the principal amount of $300,000 and $500,000, respectively. See "Management."

- The structure of the Formation Transactions will provide the Unit recipients (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities) the opportunity for deferral of the tax consequences of their contribution to the Operating Partnership of their interests in the Properties, Property-owning entities and Service Corporations.

- A to-be-formed limited liability company owned by Stephen L. Green and his three sons (the "Service Corporation LLC") will own all of the voting stock of each of the Service Corporations (representing a 5% equity interest therein).

- Pursuant to the Lock-out Provisions, the Company will be restricted in its ability to sell, or reduce the amount of mortgage indebtedness on, two of the Properties (673 First Avenue and 470 Park Avenue South) for up to 12 years following the completion of the Offering, which could enable certain participants in the Formation Transactions (including Stephen L. Green, members of his

immediate family and unaffiliated partners in the Property-owning entities) to defer certain tax consequences associated with the Formation Transactions.

- Persons or entities receiving Units in the Formation Transactions (including entities owned by Stephen L. Green) will have registration rights with respect to shares of Common Stock issued in exchange for Units.

Additional information concerning benefits to related parties is set forth under "Structure and Formation of the Company--Benefits to Related Parties."

THE OFFERING

Common Stock Offered by the Company.....	10,100,000 shares
Common Stock Outstanding After the Offering.....	10,779,216 shares(1)
Common Stock and Units Outstanding After the Offering.....	13,162,500 shares and Units (2)
Use of Proceeds.....	To repay mortgage indebtedness, to acquire interests in the Properties, to pay Formation Transaction expenses and to repay $39.6 million outstanding under the LBHI Loan.
NYSE Symbol.....	"SLG"

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(1) Includes 679,216 shares of restricted Common Stock to be issued in the Formation Transactions.

(2) Includes 2,383,284 Units expected to be issued in connection with the Formation Transactions that may be exchanged for cash or, at the option of the Company, shares of Common Stock on a one-for-one basis generally commencing two years after completion of the Offering. Excludes 1,515,000 shares that are issuable upon exercise of the Underwriters' over-allotment option and 660,000 shares reserved for issuance upon the exercise of stock options to be granted pursuant to the Company's stock option and incentive plan concurrently with the Offering.

DISTRIBUTIONS

The Company intends to make regular quarterly distributions to holders of its Common Stock. The initial distribution, covering a partial quarter commencing on the date of the closing of the Offering and ending on September 30, 1997, is expected to be $ per share, which represents a pro rata distribution based upon a full quarterly distribution of $.35 per share and an annual distribution of $1.40 per share (or an annual distribution rate of approximately 7.00%, based on an assumed initial public offering price of $20.00). See "Distributions."

The Company intends initially to distribute annually approximately 106% of estimated cash available for distribution. The Company's estimate of cash available for distribution for the twelve months ending June 30, 1998 is based upon pro forma Funds from Operations (as defined below) for the 12 months ended June 30, 1997, with certain adjustments as described in "Distributions." The Company anticipates that approximately 30% (or $.42 per share) of the distributions intended to be paid by the Company for the 12-month period following the completion of Offering will represent a return of capital for Federal income tax purposes and in such event will not be subject to Federal income tax under current law to the extent such distributions do not exceed a stockholder's basis in his Common Stock. The Company intends to maintain its initial distribution rate for the 12-month period following the completion of the Offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in its estimate. Distributions by the Company will be determined by the Board of Directors and will be dependent upon a number of factors, including revenue received from the Company's properties, the operating expenses of the Company, interest expense, the ability of tenants at the Company's properties to meet their financial obligations and unanticipated capital expenditures. The Company believes that its estimate of cash available for distribution is reasonable; however, no assurance can be given that the estimate will prove accurate, and actual distributions may therefore be significantly different from expected distributions. See "Distributions." The Company does not intend to reduce the expected distribution per share if the Underwriters' over-allotment option is exercised.

TAX STATUS OF THE COMPANY

The Company intends to elect to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ending December 31, 1997, and believes its organization and proposed method of operation will enable it to meet the requirements for qualification as a REIT. Based on various assumptions and factual representations made by the Company regarding the various requirements for qualification as a REIT, in the opinion of Brown & Wood LLP, counsel for the Company, the Company will be organized in conformity with the requirements for qualification and taxation as a REIT under the Code and the proposed method of operation of the Company will enable the Company to meet the requirements for qualification and taxation as a REIT. The opinion of Brown & Wood LLP is not, however, binding on the Internal Revenue Service (the "IRS") or any court.

To maintain REIT status, an entity must meet a number of organizational and operational requirements. In addition, in order to maintain its qualification as a REIT under the Code, the Company generally will be required each year to distribute at least 95% of its net taxable income (excluding any net capital gain). See "Material Federal Income Tax Consequences--Taxation of the Company--Annual Distribution Requirements." As a REIT, the Company generally will not be subject to Federal income tax on net income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income tax at regular corporate rates. See "Material Federal Income Tax Consequences--Taxation of the Company--Failure to Qualify" and "Risk Factors--Failure to Qualify as a REIT Would Cause the Company to be Taxed as a Corporation." Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain Federal, state and local taxes on its income and property.

SUMMARY SELECTED FINANCIAL INFORMATION

The following table sets forth summary selected financial and operating information on a pro forma basis for the Company, and on a historical combined basis for the SL Green Predecessor (as defined below), and should be read in conjunction with all of the financial statements and notes thereto included in this Prospectus. The combined historical balance sheet information as of December 31, 1996 and 1995 and statements of income for the years ended December 31, 1996, 1995, and 1994 of the SL Green Predecessor have been derived from the historical combined financial statements audited by Ernst & Young LLP, independent auditors, whose report with respect thereto is included elsewhere in this Prospectus. The operating data for the six months ended June 30, 1997 and 1996 and the years ended December 31, 1993 and 1992 have been derived from the unaudited combined financial statements of the SL Green Predecessor. In the opinion of management of the SL Green Predecessor, the operating data for the six months ended June 30, 1997 and 1996 and the years ended December 31, 1993 and 1992 include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information set forth therein. The results of operations for the interim periods ended June 30, 1997 and 1996 are not necessarily indicative of the result to be obtained for the full fiscal year.

The "SL Green Predecessor" consists of 100% of the net assets and results of operations of two Properties, 1414 Avenue of the Americas and 70 West 36th Street, equity interests in four other Properties, 673 First Avenue, 470 Park Avenue South, 29 West 35th Street and the Bar Building (which interests are accounted for under the equity method) and 100% of the net assets and results of operations of the Service Corporations.

The unaudited pro forma financial and operating information for the Company as of and for the six months ended June 30, 1997 and the year ended December 31, 1996 assumes completion of the Offering and the Formation Transactions as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. The pro forma financial information is not necessarily indicative of what the actual financial position and results of operations of the Company would have been as of and for the period indicated, nor does it purport to represent the Company's future financial position and results of operations.

THE COMPANY (PRO FORMA) AND THE SL GREEN PREDECESSOR (HISTORICAL)
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

	SIX MONTHS ENDED JUNE 30,			YEAR ENDED DECEMBER 31,			
				HISTORICAL			
	PRO FORMA 1997	1997	1996	PRO FORMA 1996	1996	1995	1994
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)			
OPERATING DATA:							
Total revenue	$ 28,936	$ 7,334	$ 4,098	$ 53,189	$ 10,182	$ 6,564	$ 6,600
Property operating expense	7,649	1,625	1,230	16,224	3,197	2,505	2,009
Real estate taxes	4,078	482	232	8,248	703	496	543
Interest	2,986	713	442	5,858	1,357	1,212	1,555
Depreciation and amortization	3,630	599	406	6,979	975	775	931
Marketing, general and administration	1,428	1,835	2,029	2,643	3,250	3,052	2,351
Total expenses	19,771	5,254	4,339	39,952	9,482	8,040	7,389
Operating income (loss)	9,165	2,080	(241)	13,237	700	(1,476)	(789)
Equity in net income (loss) of uncombined joint ventures	--	(564)	(817)	(504)	(1,408)	(1,914)	(1,423)
Income (loss) before extraordinary item and minority interest	9,165	1,516	(1,058)	12,733	(708)	(3,390)	(2,212)
Minority interest	(1,659)	--	--	(2,305)	--	--	--
Income (loss) before extraordinary item	$ 7,506	$ 1,516	$ (1,058)	$ 10,428	$ (708)	$ (3,390)	$ (2,212)
Income before extraordinary item per share	$ 0.70			$ 0.97			

	1993	1992
	(UNAUDITED)	(UNAUDITED)
OPERATING DATA:		
Total revenue	$ 5,926	$ 5,516
Property operating expense	1,741	1,431
Real estate taxes	592	676
Interest	1,445	1,440
Depreciation and amortization	850	773
Marketing, general and administration	1,790	1,531
Total expenses	6,418	5,851
Operating income (loss)	(492)	(335)
Equity in net income (loss) of uncombined joint ventures	88	(2,227)
Income (loss) before extraordinary item and minority interest	(404)	(2,562)
Minority interest	--	--
Income (loss) before extraordinary item	$ (404)	$ $(2,562)
Income before extraordinary item per share		

	AS OF JUNE 30, 1997		AS OF DECEMBER 31,			
			HISTORICAL			
	PRO FORMA	HISTORICAL	1996	1995	1994	1993
	(UNAUDITED)	(UNAUDITED)				(UNAUDITED)
BALANCE SHEET DATA:						

Commercial real estate, before accumulated depreciation	$ 246,861	$ 43,733	$ 26,284	$ 15,559	$ 15,761	$ 15,352
Total assets	259,255	49,592	30,072	16,084	15,098	16,218
Mortgages and notes payable	46,733	33,646	16,610	12,700	12,699	12,699
Accrued interest payable	97	109	90	2,894	12,699	1,576
Minority interest	31,656	0	0	0	0	0
Owners' equity (deficit)	143,348	(6,322)	(8,405)	(18,848)	(15,520)	(13,486)
OTHER DATA:						
Funds from operations	12,702	--	--	--	--	--
Net cash provided by (used in) operating activities	--	1,140	272	(234)	939	--
Net cash provided by (used in) financing activities	--	(425)	11,960	63	178	--
Net cash (used in) investing activities	--	(145)	(12,375)	(432)	(567)	--

	1992
	(UNAUDITED)
BALANCE SHEET DATA:	
Commercial real estate, before accumulated depreciation	$ 16,080
Total assets	15,645
Mortgages and notes payable	9,500
Accrued interest payable	4,757
Minority interest	0
Owners' equity (deficit)	(8,449)
OTHER DATA:	
Funds from operations	--
Net cash provided by (used in) operating activities	--
Net cash provided by (used in) financing activities	--
Net cash (used in) investing activities	--

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(1) The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts ('NAREIT') in March 1995 defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. For a reconciliation of net income and Funds from Operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations."

RISK FACTORS

An investment in the Common Stock involves various risks. Prospective investors should carefully consider the following information before making a decision to purchase Common Stock in the Offering.

THE COMPANY'S DEPENDENCE ON THE MIDTOWN MARKETS DUE TO LIMITED GEOGRAPHIC DIVERSIFICATION COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL PERFORMANCE

All of the Properties are located in midtown Manhattan. Like other office markets, the Midtown Markets have experienced downturns in the past, including most recently in the late 1980s and early 1990s, and future declines in the New York metropolitan economy or the Midtown Markets could adversely affect the Company's financial performance. The Company's financial performance and its ability to make distributions to stockholders are therefore dependent on conditions in the New York metropolitan economy and the Midtown Markets. The Company's revenue and the value of its properties may be affected by a number of factors, including the economic climate in metropolitan New York (which may be adversely affected by business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics, increased telecommuting, infra-structure quality, New York State and New York City budgetary constraints and priorities and other factors) and conditions in the Midtown Markets (such as oversupply of or reduced demand for office space). There can be no assurance as to the continued growth of the New York metropolitan economy, the continued strength of the Midtown Markets or the future growth rate of the Company.

THERE IS NO ASSURANCE THAT THE COMPANY IS PAYING FAIR MARKET VALUE FOR THE PROPERTIES

The amount of consideration in the Company to be received by SL Green and certain related parties in the Formation Transactions was not determined as a result of arm's length negotiations with such persons or with purchasers in the Offering. The amount of consideration to be paid by the Company to acquire interests in the Properties was determined by SL Green, and SL Green and certain related persons will receive substantial economic benefits as a result of the consummation of the Formation Transactions and the Offering. See "Structure and Formation of the Company--Benefits to Related Parties." No independent valuations or appraisals of the Properties were obtained by the Company in connection with the acquisition of property interests in the Formation Transactions. Accordingly, there can be no assurance that the consideration to be paid by the Company for these interests represents the fair market value thereof or that such consideration does not exceed the estimates of value.

The valuation of the Company has not been determined by a valuation of its assets, but instead has been determined by SL Green and the Underwriters based upon a capitalization of the Company's pro forma Funds from Operations, estimated cash available for distribution and potential for growth, and the other factors discussed under "Underwriting." Prudential Securities Incorporated will act as "qualified independent underwriter" in connection with the Offering. See "Underwriting." In determining the estimated initial public offering price, certain assumptions were made concerning the estimate of revenue to be derived from the Properties. See "Distributions." This methodology has been used because management believes that it is appropriate to value the Company as an ongoing business, rather than with a view to values that could be obtained from a liquidation of the Company or of individual assets owned by the Company. There can be no assurance that the price paid by the Company for its interests in the Properties and for its other assets will not exceed the fair market value of such assets, and it is possible that the market value of the Common Stock may exceed stockholders' proportionate share of the aggregate fair market value of such assets.

CONFLICTS OF INTEREST IN THE FORMATION TRANSACTIONS AND THE BUSINESS OF THE COMPANY COULD ADVERSELY AFFECT THE COMPANY

A SALE OF, OR REDUCTION IN MORTGAGE INDEBTEDNESS ON, ANY OF THE PROPERTIES WILL HAVE DIFFERENT EFFECTS ON HOLDERS OF UNITS THAN ON STOCKHOLDERS. Certain holders of Units, consisting of Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities, may experience different and more adverse tax consequences compared to those experienced by holders of shares of Common Stock or other holders of Units upon the sale of, or reduction of mortgage indebtedness on, any of the Properties. Therefore, such holders and the Company, may have different objectives regarding the appropriate pricing and timing of any sale of, or reduction of mortgage indebtedness on the Properties, and regarding the appropriate characteristics of additional properties to be considered for acquisition. Mr. Green and members of his immediate family, will be holders of Units, and their status as holders of Units may influence the Company not to sell particular properties, or not to pay down mortgage indebtedness on particular properties, even though such sales or debt paydowns might otherwise be financially advantageous to the Company and its stockholders. See "--Limitations on Ability to Sell or Reduce the Mortgage Indebtedness on Certain Properties Could Adversely Affect the Value of the Common Stock" below.

THE COMPANY MAY PURSUE LESS VIGOROUS ENFORCEMENT OF TERMS OF CONTRIBUTION AND OTHER AGREEMENTS BECAUSE OF CONFLICTS OF INTEREST WITH CERTAIN OFFICERS. Certain SL Green entities (Hippomenes Associates, LLC, 64-36 Realty Associates, 673 First Associates, L.P., Green 6th Avenue Asociates, L.P., S.L. Green Realty, Inc., S.L. Green Properties, Inc. and EBG Midtown South Corp.) have ownership interests in the Properties and in the other assets to be acquired by the Company. Following the completion of the Offering and the Formation Transactions, the Company, under the agreements relating to the contribution of such interests, will be entitled to indemnification and damages in the event of breaches of representations or warranties made by such SL Green entities. In addition, Stephen L. Green, David J. Nettina, Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen will enter into employment and noncompetition agreements with the Company pursuant to which they will agree, among other things, not to engage in certain business activities in competition with the Company. See "Management--Employment and Noncompetition Agreements." To the extent that the Company chooses to enforce its rights under any of these contribution, employment and noncompetition agreements, it may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than it otherwise might because of its desire to maintain its ongoing relationship with the individual involved.

CONFLICTS OF INTEREST WILL EXIST IN FUTURE DEALINGS WITH AFFILIATES OF THE COMPANY. After the completion of the Offering and the Formation Transactions, two SL Green entities owned by a son of Stephen L. Green (First Quality Maintenance, L.P. and Classic Security LLC) may provide cleaning and security services to office properties, including the Company's Properties. These entities currently provide such services at the Properties. See "Certain Relationships and Transactions--Cleaning Services" and "--Security Services." Although management believes, based on its knowledge of the Class B Manhattan office market obtained over the 17 year operating history of SL Green, that the terms and conditions of the contracts pursuant to which these services would be provided would not be less favorable to the Company than those which could have been obtained from a third party-providing comparable services, such contracts will not be the result of arm's length negotiations and, therefore, there can be no assurance to this effect. The Company has adopted certain policies relating to conflicts of interest. These policies include a resolution adopted by the Company's Board of Directors which requires all transactions in which executive officers or directors have a material conflicting interest to that of the Company to be approved by a majority of the disinterested directors or by the holders of a majority of the shares of Common Stock held by disinterested stockholders. There can be no assurance, however, that the Company's policies will be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders. See "Policies with Respect to Certain Activities-- Conflict of Interest Policies."

OUTSIDE INTERESTS OF OFFICERS AND DIRECTORS COULD CONFLICT WITH THE COMPANY'S INTERESTS. Certain officers and directors of the Company will continue to own direct and indirect interests in office properties and other real estate assets, which interests may give rise to certain conflicts of interest concerning the fulfillment of their responsibilities as officers and directors of the Company. See "The Properties--Assets Not Being Transferred to the Company." For a discussion of the role of the Company's disinterested directors and the Company's policies and agreements designed to minimize any adverse effects from these conflicts of interest, see "Policies with Respect to Certain Activities--Conflict of Interest Policies."

ESTIMATED INITIAL CASH AVAILABLE FOR DISTRIBUTION WILL NOT BE SUFFICIENT TO MAKE DISTRIBUTIONS AT EXPECTED LEVELS

The Company's estimated initial annual distributions represent 106% of the Company's estimated initial cash available for distribution for the twelve months ending June 30, 1998. Accordingly, it is expected that the Company initially will be unable to pay its estimated initial annual distribution of $1.40 per share to stockholders out of cash available for distribution as calculated under "Distributions" below. Under such circumstances, the Company could be required to fund distributions from working capital (expected to aggregate approximately $6.2 million upon completion of the Offering), draw down under the Line of Credit, if available, to provide funds for such distribution, or to reduce the amount of such distribution. In the event the Underwriters' over-allotment is exercised, pending investment of the proceeds therefrom, the Company's ability to pay such distribution out of cash available for distribution may be further adversely affected.

THE COMPANY MAY NOT ACHIEVE EXPECTED RETURNS ON RECENTLY ACQUIRED PROPERTIES AND PROPERTY ACQUISITIONS

The Company is experiencing a period of rapid growth. The Company's ability to manage its growth effectively will require it to integrate successfully its new acquisitions. Including the Acquisition Properties, three of the Properties have relatively short or no operating history under management by SL Green. SL Green has had limited control over the operation of these Properties, and such Properties may have characteristics or deficiencies unknown to the Company affecting their valuation or revenue potential. No assurance can be given as to the future operating performance of these Properties under the Company's management.

The Company is currently under contract to acquire three Class B office properties encompassing approximately 1.0 million rentable square feet. See "The Properties--Acquisition Properties." In addition, the Company will own options to purchase interests in two additional Class B office properties containing approximately 800,000 rentable square feet of office space and approximately 250,000 rentable square feet of office space, respectively. See "The Properties--The Option Properties." In the future, the Company expects to acquire additional office properties. As noted above, acquisitions entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. The Company anticipates that certain of its acquisitions will be financed using the proceeds of periodic equity or debt offerings, lines of credit or other forms of secured or unsecured financing that will result in a risk that permanent financing for newly acquired projects might not be available or would be available only on disadvantageous terms. If permanent debt or equity financing is not available on acceptable terms to refinance acquisitions undertaken without permanent financing, further acquisitions may be curtailed or cash available for distribution may be adversely affected. In addition, it is anticipated that acquisition risks may be heightened for acquisitions of Manhattan office properties due to the large size of many Manhattan office properties and the complexity of acquisition transactions in the Manhattan office market. See "--Other Risks of Ownership of Common Stock Could Adversely Affect the Trading Price of the Common Stock--The Company's dependence on external sources of capital could adversely affect the Common Stock price" below.

To the extent any future growth of the Company is accompanied by the issuance of additional shares of Common Stock, any such issuance could have the effect of diluting existing stockholders' interests in the Company.

LIMITATIONS ON ABILITY TO SELL OR REDUCE THE MORTGAGE INDEBTEDNESS ON CERTAIN PROPERTIES COULD ADVERSELY AFFECT THE VALUE OF THE COMMON STOCK

In connection with the solicitation of approval of partners or members in the various Property-owning entities to transfer their interests to the Company, the Company agreed to certain restrictions relating to future capital transactions involving two of the Properties. Pursuant to the Lock-out Provisions, the Company may not sell its interest in (except in certain events, including certain transactions that would not result in the recognition of any gain for tax purposes) or, earlier than one year prior to its maturity, reduce the mortgage indebtedness (other than pursuant to scheduled amortization) on 673 First Avenue or 470 Park Avenue South during the Lock-out Period without, in the case of each such Property, the consent of holders of 75% of the Units originally issued to limited partners in the Operating Partnership (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities) who immediately prior to completion of the Formation Transactions owned direct or indirect interests in such Property that remain outstanding at the time of such vote (other than Units held by the Company and Units the adjusted tax basis of which have been increased to reflect fair market value through a taxable disposition or otherwise). (This vote requirement does not apply to a sale of all or substantially all of the assets of the Operating Partnership, but such a transaction during the Lock-out Period generally would require the approval of the holders, as a group, of 75% of the aggregate Units originally issued with respect to 673 First Avenue and 470 Park Avenue South that remain outstanding (excluding Units held by the Company and Units the adjusted tax basis of which have been increased to reflect fair market value through a taxable disposition or otherwise) unless the transaction would not result in the recognition of any gain for tax purposes with respect to such Units and certain other conditions are satisfied.) In addition, during the Lock-out Period, the Company is obligated to use commercially reasonable efforts, commencing one year prior to the stated maturity, to refinance at maturity (on a basis that is nonrecourse to the Operating Partnership and the Company, with the least amount of principal amortization as is available on commercially reasonable terms) the mortgage indebtedness secured by each of these two Properties at not less than the principal amount outstanding on the maturity date. Finally, during the Lock-out Period, the Company may not incur debt secured by either of these two Properties if the amount of the new debt would exceed the greater of 75% of the value of the Property securing the debt or the amount of existing debt being refinanced (plus costs associated therewith). Thus, the Lock-out Provisions materially restrict the Company from selling or otherwise disposing of its interest in, or refinancing indebtedness encumbering, 673 First Avenue and 470 Park Avenue South without obtaining such consents. The Lock-out Provisions apply even if it would otherwise be in the best interest of the stockholders for the Company to sell its interest in these two Properties, reduce the outstanding indebtedness with respect to either of these Properties or not refinance such indebtedness on a nonrecourse basis at maturity, or increase the amount of indebtedness with respect to these two Properties.

The Lock-out Provisions may impair the ability of the Company to take actions during the Lock-out Period that would otherwise be in the best interests of the Company's stockholders and, therefore, may have an adverse impact on the value of the Common Stock (relative to the value that would result if the Lock-out Provisions did not exist). In particular, the Lock-out Provisions could preclude the Operating Partnership (and thus the Company) from participating in certain major transactions that could result in a disposition of the Operating Partnership's assets or a change in control of the Company that would result in the recognition of gain with respect to the holders of Units issued with respect to 673 First Avenue or 470 Park Avenue South even though such disposition or change in control might be in the best interests of the stockholders. See "Partnership Agreement--Operational Matters--Sales of Assets."

The Company anticipates that, in connection with future acquisitions of interests in properties in which the Company uses Units as consideration, the Company may agree to limitations on its ability to sell, or reduce the amount of mortgage indebtedness on, such acquired properties, which may increase the Company's leverage. Such limitations may impair the Company's ability to take actions that would
otherwise be in the best interests of its stockholders and, therefore, may have an adverse impact on the value of the Common Stock (relative to the value that would result if such limitations did not exist). Such possible future limitations, together with the Lock-out Provisions, may restrict the ability of the Company to sell substantially all of its assets, even if such a sale would be in the best interests of its stockholders.

THE MANAGING UNDERWRITER WILL RECEIVE MATERIAL BENEFITS

Lehman Brothers Inc. ("Lehman"), the lead managing underwriter of the Offering, and certain of its affiliates will receive material benefits from the Offering and the Formation Transactions in addition to underwriting discounts and commissions. The Company will pay Lehman an advisory fee equal to 0.75% of the gross proceeds of the Offering (including any exercise of the Underwriters' overallotment option) for advisory services in connection with the evaluation, analysis and structuring of the Company's formation as a REIT. Affiliates of Lehman will be repaid the LBHI Loan in the aggregate principal amount of approximately $40 million made to certain affiliates of the Company prior to the Offering and will receive an administrative fee of up to .02% in connection with a credit facility being arranged for the Company in anticipation of the establishment of a revolving line of credit being negotiated by the Company and Lehman. See "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," "The Properties--Credit Facility" and "Underwriting." Prudential Securities Incorporated will act as "qualified independent underwriter" in connection with the Offering. See "Underwriting."

THE ABILITY OF STOCKHOLDERS TO EFFECT A CHANGE OF CONTROL OF THE COMPANY IS LIMITED

STOCK OWNERSHIP LIMIT IN THE CHARTER COULD INHIBIT CHANGES IN CONTROL. In order to maintain its qualification as a REIT, not more than 50% in value of the outstanding capital stock of the Company may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year) (the "Five or Fewer Requirement"). In order to protect the Company against the risk of losing REIT status due to a concentration of ownership among its stockholders, the Company's Articles of Incorporation (the "Charter") limits ownership of the issued and outstanding Common Stock by any single stockholder to 9.0% of the lesser of the number or value of the outstanding shares of Common Stock from time to time (the "Ownership Limit"). See "Capital Stock--Restrictions on Transfer." Although the Board of Directors presently has no intention of doing so, the Board of Directors could waive these restrictions if evidence satisfactory to the Board of Directors and the Company's tax counsel was presented that the changes in ownership will not then or in the future jeopardize the Company's status as a REIT and the Board of Directors otherwise decided such action would be in the best interests of the Company. Shares acquired or transferred in breach of the limitation will be automatically transferred to a trust for the exclusive benefit of one or more charitable organizations and the purchaser-transferee shall not be entitled to vote or to participate in dividends or other distributions. In addition, shares of Common Stock acquired or transferred in breach of the limitation may be purchased from such trust by the Company for the lesser of the price paid and the average closing price for the ten trading days immediately preceding redemption. A transfer of shares to a person who, as a result of the transfer, violates the Ownership Limit will be void. See "Capital Stock--Restrictions on Transfer" for additional information regarding the Ownership Limit.

The Ownership Limit may have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium price for the Common Stock or otherwise be in the best interests of the stockholders. See "Capital Stock--Restrictions on Transfer."

POTENTIAL EFFECTS OF STAGGERED BOARD COULD INHIBIT CHANGES IN CONTROL. The Company's Board of Directors will be divided into three classes. The initial terms of the first, second and third classes will expire in 1998, 1999 and 2000, respectively. Beginning in 1998, directors of each class will be chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. The staggered terms for directors may reduce the possibility of a tender offer or an attempt to effect a change in control of the Company, even if a tender offer or a change in control would be in the best interests of the stockholders.

FUTURE ISSUANCES OF COMMON STOCK COULD DILUTE EXISTING STOCKHOLDERS' INTERESTS. The Charter authorizes the Board of Directors to issue additional shares of Common Stock without stockholder approval. Any such issuance could have the effect of diluting existing stockholders' interests in the Company.

ISSUANCES OF PREFERRED STOCK COULD INHIBIT CHANGES IN CONTROL. The Charter authorizes the Board of Directors to issue up to 25 million shares of preferred stock, $.01 par value per share (the "Preferred Stock" and, together with the Common Stock, the "Stock"), to reclassify unissued shares of Stock, and to establish the preferences, conversion and other rights, voting powers, restrictions, limitations and restrictions on ownership, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption for each such class or series of any Preferred Stock issued. No shares of Preferred Stock will be issued or outstanding as of the closing of the Offering.

CERTAIN PROVISIONS OF MARYLAND LAW COULD INHIBIT CHANGES IN CONTROL. Certain provisions of the Maryland General Corporation Law (the "MGCL") may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of impeding a change in control of the Company under circumstances that otherwise could provide the holders of shares of Common Stock with the opportunity to realize a premium over the then-prevailing market price of such shares. The Company has opted out of these provisions of the MGCL, but the Board of Directors may elect to adopt these provisions in the future. See "Certain Provisions of Maryland Law and the Company's Charter and ByLaws."

DEPENDENCE ON SMALLER AND GROWTH-ORIENTED BUSINESSES TO RENT CLASS B OFFICE SPACE COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW

Many of the tenants in the Properties are smaller and growth-oriented businesses that may not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than large businesses. Growth-oriented firms may seek other office space, including Class A space, as they develop. Dependence on these companies could create a higher risk of tenant defaults and bankruptcies, which could adversely affect the Company's distributable cash flow and ability to make expected distributions to stockholders.

THE COMPANY'S PERFORMANCE AND VALUE ARE SUBJECT TO RISKS ASSOCIATED WITH THE REAL ESTATE INDUSTRY

THE COMPANY'S ABILITY TO MAKE DISTRIBUTIONS IS DEPENDENT UPON THE ABILITY OF ITS OFFICE PROPERTIES TO GENERATE INCOME IN EXCESS OF OPERATING EXPENSES. Real estate investments are subject to varying degrees of risk. The yields available from equity investments in real estate and the Company's ability to service debt depend in large part on the amount of income generated, expenses incurred and capital expenditures required. The Company's income and ability to make distributions to its stockholders is dependent upon the ability of its office properties to generate income in excess of its requirements to meet operating expenses, including debt service and capital expenditures. The Company's income from office properties and the value of its properties may be significantly adversely affected by a number of factors, including national, state and local economic climates and real estate conditions (such as an oversupply of or a reduction in demand for office space in the area; the perceptions of tenants and prospective tenants of the safety, convenience and attractiveness of the Company's properties; the Company's ability to provide adequate management, maintenance and insurance; the quality, philosophy and performance of the Company's management; competition from comparable properties; the occupancy rate of the Company's properties; the ability to collect on a timely basis all rent from tenants; the effects of any bankruptcies or insolvencies of major

tenants; the expense of periodically renovating, repairing and re-leasing space (including, without limitation, substantial tenant improvement costs and leasing costs of re-leasing office space); and increasing operating costs (including increased real estate taxes) which may not be passed through fully to tenants). In addition, income from properties and real estate values also are affected by such factors as the cost of compliance with laws, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. Certain significant expenditures associated with equity investments in real estate (such as mortgage payments, real estate taxes, insurance and maintenance costs) also may not be reduced if circumstances cause a reduction in income from a property. If any of the above occurred, the Company's ability to make expected distributions to its stockholders could be adversely affected.

TENANT DEFAULTS AND BANKRUPTCIES COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW. Substantially all of the Company's income will be derived from rental income from its properties and, consequently, the Company's distributable cash flow and ability to make expected distributions to stockholders would be adversely affected if a significant number of tenants at its properties failed to meet their lease obligations. At any time, a tenant at a property in which the Company has an interest may seek the protection of the bankruptcy laws, which could result in delays in rental payments or in the rejection and termination of such tenant's lease, thereby causing a reduction in the Company's cash flow and, possibly, the amounts available for distribution to stockholders. No assurance can be given that tenants will not file for bankruptcy protection in the future or, if any tenants file, that they will affirm their leases and continue to make rental payments in a timely manner. In addition, a tenant from time to time may experience a downturn in its business which may weaken its financial condition and result in the failure to make rental payments when due. If tenant leases are not affirmed following bankruptcy or if a tenant's financial condition weakens, the Company's cash flow and ability to make expected distributions to its stockholders could be adversely affected. While SL Green has not experienced any significant interruption of its cash flow due to tenant defaults in the past five years, no assurance can be given that the Company will not experience significant tenant defaults in the future.

LEASE EXPIRATIONS COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW. The Company will be subject to the risk that upon expiration of leases for space located in the Properties, the leases may not be renewed, the space may not be re-leased or the terms of renewal or re-leasing (including the cost of required renovations) may be less favorable than current lease terms. Leases on a total of 2.3% and 3.4% of the total leased square feet at the Properties expire during 1997 and 1998, respectively.

ILLIQUIDITY OF REAL ESTATE INVESTMENTS COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL CONDITION. Real estate investments are relatively illiquid and, therefore, will tend to limit the ability of the Company to sell and purchase properties promptly in response to changes in economic or other conditions. In addition, the Code places limits on the Company's ability to sell properties held for fewer than four years, and the Lock-out Provisions impose certain special restrictions with respect to the sale of certain of the Properties during the Lock-out Period. These considerations could make it difficult for the Company to sell properties, even if a sale were in the best interests of the Company's stockholders.

OPERATING COSTS COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW. The Properties will be subject to operating risks common to commercial real estate in general, any and all of which may adversely affect occupancy or rental rates. The Properties are subject to increases in operating expenses such as cleaning; electricity; heating, ventilation and air conditioning ("HVAC"); elevator repair and maintenance; insurance and administrative costs; and other general costs associated with security, repairs and maintenance. While the Company's tenants generally are currently obligated to pay a portion of these escalating costs, there can be no assurance that tenants will agree to pay such costs upon renewal or that new tenants will agree to pay such costs. If operating expenses increase, the local rental market may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates. While the Company implements cost saving incentive measures at each of its Properties, if any of the above occurs, the Company's ability to make distributions to stockholders could be adversely affected.

INVESTMENTS IN MORTGAGE LOANS COULD CAUSE EXPENSES WHICH COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL CONDITION. Upon completion of the Formation Transactions, the Company will acquire a mortgage interest in the Bar Building and 1372 Broadway, which mortgage interests will provide the Company with substantially all control over and economic interest derived from such Properties. See "The Properties--36 West 44th Street (The Bar Building)" and "--Acquisition Properties--1372 Broadway." To the extent the Company invests in mortgage loans, such mortgage loans may or may not be recourse obligations of the borrower and generally will not be insured or guaranteed by governmental agencies or otherwise. In the event of a default under such obligations, the Company may have to foreclose its mortgage or protect its investment by acquiring title to a property and thereafter making substantial improvements or repairs in order to maximize the property's investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. Relatively high "loan-to-value" ratios and declines in the value of the property may prevent the Company from realizing an amount equal to its mortgage loan upon foreclosure.

JOINT VENTURE INVESTMENTS COULD BE ADVERSELY AFFECTED BY THE COMPANY'S LACK OF SOLE DECISION-MAKING AUTHORITY AND RELIANCE UPON A CO-VENTURER'S FINANCIAL CONDITION. The Company may co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity and, therefore, will not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that the Company's partners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions, that such partners or co-venturers might at any time have economic or other business interests or goals which are inconsistent with the business interests or goals of the Company, and that such partners or co-venturers may be in a position to take action contrary to the instructions or the requests of the Company and contrary to the Company's policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither the Company nor the partner or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, the Company may in certain circumstances be liable for the actions of its third-party partners or co-venturers. The Company will seek to maintain sufficient control of such entities to permit it to achieve its business objectives.

THE EXPIRATION OF NET LEASES COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL CONDITION. As described herein, upon completion of the Offering, with respect to three of the Properties (35 West 43rd Street (a part of the Bar Building), 673 First Avenue and 1140 Avenue of the Americas), the Company will hold a long-term leasehold interest in the land and the improvements. Accordingly, unless the Company can purchase the subject real estate or extend the terms of these leases before their expiration, the Company will lose its interest in the improvements and land upon expiration of the leases, the remaining terms of which exceeds 83 years in the case of 35 West 43rd Street, 40 years in the case of 673 First Avenue and 19 years (with an option to extend for a further 50 year term) in the case of 1140 Avenue of the Americas. The lease for 35 West 43rd Street contains a right of first refusal (which will run for the benefit of the Company), to purchase fee title to the land and building if the owner desires to sell its interest. The lease for 673 First Avenue contains a right of first offer (which will run for the benefit of the Company), whereby if the current fee owner of the Property wishes to create a new underlying lease of the land and building (the term of which would extend beyond the term of the existing lease), then the Company will have a right of first offer to enter into the new underlying lease. See "The Properties."

THE COMPANY'S FINANCIAL CONDITION COULD BE ADVERSELY AFFECTED DUE TO ITS RELIANCE ON MAJOR TENANTS. On a pro forma basis (giving effect to signed leases in effect as of June 30, 1997) during the twelve months ended June 30, 1997, four tenants (Kallir, Philips, Ross Inc., a subsidiary of The Omnicom Group Ltd., New York

Hospital, Gibbs & Cox and Newbridge Communications) each accounted for more than 3% of the Company's pro forma total annualized rental revenues and 12 tenants collectively accounted for approximately 34.1% of the Company's pro forma total annualized rental revenues. In addition, New York Hospital occupied 65,000 rentable square feet of additional space pursuant to subleases. See "The Properties--The Portfolio--Tenant Diversification." The Company would be adversely affected in the event of a bankruptcy or insolvency of, or a downturn in the business of, any major tenant which resulted in a failure or delay in such tenant's rent payments.

THE COMPANY'S USE OF DEBT FINANCING, INCREASES IN INTEREST RATES, FINANCIAL COVENANTS AND ABSENCE OF LIMITATION ON DEBT COULD ADVERSELY AFFECT THE COMPANY

THE REQUIRED REPAYMENT OF DEBT OR INTEREST THEREON COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL CONDITION. The Company is subject to the risks normally associated with debt financing, including the risk that the Company's cash flow will be insufficient to meet required payments of principal and interest, the risk of violating loan covenants, the risk of rising interest rates on the Company's variable rate debt and the risk that the Company will not be able to repay or refinance existing indebtedness on its properties at maturity (which generally will not have been fully amortized at maturity) or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. There can be no assurance that the Company will be able to refinance any indebtedness it may incur or otherwise obtain funds by selling assets or raising equity to make required payments on indebtedness. In addition, the Company's ability to sell certain Properties or refinance indebtedness encumbering such Properties will be restricted by the Lock-Out Provisions.

If one or more properties are mortgaged to secure payment of indebtedness and the Company is unable to generate funds to cover debt service, the mortgage securing such properties could be foreclosed upon by, or such properties could otherwise be transferred to, the mortgagee with a consequent loss of income and asset value to the Company. Although no Property owned or controlled by SL Green has been subject to bankruptcy proceedings, during the downturn in the real estate market in the late 1980s and early 1990s, certain real estate assets (including one office property in Manhattan and one office property in Hempstead, New York) owned by partnerships affiliated with SL Green did not generate sufficient cash flow to service the debt secured by such properties. As a result, the partnerships which owned these properties have transferred or agreed to transfer the properties to the lenders in satisfaction of the loans.

RISING INTEREST RATES COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW. Advances under the Credit Facility (defined below) will bear interest at a variable rate. In addition, the Company may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance its debt at higher rates. Accordingly, increases in interest rates could increase the Company's interest expense, which could adversely affect the Company's ability to pay expected distributions to stockholders.

CREDIT FACILITY REQUIREMENTS COULD ADVERSELY AFFECT THE COMPANY'S ABILITY TO MAKE EXPECTED DISTRIBUTIONS. Subject to negotiation of mutually satisfactory covenants and other terms, LBHI has agreed to provide the Company with a $75 million revolving credit facility (the "Credit Facility") that will be used to facilitate acquisitions and for working capital purposes. Although the Company expects that the Credit Facility will be established shortly after the completion of the Offering, there can be no assurance at this time as to whether the Company will be successful in obtaining the Credit Facility or, if the Credit Facility is established, the final terms thereof. While none of the Company's Properties are currently subject to cross-default or cross-collateralization provisions, there can be no assurance that the Credit Facility or other future forms of financing will not contain such provisions.

It is anticipated that borrowings under the Credit Facility will be secured by a first mortgage lien on certain Properties in which the Operating Partnership will acquire interests therein in connection with the Formation Transactions. If payments required under the Credit Facility cannot be made or if there should occur other events of default, the lender may seek to foreclose on those assets securing borrowings under

the Credit Facility which could have a material adverse effect on the ability of the Company to make expected distributions to stockholders and distributions required by the REIT provisions of the Code. In addition, upon expiration of the term of the Credit Facility, it is anticipated that the Operating Partnership will be required to obtain an extension or renewal of the Credit Facility or refinance borrowings thereunder through the issuance of debt or equity securities or alternative lending sources. See "The Properties--Credit Facility."

THE COMPANY'S POLICY OF NO LIMITATION ON DEBT COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW. Upon completion of the Offering and the Formation Transactions, the debt to market capitalization ratio ("Debt Ratio") of the Company will be approximately 15.0%. The Company currently has a policy of incurring debt only if upon such incurrence the Company's Debt Ratio would be 50% or less. However, the organizational documents of the Company do not contain any limitation on the amount of indebtedness the Company may incur. Accordingly, the Board of Directors could alter or eliminate this policy and would do so, for example, if it were necessary in order for the Company to continue to qualify as a REIT. If this policy were changed, the Company could become more highly leveraged, resulting in an increase in debt service that could adversely affect the Company's cash available for distribution to stockholders and could increase the risk of default on the Company's indebtedness. See "Policies with Respect to Certain Activities--Financing Policies."

The Company has established its debt policy relative to the total market capitalization of the Company rather than relative to the book value of its assets. The Company has used total market capitalization because it believes that the book value of its assets (which to a large extent is the depreciated original cost of real property, the Company's primary tangible assets) does not accurately reflect its ability to borrow and to meet debt service requirements. The market capitalization of the Company, however, is more variable than book value, and does not necessarily reflect the fair market value of the underlying assets of the Company at all times. The Company also will consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of its properties upon refinancing and the ability of particular properties and the Company as a whole to generate cash flow to cover expected debt service.

PURCHASERS OF COMMON STOCK IN THE OFFERING WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL BOOK VALUE DILUTION

As set forth more fully under "Dilution," the pro forma net tangible book value per share of the assets of the Company after the Offering will be substantially less than the estimated initial public offering price per share in the Offering. Accordingly, purchasers of the Common Stock offered hereby will experience immediate and substantial dilution of $7.02 in the net tangible book value of the Common Stock from the assumed initial public offering price. See "Dilution."

FAILURE TO QUALIFY AS A REIT WOULD CAUSE THE COMPANY TO BE TAXED AS A CORPORATION

THE COMPANY WILL BE TAXED AS A CORPORATION IF IT FAILS TO QUALIFY AS A REIT. The Company intends to operate so as to qualify as a REIT for Federal income tax purposes. The Company expects to qualify as a REIT, but no assurance can be given that it will so qualify or be able to remain so qualified. The Company has received an opinion of its counsel, Brown & Wood LLP, that, based on certain assumptions and representations, the Company is organized in conformity with the requirements for qualification as a REIT under the Code and the Company's proposed method of operation will enable it to meet the requirements for qualification and taxation as a REIT. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The REIT qualification opinion only represents the view of counsel to the Company based on counsel's review and analysis of existing law, which includes no controlling precedent. Furthermore, both the validity of the opinion and the qualification of the Company as a REIT will depend on the Company's continuing ability to meet various requirements concerning, among other things, the ownership of its outstanding stock, the nature of its assets, the sources of its income and the amount of its distributions to its stockholders. Because the Company has no history of operating so as to qualify as a REIT, there can be no assurance that the Company will do so successfully. See "Material Federal Income Tax Consequences--Taxation of the Company--Failure to Qualify."

If the Company were to fail to qualify as a REIT for any taxable year, the Company would not be allowed a deduction for distributions to its stockholders in computing its taxable income and would be subject to Federal income tax (including any applicable minimum tax) on its taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, the Company also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, cash available for distribution would be reduced for each of the years involved. In addition, although the Company intends to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause the Board of Directors, with the consent of stockholders holding at least a majority of all of the outstanding shares of Common Stock, to revoke the REIT election. Furthermore, no assurance can be given that new legislation, Treasury Regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to the Company's qualification as a REIT or the Federal income tax consequences of such qualification. See "Material Federal Income Tax Consequences."

TO QUALIFY AS A REIT THE COMPANY MUST MAINTAIN MINIMUM DISTRIBUTION REQUIREMENTS. In order to qualify as a REIT, the Company generally will be required each year to distribute to its stockholders at least 95% of its net taxable income (excluding any net capital gain). In addition, the Company may be subject to income and excise tax if the Company does not meet certain distribution requirements. See "Material Federal Income Tax Consequences--Taxation of the Company--Annual Distribution Requirements."

The Company intends to make distributions to its stockholders to comply with the 95% distribution requirement and to avoid income and excise tax. The Company's income will consist primarily of its share of the income of the Operating Partnership, and the cash available for distribution by the Company to its stockholders will consist of its share of cash distributions from the Operating Partnership. Differences in timing between (i) the actual receipt of income and actual payment of deductible expenses, and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Company, could require the Company, through the Operating Partnership, to borrow funds on a short-term basis to meet the 95% distribution requirement and to avoid income and excise tax. The requirement to distribute a substantial portion of the Company's net taxable income could cause the Company to distribute amounts that otherwise would be spent on future acquisitions, unanticipated capital expenditures or repayment of debt, which could require the Company to borrow funds or to sell assets to fund the costs of such items.

OTHER TAX LIABILITIES COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW. Even if the Company qualifies as a REIT, it will be subject to certain Federal, state and local taxes on its income and property. In particular, the Company will derive a portion of its operating cash flow from the activities of the Service Corporations, which will be subject to Federal, state and local income tax. See "Material Federal Income Tax Consequences--Other Tax Considerations--Service Corporations."

LACK OF OPERATING HISTORY AND INEXPERIENCE OF MANAGEMENT IN OPERATING A REIT COULD AFFECT REIT QUALIFICATION

The Company has been recently organized and has no operating history. The Company's Board of Directors and executive officers will have overall responsibility for management of the Company. Although certain of the Company's executive officers and directors have extensive experience in the acquisition, management and financing of office and other real properties, none of the executive officers or directors has prior experience in operating a business in accordance with the Code requirements for maintaining qualification as a REIT. Failure to maintain REIT status would have an adverse effect on the Company's ability to make anticipated distributions to stockholders. There can be no assurance that the past experience of management will be appropriate to the business of the Company.

COMPETITION IN ITS MARKETPLACE COULD HAVE AN ADVERSE IMPACT ON THE COMPANY'S RESULTS OF OPERATIONS

All of the Properties are located in highly developed areas of midtown Manhattan that include a large number of other office properties. Manhattan is by far the largest office market in the United States and contains more rentable square feet than the next six largest central business district office markets in the United States combined. Of the total inventory of 378 million rentable square feet in Manhattan, approximately 173 million rentable square feet is comprised of Class B office space and 205 million rentable square feet is comprised of Class A office space. Class A office properties are generally newer than Class B office properties, have higher finishes and command higher rental rates. Many tenants have been attracted to Class B properties in part because of their relatively less expensive rental rates (as compared to Class A properties) and the tightening of the Class A office market in midtown Manhattan. See "Market Overview." Consequently, an increase in vacancy rates and/or a decrease in rental rates for Class A office space would likely have an adverse effect on rental rates for Class B office space. Also, the number of competitive Class B office properties in Manhattan (some of which are newer and better located) could have a material adverse effect on the Company's ability to lease office space at its properties, and on the effective rents the Company is able to charge.

In addition, the Company may compete with other property owners that have greater resources than the Company. In particular, although currently no other publicly traded REITs have been formed primarily to own, operate and acquire Manhattan Class B office properties, the Company may in the future compete with such other REITs. In addition, the Company may face competition from other real estate companies (including other REITs that currently invest in markets other than Manhattan) that have greater financial resources than the Company or that are willing to acquire properties in transactions which are more highly leveraged than the Company is willing to undertake. The Company also will face competition from other real estate companies that provide management, leasing, construction and other services similar to those to be provided by the Service Corporations. In addition, certain requirements for REIT qualification may in the future limit the Company's ability to increase operations conducted by the Service Corporations without jeopardizing the Company's qualification as a REIT. See "Material Federal Income Tax Consequences--Other Tax Considerations--Service Corporations."

THE FINANCIAL CONDITION OF THIRD-PARTY PROPERTY MANAGEMENT, LEASING AND CONSTRUCTION BUSINESSES COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL CONDITION

The Company will be subject to the risks associated with the management, leasing and construction businesses that will be conducted by the Service Corporations, in which the Operating Partnership will hold a 95% economic interest. These risks include the risk that management and leasing contracts with third party property owners will not be renewed upon expiration (or will be canceled pursuant to cancellation options) or will not be renewed on terms at least as favorable to the Company as current terms, that the rental revenues upon which management, leasing and construction fees are based will decline as a result of general real estate market conditions or specific market factors affecting properties serviced by the Company, and that leasing and construction activity generally will decline. Each of these developments could adversely affect the revenues of the Management Corporation, the Leasing Corporation and the Construction Corporation and could adversely affect the ability of the Company to make expected distributions to its stockholders.

In order to maintain its qualification as a REIT, the Company will not have voting control over the Service Corporations. The Service Corporation LLC will own 100% of the voting common stock (representing 5% of the economic interest) of each of the Service Corporations. As a result, the Company will not have the ability to elect or remove any members of the board of directors of the Management Corporation, the Leasing Corporation or the Construction Corporation, and, therefore, its ability to influence the day-to-day decisions of the Service Corporations will be limited. As a result, the boards of directors or management of the Service Corporations may implement business policies or decisions that

might not have been implemented by persons elected by the Company and that are adverse to the interests of the Company or that lead to adverse financial results, which could adversely affect the ability of the Company to make expected distributions to the Company's stockholders.

LIABILITY FOR ENVIRONMENTAL MATTERS COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL CONDITION

Under various Federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up certain hazardous substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by the parties in connection with any contamination. In addition, some environmental laws create a lien on a contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances. The cost of any required remediation and the owner's liability therefore as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. No assurances can be given that (i) a prior owner, operator or occupant, such as a tenant, did not create a material environmental condition not known to the Company or SL Green, (ii) a material environmental condition with respect to any Property does not exist, or (iii) future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in the imposition of environmental liability.

The Company engaged independent environmental consulting firms to perform Phase I environmental site assessments on the Properties in order to assess existing environmental conditions. All of the Phase I assessments have been conducted since March 1997, except for the Bar Building, where a Phase I assessment was conducted in September 1996. All of the Phase I assessments met the requirements of the American Society for Testing and Materials ("ASTM") Standard Practice for Phase I Environmental Site Assessments (the "ASTM Standard"). Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, a historical record review, a review of regulatory agency data bases and records, interviews, and a report, with the purpose of identifying potential environmental concerns associated with real estate. The Phase I assessments conducted at the Properties also addressed certain issues that are not covered by the ASTM Standard, including asbestos, radon, lead-based paint and lead in drinking water. These environmental site assessments did not reveal any known environmental liability that the Company believes will have a material adverse effect on the Company's financial condition or results of operations or would represent a material environmental cost, nor is the Company aware of any such material environmental liability. See "The Properties--Environmental Matters."

OTHER RISKS OF OWNERSHIP OF COMMON STOCK COULD ADVERSELY AFFECT THE TRADING PRICE OF THE COMMON STOCK

ABSENCE OF PRIOR PUBLIC MARKET FOR COMMON STOCK COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. Prior to the completion of the Offering, there has been no public market for the Common Stock and there can be no assurance that an active trading market will develop or be sustained or that shares of Common Stock will be resold at or above the assumed initial public offering price. The initial public offering price of the Common Stock will be determined by agreement among the Company and the underwriters and may not be indicative of the market price for the Common Stock after the completion of the Offering. See "Underwriting."

AVAILABILITY OF SHARES FOR FUTURE SALE COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. Sales of a substantial number of shares of Common Stock, or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Stock. Beginning up to two years after the completion of the Offering (or less in certain circumstances), holders of Units may be able to sell shares of Common Stock

received upon exercise of their redemption right in the public market pursuant to registration or available exemptions from registration. Furthermore, a substantial number of shares of Common Stock will, pursuant to employee benefit plans, be issued or reserved for issuance from time to time, including shares of Common Stock reserved for issuance pursuant to options issued concurrently with the completion of the Offering, and these shares of Common Stock will be available for sale in the public market from time to time pursuant to exemptions from registration or upon registration. No prediction can be made about the effect that future sales of shares of Common Stock will have on the market price of the Common Stock.

CHANGES IN MARKET CONDITIONS COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. As with other publicly traded equity securities, the value of the Common Stock will depend upon various market conditions, which may change from time to time. Among the market conditions that may affect the value of the Common Stock are the following: the extent to which a secondary market develops for the Common Stock following the completion of the Offering; the extent of institutional investor interest in the Company; the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies); the Company's financial performance; and general stock and bond market conditions. Although the offering price of the Common Stock will be determined by the Company in consultation with the underwriters, there can be no assurance that the Common Stock will not trade below the offering price following the completion of the offering.

GROWTH POTENTIAL AND CASH DISTRIBUTIONS COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. It is generally believed that the market value of the equity securities of a REIT is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the value of the underlying assets. For that reason, shares of Common Stock may trade at prices that are higher or lower than the net asset value per share of Common Stock or per Unit. To the extent the Company retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of the Company's underlying assets, may not correspondingly increase the market price of the Common Stock. The failure of the Company to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of the Common Stock. If the market price of the Common Stock declined significantly, the Company might breach certain covenants with respect to future debt obligations, which breach might adversely affect the Company's liquidity and the Company's ability to make future acquisitions.

CHANGES IN MARKET INTEREST RATES COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. One of the factors that will influence the price of the Common Stock will be the dividend yield on the Common Stock (as a percentage of the price of the Common Stock) relative to market interest rates. Thus, an increase in market interest rates may lead prospective purchasers of Common Stock to expect a higher dividend yield, which would adversely affect the market price of the Common Stock.

UNRELATED EVENTS COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. As with other publicly traded equity securities, the value of the Common Stock will depend upon various market conditions, including conditions unrelated to the New York metropolitan economy, the Manhattan office market or real estate investments generally. Thus, events which depress equity market prices may not have any effect on real estate market values, and shares of Common Stock may trade at prices below the Company's net asset value.

THE COMPANY'S DEPENDENCE ON EXTERNAL SOURCES OF CAPITAL COULD ADVERSELY AFFECT THE COMMON STOCK PRICE. In order to qualify as a REIT under the Code, the Company generally is required each year to distribute at least 95% of its net taxable income (excluding any net capital gain). See "Material Federal Income Tax Consequences--Taxation of the Company--Annual Distribution Requirements." Because of these distribution requirements, it is unlikely that the Company will be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, to fund future capital needs, the Company likely will have to rely on third-party sources of capital, which may or

may not be available on favorable terms or at all. The Company's access to third-party sources of capital will depend upon a number of factors, including the market's perception of the Company's growth potential and its current and potential future earnings and cash distributions and the market price of the Common Stock. Moreover, additional equity offerings may result in substantial dilution of stockholders' interests in the Company, and additional debt financing may substantially increase the Company's leverage. See "Policies with Respect to Certain Activities--Financing Policies."

THE OFFICERS, DIRECTORS AND SIGNIFICANT STOCKHOLDERS OF THE COMPANY WILL HAVE SUBSTANTIAL INFLUENCE. Upon the completion of the Offering, management of the Company collectively will beneficially own approximately 21% of the issued and outstanding shares of Common Stock and Units (which will be exchangeable by the holders for cash or, at the election of the Company, shares of Common Stock on a one-for-one basis generally after two years). See "Principal Stockholders." In addition, Stephen L. Green and Benjamin P. Feldman will serve on the initial board of directors of the Company. Accordingly, such persons will have substantial influence on the Company, which influence may not be consistent with the interests of other stockholders, and may in the future have a substantial influence on the outcome of any matters submitted to the Company's stockholders for approval if all or a significant number of their Units are exchanged for shares of Common Stock. In addition, although there is no current agreement, understanding or arrangement for these stockholders to act together on any matter, these stockholders would be in a position to exercise significant influence over the affairs of the Company if they were to act together in the future.

THE COMPANY RELIES ON KEY PERSONNEL WHOSE CONTINUED SERVICE IS NOT GUARANTEED

The Company is dependent on the efforts of its executive officers, Stephen L. Green, Nancy A. Peck, David J. Nettina, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen. The loss of their services could have a material adverse effect on the operations of the Company. As described herein, the Company will not acquire certain real estate assets in which Mr. Green will retain an interest, including interests in various properties in Manhattan including a substantially vacant showroom building, a loft building, an office building the equity of which is controlled by the leasehold mortgagee, retail and other non-office commercial space located in predominantly residential buildings and a warehouse/distribution center located in Pennsylvania. See "The Properties--Assets Not Being Transferred to the Company." It is expected that Mr. Green will not devote a substantial amount of time to the management or operation of these excluded properties. Prior to the completion of the Offering, each of the executive officers, including Mr. Green, will enter into an employment and noncompetition agreement with the Company which will provide, among other items, that each such person will devote substantially all of his or her business time to the Company and will except the excluded assets referred to above from the noncompetition provisions thereof. See "Management--Employment and Noncompetition Agreements."

THE SL GREEN PREDECESSOR HAS HAD HISTORICAL ACCOUNTING LOSSES AND HAS A DEFICIT IN OWNERS' EQUITY; THE COMPANY MAY EXPERIENCE FUTURE LOSSES

The SL Green Predecessor had losses before extraordinary items of approximately $708,000 and $3.4 million in the years ended December 31, 1996 and 1995, respectively, and had a cumulative deficit in owners' equity of approximately $6.3 million as of June 30, 1997. These net losses reflect certain non-cash charges such as depreciation and amortization. These historical results are not indicative of future results. Nonetheless, there can be no assurance that the Company will not incur net losses in the future.

STOCKHOLDER APPROVAL IS NOT REQUIRED TO CHANGE POLICIES OF THE COMPANY

The investment, financing, borrowing and distribution policies of the Company and its policies with respect to all other activities, including qualification as a REIT, growth, debt, capitalization and operations, will be determined by the Board of Directors. Although it has no present intention to do so, the Board of Directors may amend or revise these policies at any time and from time to time at its discretion without a

vote of the stockholders of the Company. A change in these policies could adversely affect the Company's financial condition, results of operations or the market price of the Common Stock.

UNINSURED LOSSES COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW

The Company initially will carry comprehensive liability, fire, flood, extended coverage and rental loss (for rental losses extending up to 12 months) with respect to its properties with policy specifications and insured limits customarily carried for similar properties. Certain types of losses (such as from wars, environmental hazards and employee discrimination claims), however, may be either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose both its capital invested in, and anticipated profits from, one or more of its properties, and may continue to be obligated on the mortgage indebtedness or other obligations related to the property. Any such loss may adversely affect the business of the Company and its financial condition and results of operations.

It is anticipated that new owner's title insurance policies will not be obtained for two of the Properties in the Core Portfolio (the Bar Building and 1414 Avenue of the Americas) in connection with the Formation Transactions. Each of these Properties is covered by existing title insurance policies insuring the interests of the Property-owning entities. Further, each title insurance policy covering each such Property is for an amount which is less than the current value of the Property. In the event of a loss with respect to a Property relating to a title defect that is in excess of the amount of such title insurance policy, the Company could lose both its capital invested in and anticipated profits from such property.

THE COSTS OF COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND SIMILAR LAWS COULD ADVERSELY AFFECT THE COMPANY'S CASH FLOW

AMERICANS WITH DISABILITIES ACT. Under the Americans with Disabilities Act of 1980 (the "ADA"), places of public accommodation and commercial facilities are required to meet certain Federal requirements related to access and use by disabled persons. These requirements became effective in 1992. Although management of the Company believes that the Properties are substantially in compliance with present requirements of the ADA, the Company may incur additional costs of compliance in the future. A number of additional Federal, state and local laws exist which impose further burdens or restrictions on owners with respect to access by disabled persons and may require modifications to the Properties, or restrict certain further renovations thereof, with respect to access by disabled persons. Final regulations under the ADA have not yet been promulgated and the ultimate amount of the cost compliance with the ADA or other such laws is not currently ascertainable. While such costs are not expected to have a material effect on the Company, they could be substantial. If required changes involve greater expense than the Company currently anticipates, the Company's ability to make expected distributions could be adversely affected.

OTHER LAWS. The Properties are also subject to various Federal, state and local regulatory requirements, such as state and local fire and life safety requirements. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. The Company believes that the Properties are currently in compliance with all such regulatory requirements. However, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed which would require significant unanticipated expenditures by the Company and could have an adverse effect on the Company's Funds from Operations and expected distributions.

The Company has been formed for the purpose of continuing the commercial real estate business of SL Green. For more than 17 years, SL Green has been engaged in the business of owning, managing, leasing, acquiring and repositioning Class B office properties in Manhattan. Upon completion of the Offering, the Company will own or have contracted to acquire interests in nine Class B office properties encompassing approximately 2.2 million rentable square feet located in midtown Manhattan (the "Properties") and will manage 29 office properties (including the Properties) encompassing approximately 6.4 million rentable square feet. Of these Properties, interests in six office Properties encompassing approximately 1.2 million rentable square feet are currently owned and managed by SL Green (the "Core Portfolio") and interests in three office Properties encompassing approximately 1.0 million rentable square feet will be acquired upon completion of the Offering (the "Acquisition Properties"). As of June 30, 1997, the weighted average occupancy rate of the Core Portfolio was 97% and of the Acquisition Properties was 89%. Also, upon completion of the Offering, the Company will own options to acquire an additional Class B office property in midtown Manhattan containing approximately 250,000 rentable square feet and an additional Class B office property in downtown Manhattan containing approximately 800,000 rentable square feet of office space. See "The Properties--The Option Properties". Interests of SL Green in certain properties deemed inconsistent with the Company's investment objectives will not be acquired by the Company. See "The Properties--Assets Not Being Transferred to the Company." The Company will operate as a fully integrated, self-administered and self-managed REIT. Management expects that the Company will be the first publicly-traded real estate company to invest primarily in Manhattan office properties.

The term "Class B" is generally used in the Manhattan office market to describe office properties which are more than 25 years old but which are in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan. Class B office properties can be distinguished from Class A properties in that Class A properties are generally newer properties with higher finishes and obtain the highest rental rates within their markets.

A variety of tenants who do not require, desire or cannot afford Class A space are attracted to Class B office properties due to their prime locations, excellent amenities, distinguished architecture and relatively less expensive rental rates. Class B office space has historically attracted many smaller growth oriented firms (many of which have fueled the recent growth in the New York metropolitan economy) and has played a critical role in satisfying the space requirements of particular industry groups in Manhattan, such as the advertising, apparel, business services, engineering, not-for-profit, new media and publishing industries. In addition, several areas of Manhattan, including many in which particular trades or industries traditionally congregate, are dominated by Class B office space and contain no or very limited Class A office space. Examples of such areas include the Garment District (where three of the Properties are located), the Flatiron District (where one Property is located), Soho, Noho, Chelsea (where one Property is located), and the area surrounding the United Nations (where one Property is located). Businesses significantly concentrated in certain of these areas include those in the following industries: new media, garment, apparel, toy, jewelry, interior decoration, antiques, giftware, contract furnishing and UN-related businesses. The concentration of businesses creates strong demand for the available Class B office space in those locations. Tenants that currently occupy space in SL Green owned or managed Properties include Cowles Business Media, Kallir, Philips, Ross Inc., NationsBank, New York Hospital, Newbridge Communications, Ross Stores and UNICEF.

As described herein, current developments in the New York economy provide an attractive environment for owning, operating and acquiring Class B office properties in Manhattan. See "Business and Growth Strategies--The Market Opportunity" and "Risk Factors--The Company's Dependence on the Midtown Markets Due to Limited Geographic Diversification Could Adversely Affect the Company's Financial Performance." These developments have resulted in growing demand for midtown Manhattan office space (particularly Class B space), declining vacancy rates (the Class B vacancy rate in the Midtown

Markets declined from 17.3% at year-end 1992 to 11.3% at June 30, 1997) and appreciation in rental rates and property values. The Company believes there will be a continued strengthening of the Class B office market driven by expected job growth in Manhattan, particularly among smaller companies which are, in many instances, Class B tenants. Additionally, the Company believes that a number of high quality tenants will likely seek to relocate from Class A space to Class B space in the Midtown Markets as a result of the rising cost of Class A space. The Company will seek to capitalize on growth opportunities in its marketplace by acquiring Class B office properties on a selective basis and, when necessary, enhancing their value after acquisition through repositioning of the properties in their respective submarkets. As described more fully below, the Company may have certain competitive advantages over other potential acquirors of Class B Manhattan office space due to its local market expertise, long-term relationships with brokers and property owners as a result of its property management and leasing businesses, enhanced access to capital as a public company and ability to offer tax-advantaged acquisition structures. Additionally, the Company will seek to optimize its properties' cash flow through ongoing intensive management and leasing. See "Business and Growth Strategies--Growth Strategies."

SL Green was founded in 1980 by Stephen L. Green, its Chairman, President and Chief Executive Officer. Since that time, SL Green has become a full service, fully integrated real estate company which, upon completion of the Offering, will have a portfolio of approximately 6.4 million rentable square feet of Class B office properties under management. Throughout its history, SL Green has been involved in the acquisition of 31 Class B office properties in Manhattan containing approximately four million square feet and the management of 50 Class B office properties in Manhattan containing approximately 10.5 million square feet.

SL Green has offices in midtown and downtown Manhattan and has established a staff of more than 50 persons, including 40 professionals with experience in all aspects of commercial real estate. The Company will be led by, in addition to Stephen L. Green, six senior executives that average more than seven years with SL Green and more than 19 years in the commercial real estate business. This management team has developed a comprehensive knowledge of the Manhattan Class B office market, an extensive network of tenant and other business relationships and experience in acquiring underperforming office properties and repositioning them into profitable Class B properties through intensive full service management and leasing efforts. Upon completion of the Offering, approximately 21% of the equity of the Company, on a fully diluted basis, will be beneficially owned by officers and directors of the Company and certain other affiliated parties.

SL Green consists of six operating divisions, each of which is headed by an executive team comprised of industry experts with substantial experience in either the leasing, marketing, asset and property management, construction management, legal or accounting aspects of the real estate business. The integration of this expertise allows SL Green to provide high quality, cost effective leasing and management services essential to enhancing the value of its office properties.

The Company was incorporated in the State of Maryland on June 10, 1997. Its executive offices are located at 70 West 36th Street, New York, New York 10018-8007 and its telephone number is (212) 594-2700.

BUSINESS AND GROWTH STRATEGIES

The Company's primary business objective is to maximize total return to stockholders through growth in distributable cash flow and appreciation in the value of its assets. The Company plans to achieve this objective by capitalizing on the external and internal growth opportunities described below and continuing the operating strategies historically practiced by SL Green.

Unless indicated otherwise, information contained herein concerning the New York metropolitan economy and the Manhattan office market is derived from the Rosen Market Study.

THE MARKET OPPORTUNITY

Management believes that current developments in the New York City economy provide an attractive environment for owning, operating and acquiring Class B office properties in Manhattan. The New York commercial real estate market is currently recovering from the sustained downturn of the late 1980s and early 1990s. Specifically, the New York City metropolitan economy has recently benefited from consistent net private sector job growth, an improving business environment and enhancements in the "quality of life" afforded to city residents. In that regard, private sector employment gained an average of more than 44,000 jobs per year between 1994 and 1996 for an average annual growth rate of 1.4%; between May of 1996 and 1997, private sector employment growth was 1.7%, which is the highest growth rate in more than ten years. Much of this private sector job growth has been concentrated among smaller companies involved in growth oriented industries. Smaller companies have traditionally been attracted to Class B office properties in the Midtown Markets due to their prime locations and relatively less expensive rental rates (as compared to Class A office properties). These smaller companies conduct business in industries including: business services, software, advertising, audio recording, trade sectors (e.g., apparel and other textile products), major media (e.g., television, magazines and publishing), new media (e.g., entertainment software, online/Internet services, CD-ROM title development and web site design) and engineering, as well as nonprofit endeavors.

The combination of a growing office space demand fueled by a strengthening New York City economy and limited recent and projected new supply of office space has resulted in a recovery in the Midtown Markets. The combined vacancy rate for Class A and Class B office space in the Midtown Markets declined to 10.7% at June 30, 1997 from a 1990s high of 16.8% at year-end 1991. The Class B segment of the market which tightened to a vacancy rate of 11.3% at June 30, 1997 from its 1990s high of 17.3% at year-end 1992, a 34.7% decline. According to Rosen Consulting Group, a nationally recognized real estate consulting company, the outlook in the New York metropolitan area is for healthy private sector employment growth of approximately 1.4% per annum in 1997 and 1998, followed by approximately 0.9% growth per annum through 2001, which is expected to generate significant demand for office space. Specifically, Rosen Consulting Group projects vacancy rates in the Class B Midtown Markets to further drop to 5.7% by 2001, resulting in projected average asking market rents of $31.30 per square foot, a 28% increase over average asking rents as of June 30, 1997 of $24.44 per square foot. See "Market Overview." However, conditions in the New York City metropolitan economy and the Midtown Markets are subject to change and there can be no assurance that any such projections will approximate actual results. See "Risk Factors--The Company's Dependence on the Midtown Markets Due to Limited Geographic Diversification Could Adversely Affect the Company's Financial Performance."

The Company believes the pronounced recovery of Class B space is being driven by the growth of smaller companies, the relocation of large firms from Class A space to Class B as a result of the dearth of available Class A space, particularly in large blocks, and the heightened cost consciousness of large tenants. In that regard, as of September 1995, there were 30 blocks of 150,000 or more rentable square feet of Class A space available for lease in the Midtown Markets. As of March 31, 1997 the number of such available blocks had declined to 12. Recent examples of large, traditional Class A tenants relocating into SL Green owned or managed Class B midtown office space are Newbridge Communications, a subsidiary

of K-III Communications moving to 49,000 square feet of space at 673 First Avenue, Kallir, Philips, Ross Inc., a subsidiary of The Omnicom Group Ltd. moving to 80,000 square feet at 673 First Avenue, Revere National Corp. moving to 2,743 square feet at 70 West 36th Street, The Really Useful Company (a subsidiary of Andrew Lloyd Weber's enterprises) moving to 3,033 square feet at the Bar Building and Guidepost Associates, the publishing division of The Norman Vincent Peale Foundation moving to 17,400 square feet at 16 East 34th Street. As the supply of Class A space continues to contract, management believes that it is likely that more high quality tenants will locate in well-located Class B office properties, many of which offer comparable amenities to Class A buildings at a significant discount to Class A costs.

Improving supply and demand fundamentals in the Midtown Markets have generated increasingly favorable rental terms from a property owner's perspective. According to Rosen Consulting Group, asking rental rates for Class B space in the Midtown Markets have increased to $24.44 per square foot as of June 30, 1997 from their 1990s low of $21.89 per square foot as of year-end 1993. See "The Properties-- The Portfolio" for a discussion of Annualized Rent associated with the Properties.

Management believes that opportunities to acquire Class B office properties in Manhattan on economically attractive terms will be available to the Company. The Rosen Consulting Group estimates that the replacement cost of Class A office space in Manhattan (no Class B space is built in Manhattan) is approximately $358 per square foot, which is substantially above the estimated current acquisition price of Class A space of $225 to $300 per square foot and the estimated current acquisition price for Class B space of $90 to $200 per square foot. Furthermore, even if rental rates were to approach a level that would justify new construction, there are few development sites available in Manhattan and the regulatory approval process is both costly and lengthy. The Company believes that as the Class A market continues to recover, rental rates and corresponding property values should increase to a level that may justify new construction. The Company also believes that property values and rental rates in the Class B market have historically tracked those of the Class A market and, consequently, there is potential for rental rate and property value increases in the Class B marketplace.

Further, the Company believes that the recent abolition of the New York State Real Property Transfer Gains Tax, which effectively reduced the cost of sales involving commercial properties that have appreciated in value, may create an increase in the number of properties available for acquisition. Prior to such abolition, a seller of commercial property in New York was subject to a substantial New York State gains tax (in addition to income tax). As described more fully below, the Company may have certain competitive advantages over other potential acquirors of Class B office space due to its local market expertise, historical institutional relationships, enhanced access to capital as a public company and ability to offer tax-advantaged acquisition structures.

Investors should note that the concentration of the Company's investments in Class B office properties located in Manhattan entails certain risks. See "Risk Factors--The Company's Dependence on Midtown Markets Due to Limited Geographic Diversification Could Adversely Affect the Company's Financial Performance" and "Risk Factors--Competition in its Marketplace Could Have an Adverse Impact on the Company's Results of Operations."

GROWTH STRATEGIES

Management will seek to capitalize on current opportunities in the Class B Manhattan office market through (i) property acquisitions -- continuing to acquire Class B office properties at significant discounts to replacement costs that provide attractive initial yields and the potential for cash flow growth, (ii) property repositioning -- repositioning acquired properties that are underperforming through renovations, active management and proactive leasing and (iii) integrated leasing and property management.

PROPERTY ACQUISITIONS

The Company will seek to continue SL Green's ability to capitalize on favorable market conditions for acquiring Manhattan Class B office properties and management's experience in enhancing the value of its properties. In assessing acquisition candidates, the Company will evaluate the following factors: (i) the property's strategic location in its marketplace and its strategic fit within the Company's portfolio, (ii) current and projected occupancy and market rental rates and the ability to operate the property profitably at competitive rental rates, (iii) the purchase price as compared to the replacement cost of the property, (iv) the potential to modify and/or upgrade and reposition the property in its market to increase returns and (v) the quality of the construction and presence of existing and/or potential deferred maintenance issues.

The Company believes that it will have the following competitive advantages over its competitors, primarily private companies and individuals, in acquiring Class B properties in Manhattan:

LOCAL MARKET EXPERTISE. Since its inception in 1980, SL Green has developed into a full service, fully integrated real estate company which, upon completion of the Offering, will manage approximately six million square feet of Class B office space in Manhattan. Consequently, management has accumulated an extensive working knowledge of the Class B Manhattan office market with a substantial base of information concerning current and prospective tenants, effective rental rates, property management and renovation costs, the complicated regulatory processes characteristic of the Manhattan office market, as well as other factors relevant to the sourcing and evaluation of potential acquisition properties. The depth and expertise of SL Green management is unusual in the Class B marketplace, which has historically attracted far less institutional interest than the Class A property sector.

ENHANCED ACCESS TO CAPITAL. Management believes that upon completion of the Offering, the Company should obtain better access to capital than is generally available to private real estate firms, especially those that compete for Manhattan Class B properties. In that regard, management believes that ownership of Class B office space in Manhattan is more fragmented and far less institutional in nature than ownership of Class A Manhattan office space. As a public company, the Company will have the potential to raise capital through subsequent issuances of securities in the public and private marketplace. The Company also intends to finance property acquisitions through single asset debt financings and to obtain, upon completion of the Offering, a revolving credit facility for up to $75 million to finance acquisitions. However, no assurances can be made as to the availability of any such financing sources.

UNIT ACQUISITIONS. Upon completion of the Offering, management believes that the Company will be the first publicly-traded real estate company to focus primarily on the Manhattan Class B office market. As an "UPREIT", the Company will have the ability to acquire properties for Units and thereby provide sellers with deferral of income taxes that would otherwise be payable upon a cash sale. In addition, Units afford property sellers diversification and liquidity of investment as well as certain estate planning benefits. Management believes that the Company operates in an established and mature real estate market in which many property owners have owned their properties for many years and therefore have a low tax basis in such properties. Consequently, the ability to offer Units may afford the Company certain competitive advantages over other potential acquirors who are unable to offer tax-efficient consideration.

HISTORICAL INSTITUTIONAL RELATIONSHIPS. Through its 17 year operating history, SL Green has established relationships with numerous financial institutions for which it acts as landlord or as a property manager. In particular, SL Green's substantial third-party management business affords the Company access to numerous institutional owners of property that may in the future seek to divest property holdings. SL Green's retention as a property manager by such owners has in the past led to opportunities to acquire the managed property or other properties held by such owner. As an example of the opportunities such relationships can create, within six weeks of taking over the management and leasing responsibilities at 36 West 44th Street (The Bar Building), a 165,000 square foot Class B office property in midtown Manhattan

which represented 8.5% of the Annualized Rent at the Properties as of June 30, 1997, SL Green contracted to purchase a mortgage interest encumbering the property from an insurance company with whom SL Green had prior business dealings. This mortgage interest is convertible by the Company, at its option, into fee ownership. The ability of SL Green to assess quickly the current and potential value and physical condition of this property enabled SL Green to make a pre-emptive offer to purchase the property. Consequently, the property was taken off the market, precluding prospective purchasers from engaging in acquisition discussions with the insurance company.

RECENT TAX LAW DEVELOPMENTS. Recently, the New York State legislature voted to abolish the New York State Real Property Transfer Gains Tax, which effectively reduced the cost of sales involving commercial properties that have appreciated in value. Prior to such abolition, sellers of commercial properties located in New York State were subject to a special 10% tax (2.5% in the case of certain transfers to REITs) on their gains. Further, the Company will have a competitive tax advantage due to recent tax law amendments affecting REITs. Under recent amendments to the New York State and New York City transfer tax laws, transfer tax rates applicable to certain REIT acquisition transactions were reduced 50% through August 1999 (from 3.025% to 1.5125% in the aggregate). Consequently, the Company may be able to structure acquisitions that qualify for these reduced rates and thereby enhance its attractiveness to sellers.

Investors should note that acquisitions of office properties entail certain risks. See "Risk Factors-- The Company May Not Achieve Expected Returns on Recently Acquired Properties and Property Acquisitions."

PROPERTY REPOSITIONING

The Company believes that, consistent with its core operating philosophy of maximizing asset value, it can reposition future acquisition properties, where warranted, in order to enhance property cash flow and value. To achieve these goals, the Company works to increase occupancy and rental rates by repositioning buildings to be among the best in their submarkets. The Company considers the amount of capital required to be invested in a property to achieve the repositioning. The Company then judges the benefit of a repositioning on a total return basis, such that for the Company to undertake the project the present value of the projected future increase in net cash flow and property value must exceed the cost of the capital expenditure required to achieve the repositioning.

The repositionings pursued by SL Green in the past have consisted of both intensive large scale renovations as well as smaller scale repositionings. In the case of an intensive large scale renovation, either a property's use is changed (e.g., from light industrial/warehouse to office) or a property is completely rehabilitated. In the case of a smaller scale repositioning, generally cosmetic renovations are made to targeted areas of a building, deferred maintenance is corrected and an intensive leasing program is commenced. The Company believes there are a significant number of potential acquisitions for which this strategy can be successfully implemented due to the large number of Manhattan office properties that have significant deferred maintenance or have been undermanaged. The Company believes this situation has resulted from fragmented ownership that is generally non-institutional and has limited access to capital.

An important component of the Company's repositioning strategy is its construction management capability. SL Green's construction management division has renovated approximately two million square feet of office space, including entire building renovations, at an aggregate cost exceeding $100 million. In the past, SL Green has implemented successful repositioning programs which have involved significant capital investments to improve the physical condition with respect to building facade, entrance and lobby, mechanical systems (including HVAC, fire/safety and elevators) and tenant space layout, while maintaining cost control with respect to these activities. Additionally, SL Green has benefited in its repositioning efforts from its fully-integrated real estate operations. The Company believes that its in-house leasing, property management and construction management capabilities provide it with valuable information

regarding the cost of accommodating tenant preferences and the potential rental revenues achievable from various repositioning options.

Substantially all of the Properties in the Core Portfolio have benefitted from SL Green's repositioning strategy. Examples of successful implementation of this strategy within the Core Portfolio include 673 First Avenue (which property accounted for 22.1% of the aggregate Annualized Rent at the Properties as of June 30, 1997) and the Bar Building (which property accounted for 8.5% of the aggregate Annualized Rent at the Properties as of June 30, 1997). At 673 First Avenue, SL Green converted a distribution and warehouse facility into an office property to take advantage of desirable 40,000 square foot floor plates and a strategic location near the United Nations complex. To accomplish the repositioning, SL Green invested approximately $25 million in the Property for (i) a new building entrance, lobby and storefronts, (ii) complete replacement of the elevator systems, (iii) the creation of common areas, (iv) entirely reconfigured HVAC and electrical systems and (v) the build-out of tenant spaces. The repositioning resulted in the conversion of a 43% occupied warehouse/distribution facility into a 97% occupied Class B office building within 24 months. The Property's net operating income (NOI) increased dramatically from approximately $466,000 per annum upon acquisition to approximately $7.6 million per annum following repositioning and lease-up (exclusive of net lease payments and debt service payments). SL Green is currently pursuing a similar strategy at the Bar Building. This Property also suffers from deferred maintenance and is underperforming relative to its market potential. West Forty-Fourth Street, between Fifth Avenue and Avenue of the Americas, where the Bar Building is located, has many attractive buildings and prominent clubs which, by association, enhance the value of this Property. Therefore, in order to capitalize on the location of the building, a distinctive facade will be created to attract the attention of high quality tenants. Also, a "pre-built" tenant space program has been undertaken as well as public corridor renovations, all which have resulted in the execution of 12 leases encompassing 24,500 square feet since acquisition.

INTEGRATED LEASING AND PROPERTY MANAGEMENT

The Company intends to continue SL Green's strategy of seeking to optimize long-term cash flow from its properties through the implementation and integration of targeted leasing and management programs.

PROACTIVE LEASING PROGRAM. The Company will seek to capitalize on its market position and relationships with an extensive network of brokers and tenants to implement a proactive leasing program. Management believes that its extensive knowledge of the Class B Manhattan office market enhances its ability to monitor, understand and anticipate the current and future space needs of tenants in its submarkets. The leasing process for an acquisition property begins with extensive market research in order to determine the strengths and weaknesses of the property. This review includes an analysis of the building's physical characteristics, aesthetic attributes, floor plate sizes, services, elevators and mechanical systems, followed by an in-depth market analysis to determine the property's competitive position in the marketplace and perception in the brokerage community. The results of these analyses are used to develop the appropriate marketing strategy and the appropriate program to communicate the positive attributes and key features of the property or space to the marketplace and the brokerage community. These strategies may include the development of marketing tools such as brochures, listing sheets, fliers, signage and advertising copy.

The utilization of third-party brokerage firms in implementing a successful leasing program is an integral component of the Company's leasing strategy. By closing transactions quickly and at market terms and paying commissions promptly, SL Green has created a network of relationships with leasing professionals who regularly bring tenants to SL Green owned and managed properties.

An example of SL Green's successful implementation of its proactive leasing strategy under uniquely adverse conditions is 16 East 34th Street, a property managed by SL Green. When SL Green was hired by

new ownership in September, 1991 as the leasing and managing agent for 16 East 34th Street, a 330,000 square foot Class B midtown Manhattan office property, the property was only 50% occupied and suffered from a poor image in its marketplace. The SL Green team developed a cost effective building redevelopment program and a related marketing program designed to reposition quickly the property in its marketplace. The implementation of these programs resulted in over 150,000 square feet of executed leases to high quality tenants within 18 months, bringing occupancy to 90% during a period of rising and historically high vacancy rates in Manhattan office properties.

The Company believes that SL Green's proactive leasing efforts have contributed to average occupancy rates at the Properties that are above the market average. During the period between 1994 and 1996, properties owned by SL Green for more than one year averaged occupancy rates of 94.3%, which exceeded the average of 87.2% for Class B Manhattan office space in the Midtown Markets by 8.1% over the comparable period.

Another key component of the SL Green leasing strategy that will be continued by the Company is a commitment to tenant retention. Each leasing executive regularly conducts in-person interviews with existing tenants in order to gain insight into each tenant's business objectives, financial position and strength and future space requirements. This knowledge, in addition to a full understanding of each tenant's current lease obligation, is utilized to develop a plan to retain existing tenants in order to maximize long term cash flow. SL Green's commitment to tenant service and satisfaction is evidenced by the renewal of approximately 80% of the expiring rentable square footage (78% of the expiring leases determined by number of leases) at the Properties in the Core Portfolio owned and managed by SL Green during the period from January 1, 1993 through June 30, 1997.

IMPLEMENTATION OF STRATEGIC MANAGEMENT SYSTEMS. SL Green's proactive management begins with a comprehensive operational and physical analysis of a property followed by a preventive maintenance assessment. SL Green professionals evaluate all service contracts, survey electrical capacity and costs and, after interviewing all building personnel, appraise personnel resources and payroll costs on an ongoing basis. Based on the results of the analysis of the contractual lease obligations, building position in the market and the capital/aesthetic improvements needed to bring the property to its desired level relative to its competition, SL Green develops and implements a management program designed to provide tenants with the highest level of service while maintaining the lowest cost to ownership.

An example of SL Green successfully implementing its strategic management systems is the Bar Building. Upon purchasing a mortgage interest in the Property, SL Green implemented a strategic property management program which reduced operating expenses by more than $400,000 per annum. Specifically, the management professionals at SL Green rebid the cleaning and security contracts, evaluated the staffing at the property, and determined the associated costs that could be reduced while improving service. The aggregate contractual operating expense reduction was in excess of $300,000. Meanwhile, SL Green's in-house counsel vigorously managed the real estate tax certiorari process which resulted in an approximately $100,000 real estate tax reduction.

MAXIMIZING TENANT SATISFACTION. SL Green seeks to provide tenants with a level of service more typically found in Class A properties. Characteristics of SL Green office property redevelopments include upgraded or new entrances, lobbies, elevator cabs/mechanicals, hallways, bathrooms, windows, telecom systems and tenant spaces. Additionally, SL Green seeks to provide certain tenant amenities typically associated only with Class A properties. For example, SL Green maintains flowers in its buildings' lobbies and also provides uniformed concierges focused on tenant service as opposed to the security guards found at many Class B Manhattan office buildings. Within particular submarkets, SL Green arranges for the provision of cleaning and 24 hour, seven days per week security services to its tenants. The Company believes that this level of service is unusual in the Class B market, in large part due to the highly fragmented nature of Class B ownership and management. RELocate, a real estate market research firm, estimates that the 630 Class B buildings in the Midtown Markets are owned by over 500 different entities, many of whom own a single property or a few properties. The Company believes that the relatively large size of its operations and focus on the Class B market enables it to provide a level of service superior to that typically provided by the smaller owner/operators that permeate the Class B Manhattan marketplace.

USE OF PROCEEDS

The net cash proceeds to the Company from the Offering, after deducting the underwriting discounts and commissions are estimated to be approximately $189.4 million (approximately $217.8 million if the Underwriters' over-allotment option is exercised in full), based upon the assumed initial public offering price of $20.00 per share.

The net cash proceeds of the Offering will be used by the Company as follows: (i) approximately $42.7 million to repay mortgage indebtedness encumbering the Core Portfolio, including approximately $1.9 million in prepayment penalties and other financing fees and expenses, (ii) approximately $6.4 million to purchase the direct or indirect interests of certain participants in the Formation Transactions in the Properties, (iii) approximately $99.0 million to acquire the Acquisition Properties (including a $1.6 million escrow account established in connection with the acquisition of 50 West 23rd Street), (iv) approximately $6.1 million to pay certain expenses incurred in the Formation Transactions for legal, accounting, and real estate transfer tax expenses, and Offering Expenses, (v) $27.5 million to repay the LBHI Loan (excluding the following amounts borrowed under the LBHI Loan that will be repaid with Offering proceeds and are included above: $200,000 to fund prepayment penalties, $9.4 million to purchase the Acquisition Properties and $2.5 million to fund Offering expenses), (vi) $1.5 million to fund payment of a financial advisory fee to Lehman Brothers Inc. and (vii) $6.2 million to fund capital expenditures and general working capital needs.

If the Underwriters' over-allotment option to purchase 1,515,000 additional shares of Common Stock is exercised in full, the Company expects to use the additional net proceeds (which will be approximately $28.2 million) to acquire additional properties and/or for working capital.

Pending application of the net proceeds of the Offering, the Company will invest such portion of the net proceeds in interest-bearing accounts and/or short-term, interest-bearing securities which are consistent with the Company's intention to qualify for taxation as a REIT.

The LBHI Loan was incurred within the 12 month period preceding the date of this Prospectus. Borrowings under the LBHI Loan bear interest at a weighted average interest rate of 6.8% and have an average remaining term to maturity of approximately 1.2 years as of June 30, 1997. The proceeds of the LBHI Loan were used to acquire interests in the Core Portfolio and Acquisition Properties, to fund property related operating expenses, to fund organizational expenses and to purchase Treasury Securities. See "Structure and Formation of the Company--Benefits to Related Parties."

The mortgages and other indebtedness to be repaid upon the completion of the Offering (excluding the LBHI Loan) had a weighted average interest rate of approximately 9.2% and an average remaining term to maturity of 11 years as of June 30, 1997. The following table sets forth the amount of existing mortgage debt (excluding the LBHI Loan) to be repaid upon completion of the Offering.

PROPERTY	PROCEEDS USED FOR REPAYMENT UPON COMPLETION OF THE OFFERING (IN THOUSANDS) (1)(2)
673 First Avenue	$ 1,000
470 Park Avenue South	13,042
Bar Building	10,200
70 West 36th Street	6,568
1414 Avenue of the Americas	9,878
Total	$ 40,688

(1) Exact repayment amounts may differ due to amortization. The figures are as of June 30, 1997 and exclude prepayment penalties estimated to aggregate approximately $1.9 million and approximately $100,000 of accrued interest.

(2) Upon completion of the Offering, the Company will have $32.5 million of mortgage indebtedness encumbering the Core Portfolio and will incur an additional $14 million mortgage loan to finance the purchase of 50 West 23rd Street. See "The Properties--Mortgage Indebtedness."As noted herein, LBHI has committed to provide the Company with a $75 million Credit

Facility, subject to negotiation of mutually satisfactory covenants and other terms. Although the Company expects that the Credit Facility will be established shortly after the completion of the Offering, there can be no assurance at this time as to whether the Company will be successful in obtaining the Credit Facility or, if the Credit Facility is established, the terms thereof. See "The Properties--Credit Facility." In anticipation of the establishment of the Credit Facility and in order to satisfy all New York State tax requirements and mitigate costs to the Company, it is currently expected that LBHI will acquire and modify certain of the mortgage indebtedness described above and the proceeds from the Offering intended to repay such indebtedness will be deposited into an escrow account which will generate a return that will service the principal and interest payments on such modified indebtedness. Upon the closing of the Credit Facility, these mortgage liens may be utilized to secure future borrowings under the Credit Facility. In connection with this credit arrangement, LBHI may receive an administrative fee of up to .02% of the amount borrowed. See "Underwriting." It is anticipated that a similar arrangement may be employed in connection with the Acquisition Properties and other future property acquisitions.

DISTRIBUTIONS

Subsequent to the completion of the Offering, the Company intends to make regular quarterly distributions to the holders of its Common Stock. The initial distribution, covering a partial quarter commencing on the date of completion of the Offering and ending on September 30, 1997, is expected to be $ per share, which represents a pro rata distribution based on a full quarterly distribution of $.35 per share and an annual distribution of $1.40 per share (or an annual distribution rate of approximately 7.00%, based on an assumed initial public offering price of $20.00). The Company does not intend to reduce the expected distribution per share if the Underwriters' over-allotment option is exercised. The following discussion and the information set forth in the table and footnotes below should be read in conjunction with the financial statements and notes thereto, the pro forma financial information and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Liquidity and Capital Resources" included elsewhere in this Prospectus.

The Company intends initially to distribute annually approximately 106% of estimated Cash Available for Distribution. The estimate of Cash Available for Distribution for the 12 months ending June 30, 1998 is based upon pro forma Funds from Operations for the 12 months ended June 30, 1997, adjusted for (i) certain known events and/or contractual commitments that either have occurred or will occur subsequent to June 30, 1997 or during the 12 months ended June 30, 1997, but were not effective for the full 12 months, and (ii) for certain non-GAAP adjustments consisting of (A) revisions to historical rent estimates from a GAAP basis to amounts currently being paid or due from tenants, (B) pro forma amortization of financing costs, and (C) an estimate of amounts anticipated for recurring capitalized tenant improvements, leasing commissions and capital expenditures. No effect was given to any changes in working capital resulting from changes in current assets and current liabilities (which changes are not anticipated to be material) or the amount of cash estimated to be used for (i) investing activities for acquisition, development, tenant improvement and leasing costs and (ii) financing activities (other than scheduled mortgage loan principal payments on existing mortgage indebtedness). The estimate of Cash Available for Distribution is being made solely for the purpose of setting the initial distribution and is not intended to be a projection or forecast of the Company's results of operations or its liquidity, nor is the methodology upon which such adjustments were made necessarily intended to be a basis for determining future distributions. Future distributions by the Company will be at the discretion of the Board of Directors. There can be no assurance that any distributions will be made or that the estimated level of distributions will be maintained by the Company.

The Company anticipates that its distributions will exceed earnings and profits for Federal income tax reporting purposes due to non-cash expenses, primarily depreciation and amortization, to be incurred by the Company. Therefore, it is expected that approximately 30% (or $.42 per share) of the distributions anticipated to be paid by the Company for the 12-month period following the completion of the Offering will represent a return of capital for Federal income tax purposes and in such event will not be subject to Federal income tax under current law to the extent such distributions do not exceed a stockholder's basis in his Common Stock. The nontaxable distributions will reduce the stockholder's tax basis in the Common Stock and, therefore, the gain (or loss) recognized on the sale of such Common Stock or upon liquidation of the Company will be increased (or decreased) accordingly. The percentage of stockholder distributions that represents a nontaxable return of capital may vary substantially from year to year.

The Code generally requires that a REIT distribute annually at least 95% of its net taxable income (excluding any net capital gain). See "Material Federal Income Tax Consequences--Taxation of the Company--Annual Distribution Requirements." The estimated Cash Available for Distribution is anticipated to be in excess of the annual distribution requirements applicable to REITs under the Code. Under certain circumstances, the Company may be required to make distributions in excess of Cash Available for Distribution in order to meet such distribution requirements. For a discussion of the tax treatment of distributions to holders of Common Stock, see "Material Federal Income Tax Consequences--Taxation of Stockholders."

The Company believes that its estimate of Cash Available for Distribution constitutes a reasonable basis for setting the initial distribution, and the Company intends to maintain its initial distribution rate for the 12-month period following the completion of the Offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in its estimate. The Company's actual results of operations will be affected by a number of factors, including the revenue received from its properties, the operating expenses of the Company, interest expense, the ability of tenants of the Company's properties to meet their financial obligations and unanticipated capital expenditures. Variations in the net proceeds from the Offering as a result of a change in the initial public offering price or the exercise of the Underwriters' over-allotment option may affect Cash Available for Distribution, the payout ratio based on Cash Available for Distribution and available reserves. No assurance can be given that the Company's estimate will prove accurate. Actual results may vary substantially from the estimate.

The following table describes the calculation of pro forma Funds from Operations for the 12 months ended June 30, 1997 and the adjustments to pro forma Funds from Operations for the 12 months ended June 30, 1997 in estimating initial Cash Available for Distribution for the 12 months ending June 30, 1998:

	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
Pro forma net income before minority interest and extraordinary item for the year ended December 31, 1996	$ 12,733
Plus: Pro forma net income before minority interest and extraordinary item for the six months ended June 30, 1997	9,165
Less: Pro forma net income before minority interest and extraordinary item for the six months ended June 30, 1996	(5,549)
Pro forma net income before minority interest and extraordinary item for the 12 months ended June 30, 1997(1)	16,349
Plus: Pro forma real estate depreciation for the 12 months ended June 30, 1997 (2)	6,717
Plus: Pro forma amortization (excluding financing costs) for the 12 months ended June 30, 1997 (3)	424
Pro forma Funds from Operations for the 12 months ended June 30, 1997 (4)	23,490
Adjustments:	
Net increases in rental and management income (5)	1,795
Provision for lease expirations, assuming no renewals (6)	(492)
Non-recurring lease surrender income and real estate tax refund (7)	(2,121)
Interest adjustment (8)	165
Estimated adjusted pro forma Funds from Operations for the 12 months ending June 30, 1998	22,837
Net effect of straight-line rents and non-cash transaction (9)	(1,866)
Pro forma amortization of financing costs for the 12 months ending June 30, 1997 (10)	158
Non-real estate depreciation and amortization (11)	93
Estimated pro forma Cash Flow from Operating Activities for the 12 months ending June 30, 1998	21,222
Investment Activities:	
Estimated recurring capitalized tenant improvements and leasing commissions (12)	$ (1,062)
Estimated recurring capital expenditures (13)	(910)
Estimated cash to be used in investing activities	(1,972)

	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	
Financing Activities:		
Scheduled mortgage loan principal payments (14)	$ (1,872)	
Estimated cash to be used in financing activities		$ (1,872)
Estimated Cash Available for Distribution for the 12 months ending June 30, 1998	17,378	
The Company's share of estimated Cash Available for Distribution (15)	14,233	
Minority interest's share of estimated Cash Available for Distribution	3,145	
Total estimated initial annual cash distributions	15,091	
Estimated initial annual distribution per share (16)	1.40	
Payout ratio based on estimated Cash Available for Distribution (17)	106%	

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(1) Pro forma net income is based on total revenue of $60,314, of which $5,394 is derived from management, leasing, construction and other activities relating to properties not owned by the Company.

(2) Pro forma real estate depreciation for the year ended December 31, 1996 of $6,407 minus pro forma real estate depreciation for the six months ended June 30, 1996 of $3,016 plus pro forma real estate depreciation for the six months ended June 30, 1997 of $3,326.

(3) Pro forma amortization (excluding financing costs) for the year ended December 31, 1996 of $425 minus pro forma amortization (excluding financing costs) for the six months ended June 30, 1996 of $212 plus pro forma amortization (excluding financing costs) for the six months ended June 30, 1997 of $211.

(4) The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. For a reconciliation of net income and Funds from Operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Funds from Operations."

(5) Represents the (i) net increases in rental income from (a) new leases and renewals that were not in effect for the entire 12-month period ended June 30, 1997 of $1,537 and (b) new leases and renewals that went into effect between July 1, 1997 and July 15, 1997 of $146 and (ii) management income from a new property management contract for a property not owned by SL Green that was not in effect for the entire 12-month period ended June 30, 1997 of $112.

(6) Assumes no lease renewals or new leases (other than month-to-month leases) for leases expiring after June 30, 1997 unless a new or renewal lease has been entered into by July 15, 1997. The $604 decrease represents the loss in net rental income assuming all leases of space expiring between July 1, 1997 and June 30, 1998 for which no renewals or new leases have been entered into by July 15, 1997 expire in accordance with their terms and space covered by such expiring leases is not re-leased; the decrease is partially offset by a net increase of $112 of rental income from tenants on month-to-month leases which are assumed to continue throughout the period.

(7) The non-recurring transactions consist of lease surrender income at 1372 Broadway and a real estate tax refund at 1140 Avenue of the Americas.

(8) The amount represents a reduction in interest expense due to amortization of the related mortgages over the 12-month period ending June 30, 1998.

(9) Represents (i) the effect of adjusting straight-line rental revenue included in pro forma net income from the straight-line accrual basis to amounts currently being paid or due from tenants ($3,518), (ii) the effect of

adjusting straight line rental payments included in pro forma net income from the straight-line accrual basis to amounts currently being paid or due from the tenant attributable to the capitalized and operating lease at 673 First Avenue ($1,386) and (iii) the effect of compensation expense relating to stock loans ($266). See "Management--Employment and Noncompetition Agreements." Total rent abatements for leases in effect as of June 30, 1997 for the 12 months ending June 30, 1998 are approximately $815.

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

(FOOTNOTES CONTINUED FROM PRECEDING PAGE)

(10) Pro forma amortization of financing costs for the year ended December 31, 1996 of $149 minus pro forma amortization of financing costs for the six months ended June 30, 1996 of $83 plus pro forma amortization of financing costs for the six months ended June 30, 1997 of $93. Financing costs for periods are based on principal mortgage indebtedness outstanding of $46,700. See "The Properties--Mortgage Indebtedness."

(11) Pro forma non-real estate depreciation and amortization for the year ended December 31, 1996 of $92 minus pro forma non-real estate depreciation for the six months ended June 30, 1996 of $46 plus pro forma non-real estate depreciation and amortization for the six months ended June 30, 1997 of $47.

(12) Reflects recurring tenant improvements and leasing commissions anticipated for the 12 months ending June 30, 1998 which have been calculated by multiplying (i) the weighted average tenant improvements and leasing commissions expenditures for renewed and retenanted space at the Properties incurred during 1994, 1995, 1996 and the six months ended June 30, 1997 of $9.63 per square foot (assuming a renewal rate of 75% of expiring square footage as compared to the actual weighted average renewal rate of 80% during the period from January 1, 1994 through June 30, 1997-- See "The Properties--The Portfolio--Historical Tenant Improvements and Leasing Commissions"), by (ii) 110,280 (the average annual square feet of leased space for which leases expire during the years ending December 31, 1997 through December 31, 2002). The weighted average annual per square foot cost of tenant improvements and leasing commission expenditures is presented below:

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	WEIGHTED AVERAGE JANUARY 1, 1994-JUNE 30,
	1994	1995	1996	1997	1997
RENEWALS:					
Tenant improvement costs ("TI") per square foot.....	$1.96	$ 0.00	$ 2.39	$ 1.84	$ 1.89
Leasing commission costs ("LC") per square foot.....	$1.77	$ 1.99	$ 3.36	$ 2.40	$ 2.84
Total Renewal TI and LC per square foot.....	$3.73	$ 1.99	$ 5.75	$ 4.24	$ 4.73
RE-TENANTED OR NEWLY TENANTED SPACE:					
TI per square foot.....	$16.41	$ 22.73	$ 13.76	$ 17.99	$ 17.42
LC per square foot.....	$7.27	$ 4.55	$ 9.41	$ 6.24	$ 6.91
Total Re-tenanted TI and LC per square foot.....	$23.68	$ 27.28	$ 23.17	$ 24.23	$ 24.33

	3 1/2 YEAR WEIGHTED AVERAGE TI AND LC PER SQUARE FOOT		AVERAGE ANNUAL SQUARE FOOTAGE EXPIRING IN 1997-2002		RATE OF RENEWALS/ RE-TENANTED		TOTAL COST
Renewal.....	$ 4.73	x	110,280	x	75%(i)	=	$ 391,218
Re-tenanted.....	$ 24.33	x	110,280	x	25%	=	$ 670,778
							$ 1,061,996

(i) The historical weighted average renewal rate, based on square footage, for the Company from January 1, 1994 through June 30, 1997 is 80%.

(13) Estimated recurring capital expenditures have been calculated by multiplying (i) $0.41 (the weighted average of capital expenditures per square foot for the Core Portfolio during the period January 1, 1994 through December 31, 1996) by (ii) 2,219 (the aggregate square footage of the Core Portfolio and the Acquisition Properties). See "The Properties--The Portfolio-- Historical Capital Expenditures." For the 12 months ending June 30, 1998, the estimated cost of recurring building improvements and equipment upgrades and replacements (excluding costs of tenant improvements) at the Properties is approximately $910. For the 12 months ending June 30, 1998, the estimated cost of non-recurring capital expenditures of the Properties is approximately $5.2 million. The Company expects to fund non-recurring capital expenditures, tenant improvements and leasing commissions from working capital or borrowings. Following completion of the Formation Transactions and the Offering, the Company expects to have remaining net proceeds of $6.2 million available for capital expenditures and working capital purposes.

(14) Scheduled mortgage loan principal payments for the 12 months ending June 30, 1998.

(15) The Company's share of estimated Cash Available for Distribution and estimated initial annual cash distributions to stockholders of the Company is based on its approximate 81.9% aggregate partnership interest in the Operating Partnership.

(16) Based on a total of 10,779,216 shares of Common Stock to be outstanding after the Offering (10,100,000 shares to be sold in the Offering, assuming no exercise of the Underwriters' over-allotment option, and 679,216 additional shares to be issued in the Formation Transactions.)

(17) Calculated as estimated initial annual cash distributions to stockholders of the Company divided by the Company's share of estimated Cash Available for Distribution for the 12 months ending June 30, 1998. The payout ratio based on estimated adjusted pro forma Funds from Operations is 80.7%.

CAPITALIZATION

The following table sets forth the combined historical capitalization of the SL Green Predecessors as of June 30, 1997 and on a pro forma basis giving effect to the Formation Transactions, the Offering, and use of the net proceeds from the Offering as set forth under "Use of Proceeds." The information set forth in the table should be read in conjunction with the financial statements and notes thereto, the pro forma financial information and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" included elsewhere in this Prospectus.

	JUNE 30, 1997	
	COMBINED HISTORICAL	PRO FORMA
	(IN THOUSANDS)	
Mortgage debt	$ 33,646	$ 46,733
Minority interests in Operating Partnership	--	31,656
Stockholders' equity:		
Preferred Stock, $.01 par value; 25,000 shares authorized; none issued and outstanding	--	--
Common Stock, $.01 par value; 100,000 shares authorized; 555 issued and outstanding; 10,779 issued and outstanding on a pro forma basis (1)	--	109
Additional paid-in capital	--	143,239
Owners' deficit	(6,322)	--
Total owners' (deficit)/stockholders' equity	(6,322)	143,348
Total capitalization	$ 27,324	$ 221,737

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(1) Includes 10,779,216 shares of Common Stock to be issued in the Formation Transactions and the Offering. Does not include (i) 2,383,284 shares of Common Stock that may be issued upon the exchange of Units issued in connection with the Formation Transactions beginning two years following the completion of the Offering (or earlier in certain circumstances), (ii) 660,000 shares of Common Stock subject to options being granted concurrently with the Offering under the Company's stock option plan or (iii) 1,515,000 shares of Common Stock that are issuable upon exercise of the Underwriters' over-allotment option.

At June 30, 1997, the Company had a deficiency in net tangible book value attributable to continuing investors of approximately $7.9 million. After giving effect to (i) the sale of the shares of Common Stock offered hereby (at an assumed initial public offering price of $20.00 per share) and the receipt by the Company of approximately $183.7 million in net proceeds from the Offering, after deducting the Underwriters' discounts and commissions, the financial advisory fee payable to Lehman and other estimated expenses of the Offering, (ii) the repayment of approximately $82.3 million of mortgage indebtedness secured by certain of the Properties and the LBHI Loan, and (iii) the other Formation Transactions, the pro forma net tangible book value at June 30, 1997 would have been approximately $140 million, or $12.98 per share of Common Stock. This amount represents an immediate increase in net tangible book value of $17.17 per share to the continuing investors and an immediate and substantial dilution in pro forma net tangible book value of $7.02 per share of Common Stock to new investors. The following table illustrates this dilution:

Assumed initial public offering price per share.....		$ 20.00
Deficiency in net tangible book value per share prior to the Offering attributable to continuing investors (1)....	$ (4.19)	
Increase in net tangible book value per share attributable to the Offering (2).....	17.17	
Pro forma net tangible book value after the Offering (3)...		12.98
Dilution in net tangible book value per share of Common Stock to new investors (4).....		$ 7.02

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(1) Deficiency in net tangible book value per share prior to the Offering attributable to continuing investors is determined by dividing net tangible book value of the Company attributable to continuing investors (based on the June 30, 1997 net book value of the tangible assets (consisting of total assets less intangible assets consisting of deferred lease fees and loan costs and after the Formation Transactions, net of liabilities to be assumed) by the sum of the number of shares of Common Stock (i) issued and outstanding and (ii) issuable (upon the exchange of all Units to be issued) to continuing investors in the Formation Transactions.

(2) Based on an assumed initial public offering price of $20.00 per share and after deducting Underwriters' discounts and commissions and estimated expenses of the Offering and the Formation Transactions.

(3) Based on total pro forma net tangible book value of $140 million divided by the total number of shares of Common Stock outstanding after the completion of the Offering (10,779,216 shares), and excluding shares that may be issuable upon exercise of stock options. There is no impact on dilution attributable to the issuance of Common Stock in exchange for Units to be issued to the continuing investors in the Formation Transactions because such Units would be exchanged for Common Stock on a one-for-one basis.

(4) Dilution is determined by subtracting net tangible book value per share of Common Stock after the Offering from an assumed initial public offering price of $20.00.

The following table summarizes, on a pro forma basis giving effect to the Offering and the Formation Transactions, the number of shares of Common Stock to be sold by the Company in the Offering and the number of shares of Common Stock and Units to be issued to the continuing investors in the Formation Transactions, the deficiency in the net tangible book value as of June 30, 1997 of the assets contributed by

the continuing investors in the Formation Transactions and the net tangible book value of the average contribution per share based on total contributions.

	COMMON STOCK/ UNITS ISSUED		CASH/ BOOK VALUE OF CONTRIBUTIONS		PURCHASE PRICE(1) BOOK VALUE OF AVERAGE CONTRIBUTION
	SHARES/ UNITS	PERCENT	$	PERCENT	PER SHARE/UNIT
			(IN THOUSANDS EXCEPT PERCENTAGES)		
New investors in the Offering	10,100	77%	$ 183,711	108%	$ 20.00(1)
Common Stock issued to continuing investors	679	5%	(2,846)	(2)%	$ (4.19)
Units issued to continuing investors	2,383	18%	(9,988)	(6)%	$ (4.19)
Total	13,162	100%	$ 170,877	100%	

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(1) Before deducting Underwriters' discounts and commissions, the financial advisory fee payable to Lehman and other estimated expenses of the Offering and the Formation Transactions.

(2) Based on the June 30, 1997 net book value of the assets, less net book value of deferred financing and leasing cost to be contributed in connection with the Formation Transactions, net of liabilities to be assumed.

SELECTED FINANCIAL INFORMATION

The following table sets forth summary selected financial and operating information on a pro forma basis for the Company, and on a historical combined basis for the SL Green Predecessor (as defined below), and should be read in conjunction with all of the financial statements and notes thereto included in this Prospectus. The combined historical balance sheet information as of December 31, 1996 and 1995 and statements of income for the years ended December 31, 1996, 1995, and 1994 of the SL Green Predecessor have been derived from the historical combined financial statements audited by Ernst & Young LLP, independent auditors, whose report with respect thereto is included elsewhere in this Prospectus. The operating data for the six months ended June 30, 1997 and 1996 and the years ended December 31, 1993 and 1992 have been derived from the unaudited combined financial statements of the SL Green Predecessor. In the opinion of management of the SL Green Predecessor, the operating data for the six months ended June 30, 1997 and 1996 and the years ended December 31, 1993 and 1992 include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information set forth therein. The results of operations for the interim periods ended June 30, 1997 and 1996 are not necessarily indicative of the results to be obtained for the full fiscal year.

Historical operating results may not be comparable to future operating results. In addition, the Company believes that the book value of the Properties, which reflects historical costs of such real estate assets less accumulated depreciation, is not indicative of the fair value of the Properties.

The "SL Green Predecessors" consists of 100% of the net assets and results of operations of two Properties, 1414 Avenue of the Americas and 70 West 36th Street, equity interests in four other Properties, 673 First Avenue, 470 Park Avenue South, 29 West 35th Street and the Bar Building (which interests are accounted for under the equity method) and 100% of the net assets and results of operations of the Service Corporations.

The unaudited pro forma financial and operating information for the Company as of and for the six months ended June 30, 1997 and the year ended December 31, 1996 assumes completion of the Offering and the Formation Transactions as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. The pro forma financial information is not necessarily indicative of what the actual financial position and results of operations of the Company would have been as of and for the period indicated, nor does it purport to represent the Company's future financial position and results of operations.

THE COMPANY (PRO FORMA) AND THE SL GREEN PREDECESSOR (HISTORICAL)
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

	SIX MONTHS ENDED JUNE 30,			YEAR ENDED DECEMBER 31,			
					HISTORICAL		
					1996	1995	1994
	PRO FORMA 1997	1997)	1996	PRO FORMA 1996			
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)			
OPERATING DATA:							
Total revenue	$ 28,936	$ 7,334	$ 4,098	$ 53,189	$ 10,182	$ 6,564	$ 6,600
Property operating expense	7,649	1,625	1,230	16,224	3,197	2,505	2,009
Real estate taxes	4,078	482	232	8,248	703	496	543
Interest	2,986	713	442	5,858	1,357	1,212	1,555
Depreciation and amortization	3,630	599	406	6,979	975	775	931
Marketing, general and administration	1,428	1,835	2,029	2,643	3,250	3,052	2,351
Total expenses	19,771	5,254	4,339	39,952	9,482	8,040	7,389
Operating income (loss)	9,165	2,080	(241)	13,237	700	(1,476)	(789)
Equity in net income (loss) of uncombined joint ventures	--	(564)	(817)	(504)	(1,408)	(1,914)	(1,423)
Income (loss) before extraordinary item and minority interest	9,165	1,516	(1,058)	12,733	(708)	(3,390)	(2,212)
Minority interest	(1,659)	--	--	(2,305)	--	--	--
Income (loss) before extraordinary item	$ 7,506	$ 1,516	$ (1,058)	$ 10,428	$ (708)	$ (3,390)	$ (2,212)
Income before extraordinary item per share	$ 0.70			$ 0.97			

	1993	1992
	(UNAUDITED)	(UNAUDITED)
OPERATING DATA:		
Total revenue	$ 5,926	$ 5,516
Property operating expense	1,741	1,431
Real estate taxes	592	676
Interest	1,445	1,440
Depreciation and amortization	850	773
Marketing, general and administration	1,790	1,531
Total expenses	6,418	5,851
Operating income (loss)	(492)	(335)
Equity in net income (loss) of uncombined joint ventures	88	(2,227)
Income (loss) before extraordinary item and minority interest	(404)	(2,562)
Minority interest	--	--
Income (loss) before extraordinary item	$ (404)	$ (2,562)
Income before extraordinary item per share		

AS OF JUNE 30, 1997 AS OF DECEMBER 31,

	PRO FORMA	HISTORICAL	HISTORICAL			
	(UNAUDITED)	(UNAUDITED)	1996	1995	1994	1993 (UNAUDITED)
BALANCE SHEET DATA:						
Commercial real estate, before accumulated depreciation	$ 246,861	$ 43,733	$ 26,284	$ 15,559	$ 15,761	$ 15,352
Total assets	259,255	49,592	30,072	16,084	15,098	16,218
Mortgages and notes payable	46,733	33,646	16,610	12,700	12,699	12,699
Accrued interest payable	97	109	90	2,894	12,699	1,576
Minority interest	31,656	0	0	0	0	0
Owners' equity (deficit)	143,348	(6,322)	(8,405)	(18,848)	(15,520)	(13,486)
OTHER DATA:						
Funds from operations	12,702	--	--	--	--	--
Net cash provided by (used in) operating activities	--	1,140	272	(234)	939	--
Net cash provided by (used in) financing activities	--	(425)	11,960	63	178	--
Net cash (used in) investing activities	--	(145)	(12,375)	(432)	(567)	

	1992 (UNAUDITED)
BALANCE SHEET DATA:	
Commercial real estate, before accumulated depreciation	$ 16,080
Total assets	15,645
Mortgages and notes payable	9,500
Accrued interest payable	4,757
Minority interest	0
Owners' equity (deficit)	(8,449)
OTHER DATA:	
Funds from operations	--
Net cash provided by (used in) operating activities	--
Net cash provided by (used in) financing activities	--
Net cash (used in) investing activities	--

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(1) The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. For a reconciliation of net income and Funds from Operations, see "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

The following discussion should be read in conjunction with the Selected Financial Information, the Historical Combined Financial Statements and the Pro Forma Combined Balance Sheet and Pro Forma Combined Statements of Income of the Company contained in this Prospectus.

The Combined Financial Statements of the SL Green Predecessor include 100% of the net assets and results of operations of two Properties, 1414 Avenue of the Americas and 70 West 36th Street, equity interests in four other properties, 673 First Avenue, 470 Park Avenue South, 29 West 35th Street and the Bar Building (which interests are accounted for under the equity method) and 100% of the net assets and results of operations of the Service Corporations.

Due to the size of the Company's Core Portfolio (six properties), the inclusion of additional properties during any period can result in significant increases in total revenue and other financial data over prior periods. For the foregoing reason, the Company does not believe its year to year and quarter to quarter financial data are comparable, and that percentage growth may not be maintained at the current rate.

RESULTS OF OPERATIONS

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1997 TO SIX MONTHS ENDED JUNE 30, 1996

Rental revenue increased $1,485,000 or 112.9%, to $2,800,000 from $1,315,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The increase was due primarily to the acquisition of 1414 Avenue of the Americas during July 1996 which had rental revenue of $1,555,000, partially offset by a decrease in rental revenue of $70,000 at 70 West 36th Street, due to a temporary decrease in occupancy and the free rent associated with re-leasing those spaces.

Escalations and reimbursement revenues increased $171,000, or 60.0%, to $456,000 from $285,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The acquisition of 1414 Avenue of the Americas, accounted for an increase of $265,000 offset by a decrease of $94,000 at 70 West 36th Street due to reduced porter wage escalations revenue. New leases with more current base years utilized to calculate the escalations account for the decreased escalation revenue.

Management revenues decreased $97,000, or 9.1% to $966,000 from $1,063,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. A building managed for a third party was sold at the end of 1996 and the management agreement was terminated resulting in this decrease.

Leasing commission revenues increased $1,806,000, or 140.9%, to $3,088,000 from $1,282,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996 due to the addition of several buildings under service contracts and intensified efforts to perform leasing services for unaffiliated third parties.

Construction revenue decreased by $31,000, or 79.5% to $8,000 from $39,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. Overall construction revenue remained constant but a larger amount related to property-owning partnerships in the six months ended June 30, 1997 and was eliminated pursuant to the equity method of accounting.

Other income decreased by $98,000 or 86% to $16,000 from $114,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996 primarily due to a one-time consulting engagement in the six months ended June 30, 1996. The remaining other income consisted of interest income.

Share of net loss of uncombined joint ventures decreased $253,000, or 31.0%, to $564,000 from $817,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996 as follows:

PROPERTY	INCREASE (DECREASE)
673 First Avenue	$ (222,000)
470 Park Avenue South	(32,000)
29 West 35th Street	10,000
Bar Building	(9,000)
	$ (253,000)

The decrease in net loss for 673 First Avenue was due primarily to increased rental revenues and escalation and reimbursement revenues resulting from increased occupancy and contractual rent increases. The loss was also reduced by lower operating expenses and a reduction in real estate taxes.

The decrease in net loss for 470 Park Avenue South was due primarily to higher contractual rents and lower operating expenses, offset by reduced porter wage escalation revenue as a result of new leases with more current base years, utilized in the calculation of the escalation.

The decrease in net income of uncombined joint ventures for 29 West 35th Street was due primarily to reduced porter wage escalation revenue as a result of new leases with more current base years utilized in the calculation of the escalation, and by higher operating expenses.

The increase in net income for the Bar Building was due to the acquisition of the Property during September 1996.

Operating expenses increased $395,000, or 32.1%, to $1,625,000 from $1,230,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The increase was comprised primarily of the inclusion of 1414 Avenue of the Americas which was acquired during July 1996 ($506,000), offset by lower expenses at 70 West 36th Street.

Interest expense increased $271,000 or 61.3%, to $713,000 from $442,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The inclusion of 1414 Avenue of the Americas accounted for an increase of $460,000 offset by a decrease of $189,000 for 70 West 36th Street due to refinancing at a lower interest rate.

Depreciation and amortization increased $193,000, or 47.5%, to $599,000 from $406,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The increase was due primarily to the inclusion of 1414 Avenue of the Americas.

Real estate taxes increased $250,000, or 107.8% to $482,000 from $232,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The increase was due to the inclusion of $290,000 for 1414 Avenue of the Americas, offset by a decrease of $40,000 for 70 West 36th St.

Marketing, general and administrative expenses decreased $194,000, or 9.6%, to $1,835,000 from $2,029,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The decrease was primarily due to reduced expenses at the corporations which provide management and leasing services, offset by increased expenses associated with the increase in leasing commission revenues.

As a result of the foregoing, net income increased $2,574,000, or 243.3%, to $1,516,000 from a loss of $1,058,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996.

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995

Rental revenue increased $1,783,000, or 73.8%, to $4,199,000 from $2,416,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. The increase was due primarily to the acquisition of 1414 Avenue of the Americas during July 1996 which had rental revenue of $1,612,000 and increased occupancy plus contractual rent increases amounting to $152,000 at 70 West 36th Street.

Escalations and reimbursement revenues increased $293,000, or 38.6%, to $1,051,000 from $758,000 for the year ended December 31, 1995. The acquisition of 1414 Avenue of the Americas accounted for an increase of $428,000 which was offset by a decrease of $166,000 at 70 West 36th Street due to reduced real estate tax escalations and porter wage escalation revenue. New leases with more current base years utilized to calculate the escalations and a reduction in real estate tax expense accounted for the decreased escalation revenue.

Management revenues remained substantially unchanged with a slight increase for the year ended December 31, 1996 compared to the year ended December 31, 1995.

Leasing commission revenues increased $1,475,000, or 164.4%, to $2,372,000 from $897,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995 due to the addition of several buildings under service contracts and intensified efforts to perform leasing services for unaffiliated third parties.

Construction revenue decreased by $132,000, or 56.7%, to $101,000 from $233,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. Overall construction revenue remained constant but a larger amount related to property-owning partnerships and was eliminated pursuant to the equity method of accounting.

Other income for the year ended December 31, 1996 was $123,000 which consisted of miscellaneous consulting fees and interest.

Share of net loss of uncombined joint ventures decreased $506,000 or 26.4% to $1,408,000 from $1,914,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995 as follows:

PROPERTY	INCREASE (DECREASE)
673 First Avenue	$ (392,000)
470 Park Avenue South	(130,000)
29 West 35th Street	22,000
Bar Building	(6,000)
	$ (506,000)

The decrease in net loss for 673 First Avenue was due primarily to lower interest expense as a result of mortgage loan principal amortization and lower amortization expense as a result of deferred leasing commissions written off during 1995 for a tenant that vacated.

The decrease in net loss for 470 Park Avenue South was due primarily to a reduction in real estate tax expense as a result of a decrease in assessed valuation.

The decrease in net income for 29 West 35th Street was due primarily to reduced rental revenue as a result of a vacancy.

The increase in net income for the Bar Building was due to the acquisition of the Property during October 1996.

Operating expenses increased $692,000, or 27.6%, to $3,197,000 from $2,505,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995 due substantially to the inclusion of 1414 Avenue of the Americas which was acquired during July 1996.

Interest expense increased $145,000 or 12.0%, to $1,357,000 from $1,212,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. The inclusion of 1414 Avenue of the Americas accounted for an increase of $445,000 which was offset by a decrease of $300,000 for 70 West 36th Street due to refinancing at a lower interest rate.

Depreciation and amortization increased $200,000, or 25.9%, to $975,000 from $775,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. The increase was due primarily to the inclusion of 1414 Avenue of the Americas.

Real estate taxes increased $207,000 or 41.7%, to $703,000 from $496,000 for the year ended December 31, 1996 compared to year ended December 31, 1995. The increase was due to the inclusion of $290,000 for 1414 Avenue of the Americas offset by a decrease of $83,000 for 70 West 36th Street which resulted from a reduction in property assessment.

Marketing, general and administrative expenses increased $198,000, or 6.5%, to $3,250,000 from $3,052,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995, due primarily to staff increases for the corporation which provided leasing services.

As a result of the foregoing, the loss before extraordinary item decreased $2,682,000, or 79.1%, to $708,000 from $3,390,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994

Rental revenue decreased by $189,000, or 7.2%, to $2,416,000 from $2,605,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994 due to several vacancies at 70 West 36th Street.

Escalation and reimbursed revenues decreased $44,000, or 5.5%, to $758,000 from $802,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994 due primarily to a decrease in electric and sundry charges at 70 West 36th Street.

Management revenues increased $301,000, or 15.4%, to $2,260,000 from $1,959,000 for the year ended December 31, 1995 as compared to the year ended December 31, 1994 due to an increase in unaffiliated third party management assignments.

Leasing commission revenue remained consistent with a slight increase for the year ended December 31, 1995 as compared to the year ended December 31, 1994.

Construction revenue decreased $111,000, or 32.3%, to $233,000 from $344,000 for the year ended December 31, 1995 as compared to the year ended December 31, 1994 due to a decrease in tenant installation work at non-affiliated third party buildings.

Share of in net loss of uncombined joint ventures increased by $491,000, or 34.5%, to $1,914,000 from $1,423,000 for the year ended December 31, 1995 as compared to the year ended December 31, 1994 as follows:

PROPERTY	INCREASE (DECREASE)
673 First Avenue	$ 399,000
470 Park Avenue South	106,000
29 West 35th Street	(14,000)
	$ 491,000

The increase in net loss for 673 First Avenue was due primarily to reduced revenue as a result of a vacancy during 1995 and the write off of related deferred leasing commissions.

The increase in net loss for 470 Park Avenue South was due primarily to increased miscellaneous income in 1994 as result of a tenant buying out of its lease.

The increase in net income for 29 West 35th Street was due primarily to reduced operating expenses.

Operating expenses increased $496,000, or 24.7%, to $2,505,000 from $2,009,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994 due primarily to staff increases in the corporations which provide management, construction and leasing services.

Interest expense decreased $343,000 or 22.1%, to $1,212,000 from $1,555,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994. The decrease was due to a loan restructuring at 70 West 36th Street.

Depreciation and amortization decreased $156,000, or 16.8%, to $775,000 from $931,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994 due to the write off of deferred leasing commissions and tenant installation work related to vacated tenants during 1994 at 70 West 36th Street.

Real estate taxes decreased $47,000, or 8.7%, to $496,000 from $543,000 for the year ended December 31, 1995 as compared to the year ended December 31, 1994 due to a decrease in assessed valuation for 70 West 36th Street.

Marketing, general and administrative expenses increased $701,000, or 29.8%, to $3,052,000 from $2,351,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994. The increase was due to additional staff and other expense increases, necessitated by increased business, for the corporations which provide management construction and leasing services.

As a result of the foregoing, net loss increased $1,178,000, or 53.3%, to $3,390,000 from $2,212,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994.

PRO FORMA OPERATING RESULTS

SIX MONTHS ENDED JUNE 30, 1997

On a pro forma basis, after giving effect to the Offering, income before minority interest would have been $9,165,000 for the six months ended June 30, 1997, representing an increase of $7,649,000 over the historical combined income before minority interest for the same period. The increase is accounted for as follows:

INCREASES TO INCOME:	
Decrease in interest expense due to mortgage loans repaid or forgiven	$2,618,000
Additional income due to the acquisition of 1372 Broadway	3,720,000
Additional income due to the acquisition of 50 West 23rd Street	1,682,000
Additional income due to the inclusion of 1140 Avenue of the Americas	910,000
Straight line rent adjustments related to the acquisition of other partners' interests	376,000
Net decrease in depreciation and amortization due to acquisition of other partners' interests acquisition of new debt and repayment or forgiveness of mortgage loans	50,000
DECREASES TO INCOME:	
Interest expense related to new mortgage loan	(539,000)
Additional general and administrative expenses associated with a public company	(828,000)
Elimination of the Service Corporations' income under the equity method of accounting	(188,000)
Other partners share of net losses for properties historically accounted for under the equity method	(127,000)
Straight line adjustment to 673 First Avenue net lease due to acquisition of non-continuing partners' interest	(25,000)
	$7,649,000

Further information regarding the effects of the Acquisition Properties on the financial position and results of operations of the Company is set forth in the historical financial statements of the Acquisition Properties and the pro forma financial statements of the Company contained in this Prospectus.

YEAR ENDED DECEMBER 31, 1996

On a pro forma basis, after giving effect to the Offering, income before minority interest would have been $12,733,000 for the year ended December 31, 1996, representing an increase of $13,441,000 over the

historical combined income before minority interest and extraordinary income on debt forgiveness for the same period. The increase is accounted for as follows:

INCREASES TO INCOME:	
Decrease in interest expense due to mortgage loans repaid or forgiven	$4,699,000
Additional income due to the acquisition of 1372 Broadway	5,544,000
Additional income due to the inclusion of 1140 Avenue of the Americas	1,693,000
Additional income due to inclusion of 50 W. 23rd St	3,054,000
Additional net income due to the inclusion of the Bar Building for the full year	1,133,000
Straight line rent adjustments related to the acquisition of other partners' interests	787,000
Net decrease in depreciation and amortization due to acquisition of other partners' interests, acquisition of new debt and repayment or forgiveness of mortgage loans	63,000
DECREASES TO INCOME:	
Interest expense related to new mortgage loans	(1,078,000)
Additional general and administrative expenses associated with a public company	(1,657,000)
Other partners' share of net losses for properties historically accounted for under the equity method	(427,000)
Elimination of the Service Corporations' income under the equity method of accounting	(270,000)
Straight line adjustment to 673 First Avenue net lease due to acquisition of non-continuing partners' interest	(100,000)
	$13,441,000

As indicated above, inclusion of the Acquisition Properties increased income, on a pro forma basis, by approximately $10,291,000, with increased interest expense on a pro forma basis associated with one Property of approximately $1,078,000. Long term debt increased by $14 million on a pro forma basis as a result of a mortgage loan on one of the Acquisition Properties. Further information regarding the effects of the Acquisition Properties on the financial position and results of operations of the Company is set forth in the historical financial statements of the Acquisition Properties and the pro forma financial statements of the Company contained in this Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

The SL Green Predecessor historically relied on fixed and floating rate mortgage financing plus the use of its capital for the acquisition, redevelopment and renovation of the Properties. The proceeds from the Offering as well as a new mortgage loan in the amount of $14 million, which will be secured by 50 West 23rd Street, will be utilized to repay existing mortgage loans, acquire properties, pay Offering and Formation Transaction expenses and provide working capital. See "Use of Proceeds" and "The Properties--Mortgage Indebtedness." The mortgage loans currently secured by the Properties, which will be consolidated in the financial statements of the Company, will be reduced from $91.4 million to $32.5 million as a result of the repayment and cancellation of certain mortgage loans. Total mortgage loans including the new mortgage loan will amount to $46.5 million as a result of the Formation Transactions. All mortgage loans encumbering the Core Portfolio have fixed interest rates ranging from 8.25% to 9.0% and it is anticipated that the new mortgage loan will also bear interest at a fixed rate. Subsequent to the Formation Transactions the mortgage loans would represent approximately 15.0% of the Company's market capitalization based on an estimated total market capitalization of $309.8 million.

The Company is currently negotiating with Lehman the terms of the Credit Facility, which the Company expects to be in place shortly after the completion of the Offering although there is no assurance that this will be the case. The Credit Facility will be utilized to facilitate acquisitions and fund associated renovations, tenant improvements and leasing commissions. After paying down mortgage debt as well as expenses of the Offering and Formation Transactions, the Company expects to have working capital of approximately $6.2 million, which will be used to fund anticipated capital improvements on the Bar Building and general corporate purposes. The Company estimates that for the 12 months ending June 30, 1998, it will incur approximately $4.46 million of expenses attributable to non-incremental revenue generating capital expenditures which includes $2.18 million for the Acquisition Properties, $1.04 million for the Bar Building and $1.24 million for the balance of the Core Portfolio.

The Company expects to make distributions to its stockholders primarily based on its distributions received from the Operating Partnership or, if necessary, from working capital or borrowings. The Operating Partnership income will be derived primarily from lease revenue from the Properties and, to a limited extent, from fees generated by the Service Corporations.

Future property acquisitions may require substantial capital leasing of a property. The Company expects that a portion of such costs will be funded from draws under the Credit Facility, to the extent the Credit Facility is obtained, from additional borrowings secured by the target property and from future issuances of equity and debt. The Company believes that it will have sufficient capital resources to satisfy its obligations during the 12 month period following completion of the Offering. Thereafter, the Company expects that capital needs will be met through a combination of net cash provided by operations, borrowings and additional equity issuances.

CASH FLOWS

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1997 TO SIX MONTHS ENDED JUNE 30, 1996

Net cash provided by operating activities increased $1,085,000 to $1,140,000 from $55,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The increase was due primarily to the acquisition of 1414 Avenue of the Americas and an increase in leasing commission income. Net cash used in investing activities decreased $503,000 to $(145,000) from $(648,000) for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The decrease was due primarily to a decrease in net cash contributions to the partnerships that own 29 West 35th Street and 470 Park Avenue South. Net cash used in financing activities increased $708,000 to $(425,000) from $283,000 for the six months ended June 30, 1997 compared to the six months ended June 30, 1996. The increase was due primarily to the refinancing of the mortgage on 70 West 36th Street, and an increase in distributions of approximately $111,000 to entities owned by Stephen L. Green and a reduction of contributions from owners.

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995.

Net cash provided by operating activities increased $506,000 to $272,000 from a deficit of $234,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. The increase was due primarily to the acquisition of 1414 Avenue of the Americas, an increase in leasing commission income. Net cash used in investing activities increased $11,943,000 to $12,375,000 from $432,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. The increase was due primarily to the acquisition of 1414 Avenue of the Americas plus contributions to the partnerships that own 470 Park Avenue South and the Bar Building. Net cash provided by financing activities increased $11,897,000 to $11,960,000 from $63,000 for the year ended December 31, 1996 compared to the year ended December 31, 1995. The increase was due primarily to the financing of the acquisition of 1414 Avenue of the Americas, the refinancing of the mortgage on 70 West 36th Street and net cash contribution from owners.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994.

Net cash used in operating activities increased by $1,173,000 to a deficit of $234,000 from a positive cash flow of $939,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994. The increase was due primarily to operating expense increases related to the corporations which provide management leasing and construction services and additional marketing, general and administrative expenses for the corporations which provide management leasing and construction services. Net cash used in investing activities decreased $135,000 to $432,000 from $567,000 for the year ended December 31, 1995 compared to the year ended December 31, 1994. The decrease was due primarily to reduced investments in building improvements and reduced contributions to investee partnerships. Cash provided by financing activities decreased $115,000 to $63,000 from $178,000 due to reduced contributions from owners.

FUNDS FROM OPERATIONS

The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.

On a pro forma basis after giving effect to the Offering, Funds from Operations for the six months ended June 30, 1997 and for the year ended December 31, 1996, respectively, are as follows:

	PRO FORMA	
	SIX MONTHS ENDED JUNE 30, 1997	YEAR ENDED DECEMBER 31, 1996
Net income before minority interest and extraordinary item.....	$ 9,165	$ 12,733
Add:		
Depreciation and amortization.....	3,630	6,979
Amortization of deferred financing costs and depreciation of non-rental real estate assets.....	(93)	(149)
Funds from Operations.....	$ 12,702	$ 19,563

INFLATION

Substantially all of the office leases provide for separate real estate tax and operating expense escalations over a base amount. In addition, many of the leases provide for fixed base rent increases or indexed escalations. The Company believes that inflationary increases may be at least partially offset by the contractual rent increases described above.

MARKET OVERVIEW

UNLESS INDICATED OTHERWISE, INFORMATION CONTAINED HEREIN CONCERNING THE NEW YORK METROPOLITAN ECONOMY AND THE MANHATTAN OFFICE MARKET IS DERIVED FROM THE ROSEN MARKET STUDY.

The Company believes that the strength of the New York metropolitan economy and the current supply/demand fundamentals in the Manhattan office market provide an attractive environment for acquiring, owning and operating Class B office properties.

NEW YORK ECONOMY

New York City is a leading international city with a large, dynamic and diverse economy. According to the U.S. Bureau of Economic Analysis, as of July 1994, the economy of the New York consolidated metropolitan statistical area ("CMSA") was larger than the economies of the next two largest U.S. CMSAs combined (Los Angeles and Chicago), and larger than the economy of any individual state except California, based on aggregate personal income (which the Company believes is a good proxy for overall economic output). Strong growth of the national economy has benefited New York City, causing the New York metropolitan area (including Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland and Westchester counties) economy to improve significantly in recent years. Private sector employment gained an average of approximately 44,000 jobs per year between 1994 and 1996 for an average annual growth rate of 1.4%; between May of 1996 and 1997, private sector employment growth was an even stronger 1.7%, which is the strongest growth rate in more than ten years. In July of 1996, Inc. magazine named New York City as the "Best Place to Do Business," stating that urban, compact areas promote interaction among companies, suppliers and customers.

With its unique appeal, New York City is headquarters to many of the leading corporations and service firms in the U.S., including:

- more Fortune 500 companies (47) than any other U.S. city;
- three of the four largest U.S. commercial banks (400 international banks have offices in New York City--more than any other city in the world);
- 23 of the 25 largest U.S. securities firms;
- four of the 10 largest U.S. money managers;
- 27 of the 100 largest U.S. law firms (64 of the 100 largest U.S. law firms have offices in New York City);
- four of the "Big Six" accounting firms; and
- four of the largest U.S. entertainment/media conglomerates.

New York is also a world leader in the advertising industry and contains a large base of nonprofit organizations. It also has the largest consulate community in the world, contributing to its position as an international center of business and politics.

In addition to its diverse base of large businesses, Manhattan also has a large base of small companies. The New York City Office of the Comptroller reports that small businesses (which are defined as businesses with fewer than 500 employees) comprise approximately 99.7% of all businesses in New York City and employ approximately 70.7% of the private-sector work force. In the three years between 1994 and 1996, during which period some 132,000 private sector jobs were added in the New York metropolitan area (an average of approximately 44,000 each year), the percentage of jobs added from small business has grown increasingly more significant, especially in New York City, where small businesses added approximately 69,000 jobs during 1994 and 1995 and approximately 22,000 jobs between the third quarters of 1995 and 1996.

The single fastest-growing employment sector in the New York metropolitan economy is the services sector, which grew at a rate of 3.0% during the year ended in May of 1997. With more than 1.4 million jobs, the services sector currently represents 37% of the New York metropolitan area's total employment base and 44% of its private sector employment base. Important components of the services sector are business services, legal services, engineering and management services and membership organizations (including approximately 20,000 nonprofit organizations which are based in New York City). One of the largest components of the services industry is business services, which supplied approximately 290,000 jobs as of May 1997, representing 20% of total services employment. Between 1992 and 1996, growth in business services employment averaged 4% per year, and between May 1996 and May 1997, business services employment grew 6.6%. Fueling the growth in the business services sector are the advertising industry, audio recording, software industries and agencies providing temporary workers. One very active sector of business services is the new media industry that is centered south of 41st Street in what is known as midtown south's "Silicon Alley." The companies that work in this industry include entertainment software, online/Internet services, CD-ROM title developers, and web site designers. Roughly 1,250 firms in Manhattan belong to the new media industry, and employment growth in this sector is estimated to be 30% per year through 1998.

The trade sector is the second largest and fastest growing part of the metropolitan economy, with an employment gain of 6,300 jobs during the 12 months ended May 31, 1997, representing a 0.9% annual growth rate. Approximately 68% of the metropolitan area's trade jobs are in the retail sector, where growth was an even stronger 1.5% during the same period. The retail industry has benefited from improved city services, reduced crime and an increase in the number of visitors and their spending volume.

Part of New York City's appeal to employers is a highly educated work-force. Over 40% of New York County's residents over the age of 25 have received a college degree and nearly half of those residents have received a graduate or professional degree, rates that are well above the national average. In addition, with a population of approximately 7.4 million, including approximately 169,000 households that have an annual income in excess of $150,000, New York City also provides a large base of potential consumers with significant disposable income, which is of particular appeal to businesses providing goods and services. Increased spending by local residents combined with a higher level of visitor spending caused retail sales growth in New York City to average 3.2% annually during the period January 1, 1994 to December 31, 1996.

New York City is an international financial and cultural capital that, in addition to housing the United Nations and numerous foreign missions, attracts tourism, is a center for international investment and a favored North American base for many multinational corporations headquartered overseas. The lower cost of office rents when compared internationally with other major cities is a competitive advantage in attracting such overseas companies to New York City. Midtown Manhattan ranks 13th among major business centers around the world in terms of office rental rates, after such cities as Tokyo, London, Paris, Hong Kong and Singapore, while downtown Manhattan ranked 37th.

New York City is the consummate "24-hour city," featuring a wide variety of restaurants, entertainment and cultural offerings, such as Broadway theater and productions at Carnegie Hall and Lincoln Center. In addition, many of the world's finest museums, including The Metropolitan Museum of Art, The Museum of Modern Art, The Guggenheim Museum, The Whitney Museum and The Museum of Natural History, are located in New York City. New York City is also home to major educational institutions, including Columbia University, Fordham University, New York University and Rockefeller University.

The quality of life in New York City also has improved with the implementation of various public/ private ventures and government initiatives. For example, Business Improvement Districts ("BIDs"), which are public/private ventures that provide security, sanitation and other services within their boundaries, operate in the Grand Central Station, Penn Station and Times Square areas and in thirty-three additional areas within New York City. In addition, crime in New York City has declined. Preliminary estimates for

1996 show that New York City ranked 159th out of the 198 largest U.S. cities in terms of total crimes, lower than such cities as Atlanta (1), Miami (8), Phoenix (42), Milwaukee (83) and Philadelphia (114). According to the New York City Police Department, New York City's crime rate decreased 16% during 1996, and the seven felony categories have declined a cumulative 39% since 1993 (a greater decrease than any other large U.S. city during the last three years).

The New York City government is "reinventing" itself in an effort to streamline its operations and attract and retain businesses. For example, the New York Economic Development Council has been actively involved in encouraging businesses to remain in New York City. New York City also has recently reduced or eliminated numerous taxes, including the real property transfer tax, the unincorporated businesses tax, the commercial rent tax, the hotel occupancy tax and the sidewalk vault tax. New York City also was influential in eliminating the New York State real property gains tax. Even with the reduction or elimination of numerous taxes, New York City has announced a budget surplus for its fiscal year ended June 30, 1997 of approximately $856 million, as a result of savings in operating expenses and improvements in the New York City economy.

With its dynamic and diverse base of businesses, New York City is poised to continue its course of steady growth and economic improvement. Private sector job creation in the New York metropolitan area is anticipated to continue at an average rate of 1.4% per annum, or approximately 33,000 private sector jobs per annum through 1998, and continue to increase at approximately 0.9% annually through 2001.

MANHATTAN OFFICE MARKET

OVERVIEW. The Company believes that current supply/demand fundamentals in the Manhattan office market provide an attractive environment for acquiring, owning and operating Class B Manhattan office properties. Specifically, the Midtown Markets have the following favorable characteristics: (i) the Class A and Class B sectors of the Midtown Markets, collectively, have experienced four consecutive years of positive net absorption and declining vacancy rates; (ii) there have been virtually no new additions to supply in the Midtown Markets since 1992; and (iii) significant new office development is unlikely at the current time because there are relatively few sites available for construction, the lead time required for construction typically exceeds three years and new construction generally is not economically feasible given current market rental rates.

The Manhattan office market consists primarily of midtown, midtown south and downtown submarkets. According to Rosen Consulting Group, midtown extends from the north side of 32nd Street to 62nd Street; midtown south is defined as Canal Street to the south side of 32nd Street; and downtown is defined as Battery to Canal Street. In each case the submarkets are defined from the East River on the east to the Hudson River on the west. As referred to herein, the Midtown Markets collectively consist of midtown and midtown south.

SIZE OF MARKET. The Manhattan office market, with an overall stock of approximately 378 million square feet, is the largest office market in the U.S and is larger than the next six largest U.S. central business district office markets combined (Chicago, Washington, D.C., Boston, San Francisco, Philadelphia and Los Angeles). The following chart sets forth the size of the Manhattan office market and the size of certain other U.S. office markets, as of December 31, 1996:

1996 COMPARATIVE OFFICE STOCK

RANK	METROPOLITAN STATISTICAL AREA	STOCK SQUARE FEET (000S)
1.....	New York, NY (includes all of Manhattan)	378,313
2.....	Chicago, IL	118,820
3.....	Washington, DC	78,801
4.....	Boston, MA	47,390
5.....	San Francisco, CA	39,940
6.....	Philadelphia, PA-NJ	38,525
7.....	Los Angeles-Long Beach, CA	36,563
8.....	Houston, TX	36,410
9.....	Dallas, TX	30,580
10.....	Pittsburgh, PA	29,390

Within Manhattan, 46% of the office space is classified as Class B space; almost half of the Class B space is located in midtown, and approximately one-fourth of the Class B space is located in each of midtown south and downtown. The following table sets forth the relative sizes of the Class A and Class B office markets and the rents and vacancy rates as of May 31, 1997 existing in such markets:

MANHATTAN OFFICE MARKET OVERVIEW

	% OF CLASS A AND CLASS B STOCK		2ND QUARTER 1997 VACANCY RATE		2ND QUARTER 1997 RENT/SQUARE FEET	
	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B
Midtown Markets (1).....	70.2%	73.9%	10.1%	11.3%	$ 37.42	$ 24.44
Midtown.....	67.9%	48.3%	10.0%	11.4%	$ 37.88	$ 26.57
Midtown South.....	2.4%	25.7%	13.3%	11.2%	$ 27.40	$ 20.35
Downtown.....	29.8%	26.1%	13.5%	18.8%	$ 28.19	$ 22.42
Total.....	54.3%(2)	45.7%(2)	11.1%	13.3%	$ 34.08	$ 23.70

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(1) Consists of midtown and midtown south submarkets.

(2) Represents proportion of total Class A stock and Class B stock in the Manhattan office market.

HISTORICAL PERSPECTIVE. The Midtown Markets experienced rapid growth both in demand for, and supply of, office space during the 1980s. A wave of new construction peaked in the late 1980s and, between 1985 and 1992, 39 buildings containing approximately 20.3 million square feet of space were built. However, since 1992, there has been very little new construction in the Midtown Markets.

NEW CONTRUCTION OF OFFICE SPACE

MIDTOWN MARKETS

Source: Real Estate Board of New York (historical); Rosen Consulting Group (projections).

In the late 1980s and early 1990s, as much of the new supply of office space was being delivered, the demand for space in the Midtown Markets fell off abruptly as a result of the general downturn in the economy and subsequent corporate downsizings. As a result of the increase in inventory and the significant decrease in employment in Manhattan, Class A vacancy rates in the Midtown Markets increased into the double digits, reaching 17.8% in 1991 and Class B vacancy rates in the Midtown Markets increased to 17.3% in 1992.

In the early 1990s, however, conditions began to improve in the Midtown Markets, as a result of the following factors: new jobs were created as the national and New York metropolitan economies recovered from their downturns; existing midtown Manhattan businesses expanded, resulting in an increased need for office space.

LIMITED SUPPLY OF NEW OFFICE SPACE. The Company expects the supply of office space in the Midtown Markets to remain relatively stable for the foreseeable future because there are relatively few sites available for construction, the lead time required for construction typically exceeds three years and new construction generally is not economically feasible at current market rental rates. Virtually no new construction of office space in the Midtown Markets is anticipated in the near term, except one major Class A development, containing approximately 1.5 million square feet, scheduled to be completed in 1999, which has substantial grandfathered tax benefits. (The Company does not believe that this property will have a material impact on the market because it represents less than 1% of the total Class A midtown office space and is already substantially preleased to two tenants.) In the absence of tax incentives, the Company believes that rents generally would have to increase significantly to justify the cost of new construction. Assuming development costs of approximately $358 per square foot (as estimated by Rosen

Consulting Group), a market base rent in excess of $55 per square foot would be needed to make construction economically viable. This suggests that, in order to justify new construction, market base rents (not taking into account any tax benefits that may apply) generally would have to increase to at least 47% more than current asking rents for Class A office space in midtown Manhattan (as estimated by Rosen Consulting Group).

INCREASING DEMAND FOR OFFICE SPACE IN THE MIDTOWN MARKETS. In addition, net absorption as calculated by Rosen Consulting Group ("Net Absorption") of Class B office space in the Midtown Markets has been positive since 1992 and surged in 1994, 1995 and 1996, reaching 3.0 million, 1.5 million and 1.7 million square feet, respectively. Net Absorption in the Midtown Markets is forecasted to reach almost 2.3 million square feet for 1997. An average of 30,200 office space-consuming jobs are projected to be created annually from 1997 until 2001, leading to an estimated average annual Net Absorption of Class B office space in the Midtown Markets of 1.5 million square feet in 1998 and 1999.

NET ABSORPTION OF CLASS B OFFICE SPACE

MIDTOWN MARKETS

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

	SQUARE FEET (MILLIONS)
1993	1.1
1994	3
1995	1.5
1996	1.7
1997 proj.	2.3
1998 proj.	1.7
1999 proj.	1.3
2000 proj.	1

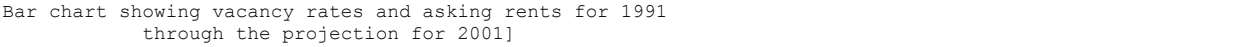
As a result of sustained positive Net Absorption coupled with virtually no new construction since 1992, the Class A office vacancy rate in the Midtown Markets had fallen to 10.1% as of June 30, 1997 from its 1990s high of 17.8% in 1991 and the Class B office vacancy rate in the Midtown Markets had fallen to 11.3% from its 1990s high of 17.3% in 1992. As a result of the projected economic strength and private sector job growth, combined with a lack of projected new construction through 1998, Rosen Consulting Group projects that the Class A vacancy rate in the Midtown Markets will fall to 7.6% in 1998 and further to 5.9% in 2001; similarly, Rosen Consulting Group projects that the Class B vacancy rate in the Midtown Markets will fall to 8.4% in 1998 and further to 5.7% in 2001. The Company believes the demand for Class B space will increase as a result of the expectation of the following factors: (i) growth in the office space demands of small businesses, which generally choose to locate in office space with lower occupancy costs, (ii) the continued desire of larger corporations to reduce office occupancy costs and (iii) growth in key office-consuming sectors such as finance, securities, legal services and accounting which would reduce the availability of Class A office space.

The following chart shows the history and projections of vacancy rates and asking rents for Class B office space in the Midtown Markets. According to Rosen Consulting Group, rent growth is inversely related to vacancy rates. When market conditions tighten and the market vacancy rate falls below the optimal vacancy rate, rent growth accelerates. The optimal vacancy rate is the vacancy rate at which neither excess supply nor excess demand exists, and it is determined by examining the historical relationship between vacancy rates and rent growth. As shown in the chart below, the Class B vacancy rate in the Midtown Markets rose to its highest level in 1992, at which time average asking rents continued to decline to their lowest levels in 1993. Since 1992, the Class B vacancy rate has decreased, and as the actual vacancy rate has approached the optimal vacancy rate, average asking rents stabilized and began to rise in 1995.

The chart further shows that as vacancy rates decline below the optimal rate of 10% (as is projected to occur over the next four years), projected asking rents begin to increase at an accelerated rate over current levels. In light of the supply and demand fundamentals outlined above and the estimate of Class A base rental rates required to justify new office construction (in excess of $55 per square foot), the Company believes the estimate in the chart below of Class B asking rents in the $30 per square foot range at a projected vacancy level of 6% to be reasonable. However, conditions in the Midtown Markets are subject to change and there can be no assurance that any projections will approximate actual results. See "Risk Factors--The Company's Dependence on the Midtown Markets Due to Limited Geographic Diversification Could Adversely Affect the Company's Financial Performance."

OFFICE VACANCY RATES AND ASKING RENTS

MIDTOWN MARKETS CLASS B



POSITIVE OUTLOOK FOR EFFECTIVE RENTAL RATES. As discussed above, the Company anticipates continued growth in the demand for Class A and Class B office space in the Midtown Markets and relatively little new supply of such space being delivered over the next several years. Accordingly, the Company believes that vacancy rates among Class A and Class B properties in the Midtown Markets should continue to decrease, which the Company believes should result in increased rental rates and decreased re-leasing

costs in well-managed, well-located Class A and Class B office properties. However, there can be no assurance that any of these expectations will be met.

DOWNTOWN SUBMARKET. The downtown submarket of the Manhattan office market, where the Option Property is located, has been the subject of significant revitalization efforts in recent years. The Downtown Commercial Revitalization Program offers a mix of commercial rent tax, real estate tax and energy expense relief to tenants who sign new or renew leases in buildings constructed before 1975. These efforts appear to be yielding results, as the vacancy rate for downtown Class B office space had declined to 18.8% as of June 30, 1997 from its 1990s high of 21.3% at the end of 1995 (although such rate represents an increase from the vacancy rate of 17.8% at the end of 1996). In addition, average asking rents per square foot for Class B office space in the downtown submarket rose to $22.42 as of June 30, 1997 from its 1990s low of $21.53 at the end of 1995. Rosen Consulting Group projects the vacancy rate for downtown Class B office space to decrease to 14.7% by the end of 1998 and to continue to decline to below 12% by the end of 2001. In addition, Rosen Consulting Group estimates that average asking rents per square foot for Class B office space in the downtown submarket will increase to $23.15 by the end of 1998 and continue rising to $26.56 by the end of 2001.

THE PORTFOLIO

GENERAL. Upon the completion of the Offering, the Company will own or have contracted to acquire interests in nine Class B office Properties located in midtown Manhattan which contain approximately 2.2 million rentable square feet. Of these Properties, six office properties encompassing 1.2 million rentable square feet are currently owned and managed by SL Green and three office properties encompassing approximately 1.0 million rentable square feet will be acquired on or after completion of the Offering. See "Structure and Formation of the Company--Formation Transactions." Upon completion of the Offering, the Company will effectively own 100% of the economic interest in each of the Properties. Certain of the Properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. One Property (673 First Avenue) includes an underground parking garage. The Company believes that each of the Properties is adequately covered by property and liability insurance. In addition, upon completion of the Offering, the Company will own options to acquire interests in 110 East 42nd Street, an office building containing approximately 250,000 rentable square feet in midtown Manhattan and 17 Battery Place, a property containing approximately 800,000 rentable square feet of office space in downtown Manhattan. See "--The Option Properties" below.

As noted above under "Market Overview," the Manhattan office market is predominantly segregated into two distinct categories: Class A and Class B. The Class B category generally includes office properties that are more than 25 years old, in good physical condition, attract high-quality tenants and are situated in desirable locations in Manhattan. Class B properties can be distinguished from Class A properties in that Class A properties are generally newer properties with higher finishes and obtain the highest rental rates in their markets.

The following table sets forth certain information with respect to each of the Properties as of June 30, 1997:

	YEAR BUILT/ RENOVATED	SUBMARKET	APPROXIMATE RENTABLE SQUARE FEET	PERCENTAGE OF PORTFOLIO RENTABLE SQUARE FEET	PERCENT LEASED	ANNUALIZED RENT(1)	PERCENTAGE OF PORTFOLIO ANNUALIZED RENT	NUMBER OF LEASES
CORE PORTFOLIO								
673 First Avenue	1928/1990	Grand Central South	422,000	19.0%	100%	$10,837,482	22.1%	15
470 Park Avenue South(4)	1912/1994	Park Avenue South/Flatiron	260,000(4)	11.7	99	5,853,720	12.0	27
Bar Building (5)	1922/1985	Rockefeller Center	165,000(5)	7.4	89(5)	4,139,704	8.5	58
70 W. 36th Street	1923/1994	Garment	151,000	6.8	98	2,795,986	5.7	38
1414 Avenue of the Americas	1923/1990	Rockefeller Center	111,000	5.0	98	3,370,001	6.9	31
29 W. 35th Street	1911/1985	Garment	78,000	3.5	92	1,393,135	2.8	8
			1,187,000	53.5	97	28,390,028	58.0	177
ACQUISITION PROPERTIES								
1372 Broadway	1914/1985	Garment	508,000	22.9	84	9,631,140	19.7	32
1140 Avenue of the Americas	1926/1951	Rockefeller Center	191,000	8.6	98	4,917,520	10.0	39
50 W. 23rd Street	1892/1992	Chelsea	333,000	15.0	91	5,995,608	12.3	16
Total/Weighted Average			2,219,000(6)	100.0%	94%	$48,934,296	100.0%	264

	ANNUALIZED RENT PER LEASED SQUARE FOOT(2)	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT(3)
CORE PORTFOLIO		
673 First	$ 25.68	$ 21.79

Avenue.....		
470 Park Avenue South(4).....	22.66	19.43
Bar Building (5).....	28.33	24.74
70 W. 36th Street.....	18.90	16.13
1414 Avenue of the Americas...	30.85	30.87
29 W. 35th Street.....	19.53	16.23
	24.65	21.43
ACQUISITION PROPERTIES - -----------------		
1372 Broadway....	22.47	21.57
1140 Avenue of the Americas...	26.30	24.70
50 W. 23rd Street.....	19.58	17.09
Total/Weighted Average.....	$ 23.58	$ 21.11

(FOOTNOTES ON FOLLOWING PAGE)

(FOOTNOTES FOR PRECEDING PAGE)
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(1) As used throughout this Prospectus, Annualized Rent represents the monthly contractual rent under existing leases as of June 30, 1997 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of June 30, 1997 for the 12 months ending June 30, 1998 are approximately $815,000.

(2) Annualized Rent Per Leased Square Foot, as used throughout this Prospectus, represents Annualized Rent, as described in footnote (1) above, presented on a per leased square foot basis.

(3) As used throughout this Prospectus, Annual Net Effective Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by SL Green, the remaining lease payments under the lease excluding "free rent" and operating expense pass-throughs, if any, divided by the number of months remaining under the lease multiplied by 12 and (b) for leases entered into after an interest in the relevant property was first acquired by SL Green and for leases at the Acquisition Properties, all lease payments under the lease excluding "free rent" and operating expense pass-throughs, if any, divided by the number of months in the lease multiplied by 12, and, in the case of both (a) and (b), adjusted for tenant improvement costs and leasing commissions, if any, paid or payable by SL Green and presented on a per leased square foot basis. Annual Net Effective Rent Per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Rent Per Leased Square Foot as a result of the provision for future contractual increases in rental payments in the Annual Net Effective Rent Per Leased Square Foot data.

(4) 470 Park Avenue South is comprised of two buildings, 468 Park Avenue South (a 17-story office building) and 470 Park Avenue South (a 12-story office building).

(5) SL Green first acquired an interest in the Bar Building in October 1996. SL Green has commenced an aggressive leasing program at the Property and as of July 15, 1997, approximately 93% of the rentable square feet in the Property was leased. The Bar Building is comprised of two buildings, 36 West 44th Street (a 14-story building) and 35 West 43rd Street (a four-story building).

(6) Includes approximately 2,043,000 square feet of rentable office space, 146,000 square feet of rentable retail space and 30,000 square feet of garage space.

HISTORICAL OCCUPANCY. The Properties in the Core Portfolio historically have achieved consistently higher occupancy rates in comparison to the overall Class B Midtown Markets, as shown in the following table:

	PERCENT LEASED AT THE PROPERTIES (1)	OCCUPANCY RATE OF CLASS B OFFICE PROPERTIES IN THE MIDTOWN MARKETS (2)
June 30, 1997	97%	89%
December 31, 1996	95	89
December 31, 1995	95	87
December 31, 1994	98	86
December 31, 1993	96	84
December 31, 1992	93	83

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(1) Includes space for leases that were executed as of the relevant date in Properties owned by SL Green as of that date.

(2) Includes vacant space available for direct lease, but does not include vacant space available for sublease; including vacant space available for sublease would reduce the occupancy rate as of each date shown. Sources: RELocate, Rosen Consulting Group.

LEASE EXPIRATIONS. Leases at the Properties, as at many other Manhattan office properties, typically extend for a term of ten or more years, compared to typical lease terms of 5-10 years in other large U.S. office markets. From January 1, 1994 through June 30, 1997, SL Green renewed approximately 78% of the leases scheduled to expire at the Properties in the Core Portfolio owned and managed by SL Green during such period, constituting renewal of approximately 80% of the expiring rentable square footage during such period. As a result of these re-leasing efforts, through December 31, 2002, the average annual rollover at the Properties is approximately 110,280 square feet, representing an average annual expiration of 5.3% of the total leased square feet at the Properties per year (assuming no tenants exercise renewal or cancellation options and no tenant bankruptcies or other tenant defaults).

The following table sets out a schedule of the annual lease expirations at the Properties (including the Acquisition Properties) with respect to leases in place as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES (2)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS(3)
June 30 through December 31, 1997.....	22	47,979	2.3%	$ 1,378,363	$ 28.73	$ 28.81
1998.....	26	71,514	3.4	2,058,149	28.78	29.31
1999.....	30	114,207	5.5	3,063,842	26.83	27.24
2000.....	26	148,161	7.1	3,851,078	25.99	27.32
2001.....	28	85,417	4.1	2,269,226	26.57	28.56
2002.....	31	139,260	6.7	2,970,971	21.33	22.68
2003.....	25	250,439	12.1	5,808,334	23.19	28.83
2004.....	22	346,424	16.7	8,176,306	23.60	27.67
2005.....	13	327,111	15.8	7,510,196	22.96	25.09
2006.....	16	179,893	8.7	4,571,056	25.41	29.75
2007.....	25	364,855	17.6	7,276,775	19.94	24.92
TOTAL/Weighted Average.....	264	2,075,260	100.0%	$ 48,934,296	$ 23.58(4)	$ 26.85(4)

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(1) Annualized Rent of Expiring Leases, as used throughout this Prospectus, represents the monthly contractual rent under existing leases as of June 30, 1997 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of June 30, 1997 for the 12 months ending June 30, 1998 are approximately $815,000.

(2) Annualized Rent Per Leased Square Foot of Expiring Leases, as used throughout this Prospectus, represents Annualized Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Annualized Rent Per Leased Square Foot of Expiring Leases With Future Step-Ups represents Annualized Rent Per Leased Square Foot of Expiring Leases, as described in footnote (2) above, adjusted to reflect contractual increases in monthly base rent that occur after June 30, 1997.

(4) For comparison purposes, the Direct Weighted Average Rental Rate for the Class B Midtown Markets, according to RELocate (as adjusted by the Company to weight the representation of the Properties in the Chelsea, Grand Central South, Garment, Park Avenue South/Flatiron and Rockefeller Center submarkets), was $24.64 per square foot as of June 30, 1997. The Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B office space as it relates to the Properties. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). In addition, the Direct Weighted Average Rental Rate represents a large number of Class B properties in various locations within the Midtown Markets, and, therefore, may not be representative of asking or actual rental rates at the Properties. Additionally, the Annualized Rent Per Leased Square Foot of Expiring Leases includes the effect of retail rental rates at the Properties, which are generally higher than office rental rates. Excluding rental payments attributable to retail space at the Properties, the Weighted Average Annualized Rent Per Leased Square Foot of Expiring Leases would be $22.72.

TENANT DIVERSIFICATION. The Properties (including the Acquisition Properties) currently are leased to over 250 tenants which are engaged in a variety of businesses, including publishing, health services, retailing and banking. The following table sets forth information regarding the leases with respect to the 20

largest tenants at the Properties, based on the amount of square footage leased by such tenants as of June 30, 1997:

TENANT(1)	PROPERTY	REMAINING LEASE TERM IN MONTHS	TOTAL LEASED SQUARE FEET	PERCENTAGE OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	ANNUALIZED RENT	PERCENTAGE OF AGGREGATE PORTFOLIO ANNUALIZED RENT
Kallir, Philips, Ross Inc.	673 First Avenue	84	80,000	3.9%	$ 1,913,449	3.9%
New York Hospital(2)	673 First Avenue	110	76,000	3.7	1,906,829	3.9
Gibbs & Cox	50 West 23rd Street	96	66,700	3.2	1,604,402	3.3
Capital-Mercury	1372 Broadway	97	64,122	3.1	1,292,732	2.6
Board of Education of the City of New York	50 West 23rd Street	156	64,000	3.1	722,475	1.5
Ann Taylor	1372 Broadway	157	58,975	2.8	1,169,118	2.4
NationsBank	1372 Broadway	33	55,238	2.7	1,364,343	2.8
Vollmer Associates	50 West 23rd Street	96	53,577	2.6	1,252,154	2.6
Newbridge Communications(3)	673 First Avenue	100	49,000	2.4	1,456,155	3.0
Ross Stores	1372 Broadway	116	48,604	2.3	939,346	1.9
Cygne	1372 Broadway	157	46,392	2.2	775,808	1.6
UNICEF	673 First Avenue	78	40,300	1.9	1,070,667	2.2
Franklin Strategic	673 First Avenue	82	40,000	1.9	1,404,425	2.9
U.S. Committee for UNICEF	673 First Avenue	78	40,000	1.9	1,071,161	2.2
Republic of South Africa	673 First Avenue	82	40,000	1.9	1,108,913	2.3
Henry Siegel	1372 Broadway	98	34,045	1.6	578,765	1.2
Meredith Garage Corp.	673 First Avenue	85	30,000	1.4	372,058	0.8
AJ Contracting	470 Park Ave. So.	150	27,870	1.3	635,803	1.3
Cowles Business Media	470 Park Ave. So.	69	24,767	1.2	589,117	1.2
Work Bench	470 Park Ave. So.	66	22,000	1.1	375,000	0.8
TOTAL/Weighted Average(4)		100	961,590	46.3%	$ 21,602,720	44.1%

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(1) This list is not intended to be representative of the Company's tenants as a whole.

(2) This tenant occupies an additional 65,000 square feet of space at 673 First Avenue pursuant to two subleases expiring December 31, 2003 and April 29, 2004.

(3) This tenant occupies an additional 13,000 square feet of space at 673 First Avenue pursuant to a sublease expiring April 29, 2004.

(4) Weighted average calculation based on total rentable square footage leased by each tenant.

LEASE DISTRIBUTION. The following table sets forth information relating to the distribution of leases at the Properties (including the Acquisition Properties), based on rentable square feet under lease, as of June 30, 1997:

SQUARE FEET UNDER LEASE	NUMBER OF LEASES	PERCENT OF ALL LEASES	TOTAL LEASED SQUARE FEET	PERCENTAGE OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	ANNUALIZED RENT	PERCENTAGE OF AGGREGATE PORTFOLIO ANNUALIZED RENT
2,500 or less	114	43.0%	162,180	7.8%	$ 4,829,621	9.9%
2,501-5,000	59	22.3	205,151	9.9	5,830,629	11.9
5,001-7,500	22	8.3	141,907	6.8	3,255,363	6.7
7,501-10,000	22	8.3	201,681	9.7	4,822,277	9.8
10,001-20,000	21	7.9	290,421	14.0	6,558,268	13.4
20,001-39,999	11	4.1	251,012	12.1	4,845,592	9.9
40,000 +	15	5.7	822,908	39.7	18,792,546	38.4
TOTAL	264	100.0%	2,075,260	100.0%	$ 48,934,296	100.0%

TENANT RETENTION AND HISTORICAL LEASE RENEWALS. The Company works closely with its tenants to provide a high level of tenant services. The Company continually seeks to improve its tenant roster by attracting high-quality tenants to the Properties and seeks to stabilize its rent roll through the early extension of near-term expiring leases. From January 1, 1994 through June 30, 1997, SL Green renewed approximately 78% of the leases scheduled to expire at the Properties in the Core Portfolio owned and managed by SL Green during such period, constituting renewal of approximately 80% of the expiring rentable square footage in the Core Portfolio during such period. The following table sets forth certain historical information regarding tenants at the Properties in the Core Portfolio who renewed an existing lease at or prior to the expiration of such lease:

	1994	1995	1996	SIX MONTHS ENDED JUNE 30, 1997	TOTAL/ WEIGHTED AVERAGE JANUARY 1, 1994- JUNE 30, 1997
Number of leases expired during calendar year or period	5	12	31	17	65
Number of leases renewed	5	7	26	13	51
Percentage of leases renewed	100.0%	58.3%	83.9%	76.5%	78.4%
Aggregate rentable square footage of expiring leases	14,223	38,008	137,932	49,514	239,677
Aggregate rentable square footage of lease renewals	14,223	28,055	108,758	39,943	190,979
Percentage of expiring rentable square foot renewed	100.0%	73.8%	78.9%	80.7%	79.7%

HISTORICAL TENANT IMPROVEMENTS AND LEASING COMMISSIONS. The following table sets forth certain historical information regarding tenant improvement and leasing commission costs for tenants at the Properties in the Core Portfolio for the years 1994 through 1996 and for the first six months of 1997:

	1994	1995	1996	SIX MONTHS ENDED JUNE 30, 1997	TOTAL/ WEIGHTED AVERAGE JANUARY 1, 1994-JUNE 30, 1997
RENEWALS					
Number of leases	5	7	26	13	51
Square feet	14,223	28,055	108,758	39,943	190,979
Tenant improvement costs per square foot	$ 1.96	$ 0.00	$ 2.39	$ 1.84	$ 1.89
Leasing commission costs per square foot	$ 1.77	$ 1.99	$ 3.36	$ 2.40	$ 2.84
Total tenant improvement and leasing commission costs per square foot	$ 3.73	$ 1.99	$ 5.75	$ 4.24	$ 4.73
RE-TENANTED OR NEWLY TENANTED SPACE					
Number of leases	8	7	11	24	50
Square feet	42,632	25,787	36,911	70,721	176,051
Tenant improvement costs per square foot	$ 16.41	$ 22.73	$ 13.76	$ 17.99	$ 17.42
Leasing commission costs per square foot	$ 7.27	$ 4.55	$ 9.41	$ 6.24	$ 6.91
Total tenant improvement and leasing commission costs per square foot	$ 23.68	$ 27.28	$ 23.17	$ 24.23	$ 24.33
TOTAL					
Number of leases	13	14	37	37	101
Square feet	56,855	53,842	145,669	110,664	367,030
Tenant improvement costs per square foot	$ 12.80	$ 10.88	$ 5.27	$ 12.16	$ 9.34
Leasing commission costs per square foot	$ 5.90	$ 3.21	$ 4.90	$ 4.85	$ 4.79
Total tenant improvement and leasing commission costs per square foot	$ 18.70	$ 14.09	$ 10.17	$ 17.01	$ 14.13(1)

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(1) The cost of leasing vacant space (i.e., newly-tenating) generally exceeds the cost of renewing or retenating occupied space. During the period January 1, 1994 through June 30, 1997, certain of the Properties were in a lease-up phase. In the event the weighted average of total tenant improvement costs and leasing commission per square foot were calculated assuming a 75% renewal rate on expiring square footage and an occupancy rate throughout such period equal to 94% (the occupancy rate at the Properties as of June 30, 1997), such weighted average per square foot amount would be $9.63.

HISTORICAL CAPITAL EXPENDITURES. Each property within the Core Portfolio, except for the Bar Building, has been substantially renovated. Within the next 18 months the Company anticipates spending $5.3 million in capital improvements at the Properties, of which approximately $1.1 million is designated for the Bar Building, an interest in which was first purchased by SL Green in October 1996, and approximately $3.0 million is designated for the Acquisition Properties. See "--36 West 44th Street (The Bar Building)" and "--Acquisition Properties" below. These costs are expected to be paid from remaining net proceeds from the Offering after completion of the Formation Transactions (estimated to be $6.2 million) and/or from operating cash flows. See "Use of Proceeds."

Prior to acquisition each property under consideration is evaluated to determine an initial capital budget. The extent of these improvements is predicated on the physical condition and vacancy at the property, and the anticipated target market rent. Ongoing capital budgets are determined annually and are geared toward addressing tenant rollover and changing target market rent.

The following table sets forth information regarding historical capital expenditures at the Properties in the Core Portfolio (except for the Bar Building, an interest in which was first acquired by SL Green in October 1996) for the years 1994 through 1996:

	1994	1995	1996	TOTAL
673 First Ave.	$ 10,929	$ 52,369	$ 15,636	$ 78,934
470 Park Ave. So.	$ 241,923(1)	$ --	$ 130,700(2)	$ 372,623
70 W. 36th St.	$ 129,721(3)	$ 24,717	$ 178,521(4)	$ 332,959
1414 Ave. of Americas (5)	$ --	$ --	$ 132,459(6)	$ 132,459
29 W. 35th St.	$ 68,585	$ 176,123(7)	$ 98,786(8)	$ 343,494
Total	$ 451,158	$ 253,209	$ 556,102	$ 1,260,469
Total Square Feet	1,021,000	1,021,000	1,021,000	1,021,000
Capital Expenditures Per Square Foot	$0.44	$0.25	$0.54	$0.41(9)

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(1) Expenditures included asbestos abatement, new boiler and new roof-top structures.

(2) Expenditures included partial elevator modernization.

(3) Expenditures included elevator modernization.

(4) Expenditures included new boiler, exit signs and fire doors.

(5) SL Green's interest in 1414 Avenue of the Americas was acquired in May, 1996; however, SL Green managed the Property for prior ownership since December 1989.

(6) Expenditures included floor renovations, ADA bathrooms, new windows and parapet.

(7) Expenditures included elevator modernization.

(8) Expenditures included new roof.

(9) Weighted average.

673 FIRST AVENUE

673 First Avenue is a 12-story office building that occupies the entire block front on the west side of First Avenue between East 38th Street and East 39th Street in the Grand Central South submarket of the Manhattan office market. 673 First Avenue contains approximately 422,000 rentable square feet (including approximately 366,000 square feet of office space, 26,000 square feet of retail space and a 30,000 square foot garage), with floor plates of approximately 40,000 square feet on all but the top two floors. The building, located three blocks from the United Nations, was completed in 1928 and converted from a warehouse/distribution facility to an office building by SL Green in 1989 and 1990. SL Green acquired a net leasehold interest (which expires in 2037) in the Property and a ground leasehold interest (which expires in 2037) in the land underlying the Property in 1988. Upon completion of the Formation Transactions, such leasehold interests will be transferred to the Company. See "Risk Factors--The Company's Performance and Value are Subject to Risks Associated with the Real Estate Industry--The expiration of net leases could adversely affect the Company's financial condition."

At 673 First Avenue, SL Green converted a distribution and warehouse facility into an office property to take advantage of desirable 40,000 square foot floor plates and a strategic location near the United Nations complex. To accomplish the repositioning, SL Green invested approximately $25 million in the Property for (i) new building entrance, lobby and storefronts, (ii) complete replacement of the elevator systems, (iii) the creation of common areas, (iv) entirely reconfigured HVAC and electrical systems and (v) the build-out of tenant spaces. The repositioning resulted in the conversion of a 43% occupied warehouse/distribution facility into a 100% occupied Class B office building within 24 months. The Property's net operating income (NOI) increased dramatically from approximately $466,000 per annum upon acquisition to approximately $7.6 million per annum following repositioning and lease-up (exclusive of net lease payments and debt service payments).

As of June 30, 1997, 100% of the rentable square footage in 673 First Avenue was leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	100%	$ 25.68	$ 21.79
1996	100	25.12	21.79
1995	97	24.83	21.66
1994	100	23.83	21.47
1993	100	23.48	21.50
1992	100	22.18	21.50

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(1) Information is as of June 30, 1997.

As of June 30, 1997, 673 First Avenue was leased to 15 tenants operating in various industries, including healthcare, advertising and publishing, three of whom occupied 10% or more of the rentable square footage at the Property. A major New York City hospital occupied approximately 76,000 square feet (approximately 18% of the Property) under two leases expiring on August 31, 2006, that provide for an aggregate annualized base rent as of June 30, 1997 of approximately $1.9 million (approximately $25.00 per square foot) and renewal options for five years on the two direct leases. In addition, such tenant occupies an additional 65,000 square feet under two subleases, one expiring on December 31, 2003 and the other expiring on December 31, 2004. In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

In addition, an advertising firm occupied approximately 80,000 square feet (approximately 19% of the Property) under a lease expiring on June 30, 2004 that provides for annualized base rent as of June 30, 1997 of approximately $1.9 million (approximately $24.00 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

Also, a publishing company occupied approximately 49,000 square feet (approximately 11.6% of the Property) under two leases expiring on October 31, 2005 that provide for an aggregate annualized base rent as of June 30, 1997 of approximately $1.5 million (approximately $30.00 per square foot). In addition, such tenant occupies an additional 13,000 square feet under a sublease expiring on April 30, 2004. In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year payment.

The following table sets out a schedule of the annual lease expirations at 673 First Avenue for leases executed as of June 30, 1997 with respect to each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES (1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	--	--	--	--	--	--
1998	--	--	--	--	--	--
1999	1	1,018	0.2%	$ 10,180	$ 10.00	$ 10.00
2000	1	100	0	44,223	442.23(2)	511.94(2)
2001	--	--	--	--	--	--
2002	1	1,046	0.3	23,986	22.93	24.57
2003	2	80,300	19.4	2,141,828	26.67	36.16
2004	6	203,944	48.0	4,989,147	24.46	28.63
2005	1	49,000	11.6	1,456,155	29.72	32.47
2006	1	76,000	18.0	1,906,829	25.09	27.35
2007 and thereafter	2	10,659	2.5	265,134	24.87	35.55
SUBTOTAL/WEIGHTED AVERAGE	15	422,067	100.0%	$ 10,837,482	$ 25.68	$ 30.51(3)
Unleased at 6/30/97	0					
TOTAL		422,067	100.0%			

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(1) For comparison purposes, according to RELocate, the Direct Weighted Average Rental Rate for the direct Class B Grand Central South submarket (which, according to RELocate is the area bounded by 32nd Street to 40th Street, Fifth Avenue east to the East River) was $26.85 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 673 First Avenue.

(2) These rental rates reflect the lease of approximately 100 square feet of roof and office space at the Property for the placement of cellular telephone antennas and equipment.

(3) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

The aggregate undepreciated tax basis of depreciable real property at 673 First Avenue for Federal income tax purposes was $22,360,268 as of June 30, 1997. Depreciation and amortization are computed for Federal income tax purposes on the straight-line method over lives which range up to 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 673 First Avenue at this rate for the 1997-98 tax year is $1,225,561 (at a taxable assessed value of $12,168,000).

470 PARK AVENUE SOUTH

470 Park Avenue South is comprised of two buildings, 468 Park Avenue South (a 17-story building) and 470 Park Avenue South (a 12-story building), that occupy the entire blockfront on the west side of Park Avenue South between East 31st and East 32nd Streets in the Park Avenue South/Flatiron submarket of the Manhattan office market. The buildings are joined together by a single lobby and common base building systems. 468 Park Avenue South was completed in 1912 and 470 Park Avenue South was completed in 1917. Various portions of the common areas of both buildings were substantially renovated in 1987, 1990 and 1994. SL Green acquired a 100% fee simple interest in the Property in 1986. Upon completion of the Formation Transactions, this fee simple interest will be transferred to the Company. The Property contains an aggregate of approximately 260,000 rentable square feet (including approximately 232,000 square feet of office space and approximately 28,000 square feet of retail space), with floor plates of approximately 8,400 square feet in the 468 building and floor plates of approximately 9,735 square feet in the 470 building.

As of June 30, 1997, 99% of the rentable square footage in 470 Park Avenue South was leased (including space for leases that were executed as of June 30, 1997). The office space was 99% leased and the retail space was 100% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FEET
1997(1)	99%	$ 22.66	$ 19.43
1996	95	21.93	19.57
1995	93	21.79	18.50
1994	99	21.23	17.82
1993	98	21.15	17.62
1992	84	21.28	17.19

(1) Information is as of June 30, 1997.

As of June 30, 1997, 470 Park Avenue South was leased to 27 tenants operating in various industries, including financial services, publishing and general contracting, one of whom leased 10% or more of the Property's rentable square feet. A general contractor occupied approximately 27,870 square feet (approximately 11% of the Property) under a lease expiring on December 31, 2009 that provides for annualized base rent as of June 30, 1997 of approximately $621,000 (approximately $22.28 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 470 Park Avenue South with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FOOT	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997.....	--	--	--	--	--	--
1998.....	1	2,400	0.9	$ 54,000	$22.50	$23.23
1999.....	3	18,800	7.2	439,760	23.39	24.44
2000.....	2	18,135	7.0	417,091	23.00	27.43
2001.....	3	19,271	7.4	478,038	24.81	28.53
2002.....	6	53,520	20.6	1,182,058	22.09	23.98
2003.....	5	61,062	23.5	1,311,933	21.49	26.58
2004.....	2	18,364	7.1	316,582	17.24	21.56
2005.....	1	9,735	3.7	198,096	20.35	22.40
2006.....	2	26,135	10.1	664,359	25.42	31.82
2007 and thereafter.....	2	30,870	11.9	791,803	25.65	33.90
SUBTOTAL/WEIGHTED AVERAGE.....	27	258,292	99.4	$5,853,720	$22.66	$26.95(2)
Unleased at 6/30/97.....		1,637	0.6%			
TOTAL.....		259,929	100.0%			

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(1) For comparison purposes, according to RELocate, the Direct Weighted Average Rental Rate for the direct Class B Park Avenue South/Flatiron submarket (which, according to RELocate, is the area bounded by the northside of 32nd Street, the southside of 20th Street, First Avenue and east to Fifth Avenue from 20th Street to 23rd Street and Broadway from 24th Street to 32nd Street) was $22.38 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 470 Park Avenue South.

(2) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

In 1987, 1990 and 1994, 470 Park Avenue South was substantially renovated by SL Green to upgrade the building's amenities and services to accommodate first class office use. The renovations were completed at a total cost of approximately $2.6 million and included a significant restoration of the exterior of the building, a new lobby, a cosmetic upgrade of the elevator cabs, modernization of the elevator machinery, new plumbing risers, electrical service upgrades, heating plant replacement, asbestos abatement, installation of a new roofing system and new windows and replacement of the bathrooms and HVAC systems on a floor by floor basis. Over the next 18 months, the Company anticipates replacing the sidewalk in front of the building, upgrading the elevators, completing a modest facade restoration and scraping and painting the windows, at an estimated aggregate cost of $337,000.

The aggregate undepreciated tax basis of depreciable real property at 470 Park Avenue South for Federal income tax purposes was $15,006,453 as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 470 Park Avenue South at this rate for the 1997-98 tax year is $648,133 (at an assessed value of $6,435,000).

36 WEST 44TH STREET (THE BAR BUILDING)

36 West 44th Street (the Bar Building) is comprised of two buildings, 36 West 44th Street (a 14-story building) and 35 West 43rd Street (a four-story building), located on the south side of West 44th Street through to the north side of West 43rd Street between Fifth and Avenue of the Americas in the Rockefeller Center submarket of the Manhattan office market. The buildings were completed in 1922 and, as discussed below, a renovation is scheduled for 1997/1998. The Property contains approximately 165,000 rentable square feet (including approximately 148,500 square feet of office space and approximately 16,500 square feet of retail space), with floor plates of approximately 12,000 square feet at the 44th Street building and floor plates of approximately 2,200 square feet at the 43rd Street building. A limited liability company owned by SL Green and an unaffiliated real estate fund (the "Bar Building Joint Venture") acquired non-performing mortgage indebtedness encumbering the Property from an institutional lender in October 1996 with the intent of obtaining a 100% economic interest in such Property. Pursuant to a subsequent agreement with the mortgagor, the Bar Building Joint Venture obtained the right to foreclose on the Bar Building no earlier than September 30, 1998. Upon recording of the conveyancing instruments, the Bar Building Joint Venture is required to pay to the mortgagor and/or its affiliates the sum of $350,000, and to pay the New York City and New York State Real Property Transfer Gains Taxes imposed upon recording of the conveyancing instruments. Upon completion of the Formation Transactions, the Company will acquire all of the mortgage indebtedness encumbering the Property (representing effectively a 100% economic interest therein) as well as such right of foreclosure. Upon exercising such right of foreclosure, the Company would obtain a leasehold interest (which expires in 2080) in the land and building at 35 West 43rd Street and fee simple title to the building at 36 West 44th Street. See "Risk Factors--The Company's Performance and Value are Subject to Risks Associated with the Real Estate Industry--The expiration of net leases could adversely affect the Company's financial condition."

The Bar Building is centrally located on 44th Street between Fifth Avenue and Avenue of the Americas, in the heart of midtown Manhattan, a block that includes the headquarters of the Association of the Bar of the City of New York, the University of Pennsylvania Alumni Club, the Harvard Club, the Algonquin Hotel, the Royalton Hotel and the Mansfield Hotel. A new Sofitel hotel is planned for the vacant parcel of land located across the street from the Bar Building. This location is within two and one half blocks of Grand Central Terminal, four blocks of Rockefeller Center and five blocks of the Port Authority Bus Terminal, a major transportation hub for commuters from New Jersey.

When SL Green first purchased its interest in the Bar Building in October 1996, approximately 35,000 square feet of space was vacant and approximately 70,000 square feet of space was subject to leases expiring within 18 months. The Property was nearing the end of a consensual foreclosure process during which little capital was spent on preventive maintenance or leasing incentives. Since the purchase of its interest, SL Green has implemented an aggressive leasing and marketing campaign in conjunction with a strategic property-wide renovation program. The Company is planning to spend $1.1 million over the next 18 months on this upgrade and renovation program at the Property, which expense will be funded out of the net proceeds of the Offering. Some of this work includes roof repair, facade restoration and steam cleaning, window upgrade, entrance and lobby upgrade, sidewalk replacement and public corridor renovations. As of July 15, 1997, approximately 14,000 square feet of space at the Property was vacant and approximately 64% of the expiring leases were renewed.

As of June 30, 1997, approximately 89% of the rentable square footage in The Bar Building was leased. The office space was 89% leased and the retail space was 89% leased. As noted above, SL Green has commenced an aggressive leasing program at the Property and as of July 15, 1997, approximately 93%

of the rentable square feet in the Property was leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	89%	$ 28.33	$ 24.74
1996	78	29.28	25.98

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(1) Information is as of June 30, 1997.

As of June 30, 1997, the Bar Building was leased to 58 tenants operating in various businesses, including legal, not-for-profit and the theater, one of whom occupied 10% or more of the rentable square footage at the Property. A professional organization for lawyers occupied approximately 16,777 square feet (approximately 10.2% of the Property) under two leases expiring on September 30, 1999 that provide for an aggregate annualized base rent as of June 30, 1997 of approximately $403,000 (approximately $24.00 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at The Bar Building with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	10	17,981	10.9	$ 535,370	$ 29.77	$ 29.83
1998	5	5,136	3.1	145,810	28.39	28.39
1999	5	22,176	13.5	871,169	39.28	39.59
2000	12	25,824	15.7	732,869	28.38	29.14
2001	8	16,906	10.3	479,040	28.34	30.85
2002	10	31,251	19.0	699,803	22.39	23.10
2003	3	8,069	4.9	157,210	19.48	21.55
2004	2	9,982	6.1	277,754	27.83	29.36
2005	--	--	--	--	--	--
2006	2	8,095	4.9	209,407	25.87	28.74
2007 and thereafter	1	700	0.4	31,272	44.67	83.30
SUBTOTAL/WEIGHTED AVERAGE	58	146,120	88.8%	$ 4,139,704	$ 28.33	$ 29.52
Unleased at 6/30/97		18,664	11.2%			
TOTAL		164,784	100.0%			

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(1) For comparison purposes, according to RELocate, the Direct Weighted Average Rental Rate for the direct Class B Rockefeller Center submarket (which, according to RELocate, is the area between 40th Street to 59th Street along Avenue of the Americas and 40th Street to 52nd Street between 5th Avenue and Avenue of the Americas) was $27.38 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at the Bar Building. Additionally, the

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

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Annualized Rent Per Leased Square Foot of Expiring Leases includes the effect of retail rental rates at this Property, which are generally higher than office rental rates. Excluding rental payments attributable to retail space at this Property, the weighted average Annualized Rent Per Leased Square Foot of Expiring Leases would be $27.23.

The aggregate tax basis of the mortgage indebtedness encumbering The Bar Building for Federal income tax purposes was $11,444,247 as of June 30, 1997.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for The Bar Building at this rate for the 1997-98 tax year is $729,716 (at an assessed value of $7,245,000).

70 WEST 36TH STREET

70 West 36th Street is a 16-story office building located on the south side of West 36th Street between Fifth Avenue and Sixth Avenue in the Garment submarket of the Manhattan office market. The building, situated between Grand Central Terminal and Penn Station, was completed in 1923 and various portions of the common areas were renovated in 1985, 1993 and 1994. SL Green acquired a 100% fee simple interest in the Property in 1984. Upon completion of the Formation Transaction, this fee simple interest will be transferred to the Company. The Property contains approximately 151,000 rentable square feet (including approximately 130,000 square feet of office space and approximately 21,000 square feet of retail space including the basement), with floor plates ranging from 6,500 square feet to 10,000 square feet. The Company's headquarters is located at 70 West 36th Street.

As of June 30, 1997, approximately 98% of the rentable square footage in 70 West 36th Street was leased (including space for leases that were executed as of June 30, 1997). The office space was 98% leased and the retail space was 100% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	98%	$ 18.90	$ 16.13
1996	95	19.50	15.92
1995	94	21.13	16.08
1994	92	21.31	16.09
1993	89	21.99	16.59
1992	92	20.55	15.18

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(1) Information is as of June 30, 1997.

As of June 30, 1997, 70 West 36th Street was leased to 38 tenants operating in various industries, including textiles, not-for-profit and advertising, one of whom occupied 10% or more of the rentable square footage at the Property. A textile company occupied approximately 16,222 square feet (approximately 10.8% of the Property) under one lease expiring on December 31, 2003 that provides for an aggregate annualized base rent as of June 30, 1997 of approximately $266,000 (approximately $16.40 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 70 West 36th Street with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	2	2,227	1.5%	$ 51,355	$ 23.06	$ 23.06
1998	7	24,314	16.2	494,338	20.33	20.68
1999	3	7,078	4.7	120,075	16.96	17.15
2000	2	7,245	4.8	141,864	19.58	19.95
2001	7	12,777	8.5	241,689	18.92	20.00
2002	5	16,011	10.7	298,838	18.66	19.59
2003	3	29,714	19.8	536,014	18.04	20.01
2004	1	2,589	1.7	57,585	22.24	22.24
2005	2	9,047	6.0	178,309	19.71	20.47
2006	3	18,356	12.4	328,461	17.89	23.42
2007 and thereafter	3	18,559	12.4	347,458	18.72	19.00
SUBTOTAL/WEIGHTED AVERAGE	38	147,917	98.4%	$ 2,795,986	$ 18.90	$ 20.34
Unleased at 6/30/97		3,059	1.6%			
TOTAL		150,976	100.0%			

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(1) For comparison purposes, according to RELocate the Direct Weighted Average Rental Rate for the direct Class B Garment submarket (which, according to RELocate is the area from 32nd Street to 40th Street, west of Avenue of the Americas to the Hudson River) was $23.32 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 70 West 36th Street.

In 1984, a complete renovation of 70 West 36th Street was commenced to convert the Property from a manufacturing loft building into an office building. The conversion included the creation of a new lobby and building entrance, installation of office quality public corridors and lavatories, steam cleaning and repainting of the Property's facade and upgrading and reconfiguration of the building's plumbing system and electric service. In addition, a monitored, state-of-the-art security system was installed for the building's entrance and all tenant spaces. In 1994, further renovations included a new heating plant, asbestos abatement and elevator modernization, including new cabs. The aggregate cost of these renovations was approximately $3 million.

70 West 36th Street is located in the Fashion Center Business Improvement District (BID). The Fashion Center BID encompasses the area bordered to the north and south by 41st Street and 35th Street, respectively, and to the east and west by Avenue of the Americas and Ninth Avenue, respectively. The BID includes approximately 450 buildings with over 5,000 fashion-related tenants occupying more than 34 million square feet of office space. The Fashion Center BID provides a private, uniformed security force for on-street, five-day-per week surveillance and response and a private, uniformed sanitation force. In addition, the BID has been responsible for the implementation of various special projects in the area, including the construction of handicapped access curbs and the installation of enhanced street lighting.

The aggregate undepreciated tax basis of depreciable real property at 70 West 36th Street for Federal income tax purposes was $6,660,097 as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 70 West 36th Street at this rate for the 1997-98 tax year, including the applicable BID tax, is $377,618 (at an assessed value of $3,645,000).

1414 AVENUE OF THE AMERICAS

1414 Avenue of the Americas is a 19-story office building located on the southeast corner of Avenue of the Americas (Sixth Avenue) and West 58th Street in the Rockefeller Center submarket of the Manhattan office market. The building, situated one block from Central Park, was completed in 1923 and a renovation program is scheduled for 1997/1998. The program will include new windows, lobby and entrance as well as steam cleaning of the facade, at an estimated aggregate cost of $660,000. SL Green acquired a 100% fee simple interest in the Property in 1996. Upon completion of the Formation Transactions, such fee simple interest will be transferred to the Company. The Property contains approximately 111,000 rentable square feet (including approximately 103,000 square feet of office space and approximately 8,000 square feet of retail space), with floor plates of approximately 6,400 square feet on all but the top floor.

Located on the easterly blockfront of Sixth Avenue between 57th and 58th Streets, the Property is at the heart of the Avenue of the Americas corridor which is host to many of world's most recognizable corporate names in domestic and international banking, legal services, manufacturing, securities, printing, publishing, advertising and communications. The Property also benefits from being strategically located one block north of 57th Street. 57th Street has become the focal point of the resurgence of high end and specialty retail development in New York in recent years. Warner Brothers recently expanded their successful company store on 57th Street and Fifth Avenue. In addition, the Nike Town Store recently opened on 57th Street between Fifth and Madison Avenues. High-profile theme retail restaurants such as the Harley Davidson Cafe, the Hard Rock Cafe, the Motown Cafe, Planet Hollywood and the Jekyll and Hyde Cafe have all also opened restaurant/theme stores on 57th Street and Avenue of the Americas. These developments have made the 57th Street corridor a major shopping and tourist destination which accommodates clientele generated by the area's concentration of businesses and tourist attractions.

As of June 30, 1997, approximately 98% of the rentable square footage in 1414 Avenue of the Americas was leased (including space for leases that were executed as of June 30, 1997). The office space was 98% leased and the retail space was 100% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	98%	$ 30.85	$ 30.87
1996	97	30.40	31.14

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(1) Information is as of June 30, 1997.

As of June 30, 1997, 1414 Avenue of the Americas was leased to 31 tenants operating in various industries including financial services, shoe manufacturing and travel, two of whom occupied 10% or more of the rentable square footage at the Property. A shoe manufacturer and retailer occupied approximately 12,200 square feet (approximately 11% of the Property) under a lease expiring on September 30, 1998 that provides for annualized base rent as of June 30, 1997 of approximately $420,268 (approximately $34.45 per square foot) and a cancellation option that has been exercised and takes effect as of September 30, 1998.

All of the space subject to the expiration has been released to two tenants. In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

In addition, an entertainment product developer occupied approximately 13,975 square feet (approximately 12.6% of the Property) under a lease expiring on May 31, 2004 that provides for annualized base rent as of June 30, 1997 of approximately $305,725 (approximately $21.88 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 1414 Avenue of the Americas with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults:

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	1	980	0.9%	$ 20,409	$ 20.83	$ 23.83
1998	6	21,533(2)	19.3	854,107	39.67	40.45
1999	3	13,700	12.3	458,180	33.44	34.21
2000	3	5,300	4.8	141,968	26.79	30.30
2001	5	14,265	12.8	380,134	26.65	28.63
2002	2	4,400	4.0	98,349	22.35	26.26
2003	5	21,465	19.3	575,602	26.82	32.88
2004	1	13,975	12.6	355,950	25.47	30.35
2005	1	2,187	2.0	60,327	27.58	31.69
2006	2	3,100	2.8	82,600	26.65	38.73
2007 and thereafter	2	8,346	7.5	342,375	41.02	58.09
SUBTOTAL/WEIGHTED AVERAGE	31	109,251	98.1%	$ 3,370,001	$ 30.85	$ 35.26(3)
Unleased at 6/30/97		2,100	1.9%			
TOTAL		111,351	100.0%			

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(1) For comparison purposes, according to RELocate the Direct Weighted Average Rental Rate for the direct Class B Rockefeller Center submarket (which, according to RELocate, is the area between 40th Street to 59th Street along Avenue of the Americas and 40th Street to 52nd Street between Fifth Avenue and Avenue of the Americas) was $27.38 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 1414 Avenue of the Americas. Additionally, the Annualized Rent Per Leased Square Foot of Expiring Leases includes the effect of retail rental rates at this Property, which are generally higher than office rental rates. Excluding rental payments attributable to retail space at this Property, the weighted average Annualized Rent Per Leased Square Foot of Expiring Leases would be $27.96.

(2) As noted above, 12,200 square feet of the space expiring during 1998 has been released to two tenants.

(3) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

The aggregate undepreciated tax basis of depreciable real property at 1414 Avenue of the Americas for Federal income tax purposes was $11,830,680 as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 1414 Avenue of the Americas at this rate for the 1997-98 tax year is $484,967 (at an assessed value of $4,815,000).

29 WEST 35TH STREET

29 West 35th Street is a 12-story building located on the north side of West 35th Street between Fifth Avenue and Sixth Avenue in the Garment submarket of the Manhattan office market. The building, situated between Grand Central Terminal and Penn Station, was completed in 1911 and substantially renovated in 1985. SL Green acquired a 100% fee simple interest in the Property in 1983. Upon completion of the Formation Transactions, such fee simple interest will be transferred to the Company. The Property contains approximately 78,000 rentable square feet (including approximately 72,000 square feet of office space and approximately 6,000 square feet of retail space), with floor plates of approximately 6,500 square feet.

As of June 30, 1997, approximately 92% of the rentable square footage in 29 West 35th Street was leased (including space for leases executed as of June 30, 1997). The office space was 90% leased and the retail space was 100% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	92%	$ 19.53	$ 16.23
1996	92	21.06	15.60
1995	92	21.26	15.77
1994	100	19.90	15.77
1993	88	19.53	15.94
1992	92	19.13	15.75

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(1) Information is as of June 30, 1997.

As of June 30, 1997, 29 West 35th Street was leased to eight tenants operating in the publishing, executive recruiting and specialty apparel industries, three of whom occupied 10% or more of the rentable square footage at the Property. A publishing company occupied approximately 19,500 square feet (approximately 25% of the Property) under three leases expiring on April 8, 2004 that provide for an aggregate annualized base rent as of June 30, 1997 of approximately $522,000 (approximately $26.77 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalation in excess of a base year amount.

Also, a second publishing company occupied approximately 16,250 square feet (approximately 20.9% of the Property) under a lease expiring on December 31, 1999 that provides for annualized base rent as of June 30, 1997 of approximately $260,000 (approximately $16.00 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalation in excess of a base year amount.

In addition, an executive recruiting firm occupied approximately 9,750 square feet (approximately 12.5% of the Property) under a lease expiring on August 14, 1998 that provides for annualized base rent as of June 30, 1997 of approximately $191,000 (approximately $19.59 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 29 West 35th Street with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that

no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	--	--	--	--	--	--
1998	1	9,750	12.5%	$ 191,475	$ 19.64	$ 20.42
1999	1	16,250	20.9	260,585	16.04	16.04
2000	--	--	--	--	--	--
2001	--	--	--	--	--	--
2002	1	3,835	4.9	66,000	17.21	19.57
2003	--	--	--	--	--	--
2004	3	28,500	36.6	699,575	24.55	33.75
2005	--	--	--	--	--	--
2006	--	--	--	--	--	--
2007 and thereafter	2	13,000	16.7	175,500	13.50	17.56
SUBTOTAL/WEIGHTED AVERAGE	8	71,335	91.6%	$ 1,393,135	$ 19.53	$ 24.18(2)
Unleased at 6/30/97		6,500	8.4%			
TOTAL		77,835	100.0%			

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(1) For comparison purposes, according to RELocate, the Direct Weighted Average Rental Rate for the direct Class B Garment submarket (which, according to RELocate, is the area from 32nd Street to 40th Street west of Avenue of the Americas to the Hudson River) was $23.32 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 29 West 35th Street.

(2) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

In 1985, 29 West 35th Street was substantially renovated by SL Green at a total cost of approximately $1 million. The program included the renovation of the building's lobby, entrance and storefronts, modernization of the elevator equipment, including new cabs, new electric service and distribution, code compliant lavatories and fire protection system and a new roof and sidewalk.

29 West 35th Street is located in the Fashion Center BID, which encompasses the area bordered to the north and south by 41st Street and 35th Street and to the east and west by Avenue of the Americas and Ninth Avenue, respectively. The BID includes approximately 450 buildings with over 5,000 fashion-related tenants occupying more than 34 million square feet of office space. The Fashion Center BID provides a private, uniformed security force for on-street, five-day-per week surveillance and response and a private, uniformed sanitation force. In addition, the BID has been responsible for the implementation of various special projects in the area, including the construction of handicapped access curbs and the installation of enhanced street lighting.

The aggregate undepreciated tax basis of depreciable real property at 29 West 35th Street for Federal income tax purposes was $1,482,682 as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 29 West 35th Street at this rate for the 1997-98 tax year, including the applicable BID tax, is $176,689 (at an assessed value of $1,705,500).

ACQUISITION PROPERTIES

1372 BROADWAY. The Company has contracted to acquire a 100% fee interest in 1372 Broadway from an unaffiliated seller. Pursuant to a contractual arrangement with the seller, the closing for the acquisition of such fee interest may not occur prior to January 1998. However, the Company has also contracted to acquire, at the time of the closing of the Offering, from an unaffiliated institutional lender, certain mortgage indebtedness that will effectively entitle the Company to receive all of the cash flow derived from the Property at such time. The aggregate purchase price for such fee interest and such mortgage indebtedness is approximately $54.14 million (including $440,000 in acquisition costs and $1.2 million in capital improvements). SL Green has been the leasing agent of this Property since June 1, 1997.

1372 Broadway is a 21-story office building located on the northeast corner of West 37th Street in the Garment submarket of the Manhattan office market. The building, situated within four blocks of the Port Authority Bus Terminal and Penn Station, was completed in 1914 and a renovation is anticipated to commence in the fall of 1997. The Property contains approximately 508,000 rentable square feet (including approximately 475,000 square feet of office space, approximately 24,000 square feet of retail space and 9,000 square feet of mezzanine space), with floor plates ranging from 34,000 square feet to 11,000 square feet.

The Property is located within five blocks of Times Square, arguably the most vibrant development area in New York City. Times Square has undergone large-scale redevelopment in recent years that has transformed the area into a popular family entertainment destination.

The Company has targeted the Fall of 1997 for commencement of a $2 million capital improvement program geared toward enhancing the infrastructure and marketability of the Property. Included in this renovation is a new lobby, elevator cab modernization, freight elevator upgrade, facade restoration and cleaning, sidewalk replacement and asbestos abatement.

As of June 30, 1997, approximately 84% of the rentable square footage in 1372 Broadway was leased (including space for leases that were executed as of June 30, 1997). The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	84%	$ 22.47	$ 21.57
1996	89	22.05	21.20

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(1) Information is as of June 30, 1997.

As of June 30, 1997, 1372 Broadway was leased to 32 tenants operating in various industries including financial services, textiles and retailing, three of whom occupied 10% or more of the rentable square footage at the Property. A shirt manufacturer occupied approximately 64,000 square feet (approximately 12.6% of the Property) under a lease expiring on July 31, 2005 that provides for annualized base rent as of June 30, 1997 of approximately $1.28 million (approximately $20.00 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

Also, a women's fashion retailer occupied approximately 58,975 square feet (approximately 11.6% of the Property) under a lease expiring on July 31, 2010 that provides for annualized base rent as of June 30, 1997 of approximately $1.17 million (approximately $19.84 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

In addition, a commercial bank occupied approximately 55,238 square feet (approximately 10.9% of the Property) under a lease expiring on March 31, 2000 that provides for annualized base rent as of June 30, 1997 of approximately $1.24 million (approximately $22.45 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 1372 Broadway with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES (1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	1	506	0.1%	$ 11,119	$ 21.97	$ 21.97
1998	2	2,847	0.6	138,128	48.52	48.67
1999	5	10,266	2.0	233,683	22.76	23.66
2000	4	78,157	15.4	1,996,071	25.54	26.14
2001	--	--	--	--	--	--
2002	5	26,189	5.2	504,857	19.28	20.00
2003	1	20,500	4.0	429,987	20.97	21.97
2004	--	--	--	--	--	--
2005	2	98,167	19.3	1,871,498	19.06	21.41
2006	4	8,177	1.6	595,542	72.83	86.90
2007 and thereafter	8	183,829	36.2	3,850,255	20.94	25.17
SUBTOTAL/WEIGHTED AVERAGE	32	428,638	84.4%	$ 9,631,140	$ 22.47	$ 25.31(2)
Unleased at 6/30/97		79,300	15.6%			
TOTAL		507,938	100.0%			

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(1) For comparison purposes, according to RELocate, the Direct Weighted Average Rental Rate for the direct Class B Garment submarket (which, according to RELocate is the area from 32nd Street to 40th Street, west of Avenue of the Americas to the Hudson River) was $23.32 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 1372 Broadway. Additionally, the Annualized Rent Per Leased Square Foot of Expiring Leases includes the effect of retail rental rates at this Property, which are generally higher than office rental rates. Excluding rental payments attributable to retail space at this Property, the weighted average Annualized Rent Per Leased Square Foot of Expiring Leases would be $20.36.

(2) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

1372 Broadway is located in the Fashion Center BID, which encompasses the area bordered to the north and south by 41st Street and 35th Street, respectively, and to the east and west by Avenue of the

Americas and Ninth Avenue, respectively. The BID includes approximately 450 buildings with over 5,000 fashion-related tenants occupying more than 34 million square feet of office space. The Fashion Center BID provides a private, uniformed security force for on-street, five-day-per week surveillance and response and a private, uniformed sanitation force. In addition, the BID has been responsible for the implementation of various special projects in the area, including the construction of handicapped access curbs and the installation of enhanced street lighting.

The aggregate undepreciated tax basis of depreciable real property at 1372 Broadway for Federal income tax purposes was $52.5 million as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 1372 Broadway at this rate for the 1997-98 tax year, including the applicable BID tax, is $2,258,107 (at an assessed value of $21,793,000).

1140 AVENUE OF THE AMERICAS. The Company has contracted to acquire a 100% interest in the leasehold position in 1140 Avenue of the Americas from an unaffiliated seller for an aggregate cash purchase price of approximately $21.3 million (including $50,000 of acquisition costs). The remaining term of the leasehold is in excess of 19 years, with an option to extend for a further 50 year term. See "Risk Factors--The Company's Performance and Value are Subject to Risks Associated with the Real Estate Industry--The expiration of net leases could adversely affect the Company's financial condition." 1140 Avenue of the Americas is a 22-story office building completed in 1926 and renovated in 1951 and located in the Rockefeller Center submarket of the Manhattan office market. The Property contains approximately 191,000 rentable square feet (including approximately 175,000 square feet of office space, approximately 7,600 square feet of retail space and 8,400 square feet of mezzanine space), with floor plates ranging from 3,500 square feet to 9,400 square feet.

1140 Avenue of the Americas is centrally located at the northeast corner of West 44th Street and Avenue of the Americas, in the heart of midtown Manhattan, at the end of a block that includes the headquarters of the Association of the Bar of the City of New York, the University of Pennsylvania Alumni Club, the Harvard Club, the Algonquin Hotel, the Royalton Hotel and the Mansfield Hotel. A new Sofitel hotel is planned for a vacant parcel of land located on the block. The location is within three blocks of Grand Central Terminal, four blocks of Rockefeller Center and five blocks of the Port Authority Bus Terminal, a major transportation hub for commuters from New Jersey.

As of June 30, 1997, approximately 98% of the rentable square footage in 1140 Avenue of the Americas was leased (including space for leases that were executed as of June 30, 1997). The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	98%	$ 26.30	$ 24.72
1996	99	26.57	24.78

(1) Information is as of June 30, 1997.

As of June 30, 1997, 1140 Avenue of the Americas was leased to 39 tenants operating in various industries including executive placement, financial services and precious stones, one of whom occupied 10% or more of the rentable square footage at the Property. An executive placement firm occupied approximately 28,200 square feet (approximately 14.8% of the Property) under two leases expiring on September 30, 2005 and September 30, 2006, respectively, that provide for aggregate annualized base rent as of June 30, 1997 of approximately $714,000 (approximately $25.32 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 1140 Avenue of the Americas with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES (1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997	4	12,676	6.6%	$ 319,419	$ 25.20	$ 25.20
1998	4	5,534	2.9	180,291	32.58	33.04
1999	8	22,119	11.6	541,252	24.47	24.47
2000	2	13,400	7.0	376,992	28.13	29.73
2001	5	22,198	11.6	690,325	31.10	31.50
2002	--	--	--	--	--	--
2003	5	17,819	9.3	449,036	25.20	29.30
2004	5	40,370	21.1	972,060	24.08	27.20
2005	3	17,498	9.2	425,385	24.31	29.08
2006	1	18,800	9.8	486,638	25.89	32.39
2007 and thereafter	2	16,575	8.7	476,122	28.73	34.16
SUBTOTAL/WEIGHTED AVERAGE	39	186,989	97.9%	$ 4,917,520	$ 26.30	$ 29.12(2)
Unleased at 6/30/97		3,982	2.1%			
TOTAL		190,971	100.0%			

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(1) For comparison purposes, according to RELocate the Direct Weighted Average Rental Rate for the direct Class B Rockefeller Center submarket (which, according to RELocate, is the area between 40th Street to 59th Street along Avenue of the Americas and 40th Street to 52nd Street between Fifth Avenue and Avenue of the Americas) was $27.38 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 1140 Avenue of the Americas. Additionally, the Annualized Rent Per Leased Square Foot of Expiring Leases includes the effect of retail rental rates at this Property, which are generally higher than office rental rates. Excluding rental payments attributable to retail space at this Property, the weighted average Annualized Rent Per Leased Square Foot of Expiring Leases would be $24.96.

(2) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

The aggregate undepreciated tax basis of depreciable real property at 1140 Avenue of the Americas for Federal income tax purposes was $21.2 million as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 1140 Avenue of the Americas at this rate for the 1997-98 tax year is $974,466 (at an assessed value of $9,675,000).

50 WEST 23RD STREET. In June 1997, SL Green obtained an option from an unaffiliated seller to acquire a 100% fee interest in 50 West 23rd Street, a 333,000 rentable square foot 13-story Class B office building located on West 23rd Street between 5th Avenue and Avenue of the Americas in the Chelsea submarket of Manhattan. The cost of obtaining the option was $500,000 (to be credited against the purchase price) and the purchase price for the Property is approximately $36.0 million (including $50,000 of acquisition costs).

In connection with the Formation Transactions, the option will be assigned to the Operating Partnership at cost and will be exercisable through July 31, 1997. The term of the option is extendable for up to three successive one month periods (I.E., through October 31, 1997) at a cost of $100,000 per extension. Under the option terms, the closing must occur within 30 days after exercise of such option. Management of the Company intends to exercise the option and acquire the Property at the closing of the Offering. The Company intends to encumber the Property with an approximately $14 million first mortgage loan from LBHI at the time of closing of the Offering. See "The Properties--Mortgage Indebtedness."

In addition to the foregoing, the contract of sale will provide that if, by the date 50 West 23rd Street is acquired by the Company, there has not been enacted into law a reduction in the federal income tax rate on capital gains in effect on the contract date, the Company will deposit in an escrow account the sum of $1.56 million. In the event there is enacted into law by April 16, 1998 a reduction in such rate applicable to gains recognized on or before January 2, 1998, a portion of such escrowed amount approximately equal to the differential between (i) the income tax payable by the seller on its capital gains attributable to the sale of this Property and (ii) the income tax that would have been payable on such gain in the event such reduction had been in effect at the time of sale, will be paid to the seller and the balance will be refunded to the Company.

50 West 23rd Street was completed in 1892 and substantially renovated in 1992. The property contains approximately 333,000 rentable square feet (including approximately 324,000 square feet of office space and approximately 9,000 square feet of retail space), with floor plates ranging from 32,000 square feet to 6,500 square feet. The substantial renovation of 50 West 23rd Street in 1992, completed by the prior owner of the building at a cost of approximately $15.4 million, included (i) construction of a new lobby, (ii) overhaul of elevator mechanical systems, (iii) enhancement of electrical capacity, (iv) replacement of HVAC and plumbing systems, (v) installation of new windows, (vi) facade restoration and (vii) asbestos abatement.

As of June 30, 1997, approximately 91% of the rentable square footage in 50 West 23rd Street was leased (including space for leases that were executed as of June 30, 1997). The office space was 91% leased and the retail space was 100% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
1997(1)	91%	$ 19.58	$ 17.09
1996	91	19.68	17.09

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(1) Information is as of June 30, 1997.

As of June 30, 1997, 50 West 23rd Street was leased to 16 tenants operating in various industries including engineering, architecture and aerospace, three of whom occupied 10% or more of the rentable square footage at the Property. A naval architecture firm occupied approximately 64,700 square feet (approximately 19.3% of the Property) under a lease expiring on August 31, 2005, that provides for annualized base rent as of June 30, 1997 of approximately $1.25 million (approximately $19.39 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

In addition, a New York City agency occupied approximately 64,000 square feet (approximately 19.2% of the Property) under a lease expiring on June 30, 2010, that provides for annualized base rent as of June 30, 1997 of approximately $700,000 (approximately $10.94 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

Also, an engineering firm occupied approximately 53,600 square feet (approximately 16.1% of the Property) under a lease expiring on June 30, 2005, that provides for annualized base rent as of June 30,

1997 of approximately $1.1 million (approximately $20.02 per square foot). In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 50 West 23rd Street with respect to leases executed as of June 30, 1997 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES WITH FUTURE STEP-UPS
June 30 through December 31, 1997.....	4	13,609	4.1%	$ 440,691	$ 32.38	$ 32.39
1998.....	--	--	--	--	--	--
1999.....	1	2,800	0.8	128,958	46.06	46.06
2000.....	--	--	--	--	--	--
2001.....	--	--	--	--	--	--
2002.....	1	3,008	0.9	97,080	32.27	39.05
2003.....	1	11,510	3.4	206,724	17.96	21.31
2004.....	2	28,700	8.6	507,653	17.69	17.95
2005.....	3	141,477	42.4	3,320,426	23.47	24.98
2006.....	1	21,230	6.4	297,220	14.00	16.00
2007 and thereafter.....	3	82,317	24.7	996,856	12.11	16.41
Subtotal/Weighted Average.....	16	304,651	91.3%	$ 5,995,608	$ 19.68	$ 21.90(2)
Unleased at 6/30/97.....		28,979	8.7%			
TOTAL.....		333,630	100.0%			

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(1) For comparison purposes, according to RELocate the Direct Weighted Average Rental Rate for the direct Class B Chelsea submarket (which, according to RELocate, is the area from 14th Street to 33rd Street between 5th Avenue, from 14th Street to 23rd Street, and Broadway from 23rd Street to 33rd Street and the Hudson River), was $20.41 per square foot as of June 30, 1997. Direct Weighted Average Rental Rate represents the weighted average of asking rental rates for direct Class B space. Asking rental rates generally are higher than actual rental rates (which generally are not publicly available). Therefore, the Direct Weighted Average Rental Rate may not be representative of asking or actual rental rates at 50 West 23rd Street.

(2) The differential between Annualized Rent Per Leased Square Foot of Expiring Leases and Annualized Rent Per Leased Square Foot of Expiring Leases with Future Step-Ups is attributable to significant contractual step-ups in base rental rates that exist in certain leases at this Property.

The aggregate undepreciated tax basis of depreciable real property at 50 West 23rd Street for Federal income tax purposes was $36.0 million as of June 30, 1997. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.072 per $100 of assessed value. The total annual tax for 50 West 23rd Street at this rate for the 1997-98 tax year is $969,027 (at an assessed value of $9,621,000).

THE OPTION PROPERTIES

17 BATTERY PLACE. In July 1997, 17 Battery LLC, a limited liability company owned by Stephen L. Green, contracted to acquire from an unaffiliated seller an interest in 17 Battery Place for an aggregate purchase price of $59 million. 17 Battery Place contains 1.2 million rentable square feet and is comprised of two Class B office buildings, 17 Battery Place North, a 22-story building encompassing approximately

423,000 rentable square feet (the "North Building"), and 17 Battery Place South, a 31-story building (the "South Building") encompassing approximately 799,000 rentable square feet located at the intersection of Battery Place and West Street in the financial district of downtown Manhattan. SL Green has been leasing agent and property manager at 17 Battery Place since January 2, 1996.

During the contract period, the seller of 17 Battery Place, with the assistance of 17 Battery LLC, will convert the South Building into two condominium units. One unit will be comprised of portions of the basement and the ground floor and floors 2 through 13 and will continue to function as office space (the "Office Unit"). The second unit will be comprised of floors 14 through 31 and will be redeveloped by the seller into a residential/hotel facility (the "Hotel Unit"). In addition, the North Building will continue to function as office space. Pursuant to the contract of sale, 17 Battery LLC, subject to the satisfactory completion of the condominium conversion, will acquire all of the North Building and the Office Unit (an aggregate of approximately 800,000 rentable square feet) but will have no interest in the Hotel Unit.

As of June 30, 1997, the North Building and the South Building were 71% and 93% leased, respectively. Tenants include MCI Communications, the City of New York and New York Association for New Americans. 17 Battery LLC has agreed to keep vacant until December 31, 1998 an aggregate of 153,000 square feet of office space in the North Building and the Office Unit in order to accommodate the relocation of office tenants from the Hotel Unit.

The Operating Partnership has been granted an option, exercisable over a 10 year period, to acquire from 17 Battery LLC its interest in the North Building and the Office Unit at a price equal to the aggregate of (i) sums paid by 17 Battery LLC for such interest, (ii) all financing and other costs and expenses incurred in connection with the acquisition or ownership by 17 Battery LLC of such interest and (iii) interest on all such sums from the date of incurrence.

In addition to the foregoing, 17 Battery LLC has agreed during the 10 year option term, not to sell or otherwise transfer its interest in 17 Battery Place to any third party without providing 30 days prior notice to the Operating Partnership and offering to the Operating Partnership the right to (i) exercise its option under the aforementioned terms and sell its interest to such third party or (ii) retain such option following the sale to such third party. In the event the Operating Partnership elects not to exercise its option and a third party sale is consummated, 17 Battery LLC will pay to the Operating Partnership its net after tax profit from such sale (defined as the excess of the gross sales price for 17 Battery LLC's interest over the total of any outstanding mortgage or other encumbrance, the federal income tax payable by the members of 17 Battery LLC as a result of the sale as well as other transaction costs incurred in connection with such sale, including transfer taxes, closing adjustments, brokerage commissions, legal fees and accounting fees).

110 EAST 42ND STREET. In August 1997, 110 Realty LLC, a limited liability company owned by Stephen L. Green, contracted to acquire from an unaffiliated seller the land and building located at 110 East 42nd Street for a purchase price of $30 million.

110 East 42nd Street is an 18-story Class B office building containing approximately 250,000 rentable square feet. The property is located in midtown Manhattan on the south side of 42nd Street between Park and Lexington Avenues, directly opposite the main entrance to Grand Central Terminal (with additional frontage and entrances on the north side of 41st Street). As of June 30, 1997, the building was 93% leased. Major tenants include Greenpoint Savings Bank, Major League Soccer LLC and Morgan, Lewis & Bockius. The building was completed in 1921 as the headquarters of the Bowery Savings Bank and has been designated as a landmark structure by the Landmarks Commission of the City of New York.

The Operating Partnership has been granted an option, exercisable over a 10 year period, to acquire from 110 Realty LLC its interest in 110 East 42nd Street at a price equal to the aggregate of (i) sums paid by 110 Realty LLC for such interest, (ii) all financing and other costs and expenses incurred in connection with the acquisition of ownership by 110 Realty LLC of such interest and (iii) interest on all such sums from the date of incurrence.

In addition to the foregoing, 110 Realty LLC has agreed to substantially the same restrictions on and effects of a sale or transfer of its interest as described above with respect to 17 Battery LLC. Also, in the

event that 110 Realty LLC or an entity in which it owns an interest acquires 110 East 42nd Street and at such time the Operating Partnership has not exercised its option, at any time prior to the expiration of the option period 110 Realty LLC shall, at the request of the Operating Partnership, enter into an option agreement containing commercially reasonable terms to sell 110 Realty LLC's interest in the property to the Operating Partnership for a purchase price equal to that set forth in (i), (ii) and (iii) of the paragraph above.

Exercise of each of the options to acquire 17 Battery Place and 110 East 42nd Street by the Company is subject to approval by the independent Directors of the Company. Accordingly, there can be no assurance that either of such Properties will be acquired by the Company.

GENERAL TERMS OF LEASES IN THE MIDTOWN MARKETS

Leases entered into for space in the Midtown Markets typically contain terms which may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in excess of 10,000 square feet in the Midtown Markets generally is ten to 15 years. The tenant often will negotiate an option to extend the term of the lease for one or two renewal periods of five years each. The base rent during the initial term often will provide for agreed upon increases periodically over the term of the lease. Base rent for renewal terms, and base rent for the final years of a long-term year lease (in those leases which do not provide an agreed upon rent during such final years), often is based upon a percentage of the fair market rental value of the premises (determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value) but not less than the base rent payable at the end of the prior period. Leases typically do not provide for increases in rent based upon increases in the consumer price index.

In addition to base rent, the tenant also generally will pay the tenant's 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.

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

In a typical lease for a new tenant, the landlord, at its expense, will deliver the premises with all existing improvements demolished and any asbestos abated. The landlord also typically will provide a tenant improvement allowance, which is a fixed sum which the landlord will make available to the tenant to reimburse the tenant for all or a portion of the tenant's initial construction of its premises. Such sum typically is payable as work progresses, upon submission of invoices for the cost of construction. However, in certain leases (most often for relatively small amounts of space), the landlord will construct the premises for the tenant.

MORTGAGE INDEBTEDNESS

Upon completion of the Offering, the Company expects to have outstanding approximately $46.5 million of indebtedness secured by four of the Properties.

The Company currently is negotiating with each of its lenders (and the Property-owning entities are negotiating with each of their lenders) regarding the terms of the indebtedness that will be outstanding after the Offering. The following table sets forth the mortgage debt of the Company expected to be outstanding after completion of the Offering and the Formation Transactions and the Company's best estimate of the expected terms of such indebtedness.

MORTGAGE INDEBTEDNESS TO BE OUTSTANDING AFTER THE COMPLETION OF THE OFFERING (1)

PROPERTY	ESTIMATED INTEREST RATE	EXPECTED PRINCIPAL BALANCE(1)	ESTIMATED ANNUAL DEBT SERVICE	ESTIMATED MATURITY DATE	ESTIMATED BALANCE AT MATURITY
673 First Avenue	9.00%	$ 18,618,630	$ 3,151,579	12/13/03	$ 2,020,021
470 Park Avenue South	8.25	10,934,798	1,208,572	04/01/04	8,284,863
29 West 35th Street	8.46	2,996,606	324,368	02/01/01	2,717,903
50 West 23rd Street (3)	7.50(4)	14,000,000	1,050,000	08/30/07	12,842,560
Total		$ 46,550,034	$ 5,734,519		$ 25,865,347

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(1) As noted above under "Use of Proceeds," it is currently expected that certain mortgage indebtedness described therein will be acquired and modified by LBHI at the closing of the Offering.

(2) As of August 1, 1997.

(3) The Company expects to encumber this Acquistion Property with a first mortgage loan from LBHI upon approximately the terms set forth in this table, with no amortization during the first five years.

(4) Estimated based upon current market interest rates.

CREDIT FACILITY

Subject to negotiation of mutually satisfactory covenants and other terms, LBHI has agreed to provide the Company with a revolving $75 million Credit Facility that will be used to facilitate acquisitions and for working capital purposes. Although the Company expects that the Credit Facility will be established shortly after the completion of the Offering, there can be no assurance at this time as to whether the Company will be successful in obtaining the Credit Facility, or, if the Credit Facility is established, the terms governing the Credit Facility.

ENVIRONMENTAL MATTERS

The Company engaged independent environmental consulting firms to perform Phase I environmental site assessments on the Properties, in order to assess existing environmental conditions. All of the Phase I assessments have been conducted since March 1997, except for the Bar Building, where a Phase I assessment was conducted in September 1996. All of the Phase I assessments met the ASTM Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, a historical record review, a review of regulatory agency data bases and records, interviews, and a report, with the purpose of identifying potential environmental concerns associated with real estate. The Phase I assessments conducted at the Properties also addressed certain issues that are not covered by the ASTM Standard, including asbestos, radon, lead-based paint and lead in drinking water. These environmental site assessments did not reveal any known environmental liability that the Company believes will have a material adverse effect on the Company's financial condition or results of operations or would represent a material environmental cost.

The following summarizes certain environmental issues described in the Phase I environmental site assessment reports:

The asbestos surveys conducted as part of the Phase I site assessments identified immaterial amounts of damaged, friable asbestos-containing material ("ACM") in isolated locations in three of the Core Properties (470 Park Avenue South, 29 West 35th Street and the Bar Building) and in the Acquisition Properties (1140 Avenue of the Americas and 1372 Broadway). At each of these Properties, the environmental consultant recommended abatement of the damaged, friable ACM. At all of the Properties except 50 West 23rd Street, non-friable ACM, in good condition, was identified. For each of these Properties, the consultant recommended preparation and implementation of an asbestos Operations and Maintenance ("O & M") program, to monitor the condition of ACM and to ensure that any ACM that becomes friable and damaged is properly addressed. The Company does not believe that any risks associated with ACM are likely to have a material adverse effect on the Company's business.

The Phase I environmental site assessments identified minor releases of petroleum products at the Bar Building and at 70 West 36th Street. The consultant recommended implementation of certain measures to further investigate, and to clean up, these releases. The Company does not believe that any actions that may be required as a result of these releases will have a material adverse effect on the Company's business.

PROPERTY MANAGEMENT AND LEASING SERVICES

The Company (through the Management Entities and the Leasing Corporation) will conduct its management and leasing business largely in the same manner as it currently is conducted by SL Green. SL Green currently provides management and leasing services for 29 properties (including the Properties in the Core Portfolio) in the New York metropolitan area. Of these properties, SL Green currently has an ownership interest in the six Properties in the Core Portfolio to be owned by the Company.

SL Green's management and leasing business is an established office property management and leasing business with extensive experience. SL Green has been managing and leasing Manhattan office properties since 1981. SL Green seeks to provide tenants with a level of service more typically found in Class A properties. The Company's comprehensive tenant service program and property amenities have been designed to maximize tenant satisfaction and retention as well as to establish long-term relationships with its tenant base. See "Business and Growth Strategies" above.

The Company believes that its fully integrated management structure enhances its ability to respond to tenant needs and permits the Company to maintain control over certain costs associated with the management and renovation of its properties. The Company maintains a staff of 40 professionals experienced in the management of Manhattan Class B office properties. This management team has developed a comprehensive knowledge of the Class B Manhattan office market, an extensive network of local tenant and other business relationships and is experienced in acquiring office properties and repositioning them into profitable Class B properties through intensive full service management and leasing efforts.

In addition, the Company seeks to capitalize on its market position and relationships with an extensive network of brokers and tenants to implement a proactive leasing program. Management believes that its extensive knowledge of the Class B Manhattan office market enhances its ability to monitor, understand and anticipate the current and future space needs of tenants in its submarkets. See "Business and Growth Strategies" above.

After the completion of the Offering and the Formation Transactions, the Company (through the Management LLC) will provide management and leasing services for the Properties to be owned by the Company as well as leasing services for a portion of the properties in which the Company will own no interest. In addition, it is anticipated that the Company (through the Management Corporation and the Leasing Corporation) will provide management and tenant representation services for properties in which the Company owns no interest and leasing services for a portion of such properties.

CONSTRUCTION SERVICES

The Company (through the Construction Corporation and the Management Entities) will conduct the construction business largely in the same manner as it currently is conducted by SL Green. Construction services will be provided both as a part of the Company's management business and through the Construction Corporation as a general contractor.

CONSTRUCTION MANAGEMENT AS PART OF MANAGEMENT SERVICE AGREEMENTS. A fee from 1.5% to 5% of costs incurred for capital improvements or tenant installations is paid to the Management Entities for construction management services. These services are comprised of (i) preconstruction scope of work development and preliminary cost estimating for the leasing department in connection with potential leasing transactions, plan review and approval of proposed tenant installation plans; coordination with property management with respect to tenant installation construction as it relates to building systems; and, coordination and supervision of tenant's architects, engineers and contractors in managed properties from the beginning of

lease workletter negotiations through construction of the tenant's build-out to move-in and (ii) capital improvement programs, including major building renovations, system upgrades, local law compliance requirements, and completion of deferred maintenance items requiring replacement (rather than repair).

GENERAL CONTRACTOR SERVICES PROVIDED THROUGH THE CONSTRUCTION CORPORATION. The Construction Corporation will charge from 5% to 10% over the costs of construction for the building of tenant installations in properties managed and leased by the Management Entities and the Leasing Corporation. This service enables the leasing agent to offer "turn-key" and "prebuilt" spaces to prospective tenants who want to have space prepared for them to move into without having to go through the designing/building process, while holding down the costs of tenant improvements.

EMPLOYEES

The Company initially intends to employ approximately 50 persons. Of such 50 employees, approximately 48 will be "home office" executive and administrative personnel and approximately two will be on-site management and administrative personnel. Following the completion of the Offering and the Formation Transactions, the Company currently expects that none of these employees will be represented by a labor union.

TRANSFER OF PROPERTIES

Interests in the Properties in the Core Portfolio will be acquired by the Company (through the Operating Partnership) pursuant to agreements for contribution of interests (each a "Contribution Agreement"). The acquisitions are subject to all of the terms and conditions of such agreements. The holders of interests in the Property-owning entities (which own partial or complete interests in the individual Properties) will transfer their interests to entities controlled by the Company for cash or Units. The Company will assume all the rights, obligations and responsibilities of the contributors of interests. The transfer of ownership interests in each Property is subject to the completion of the Offering.

The Contribution Agreements generally contain representations only with respect to the ownership of the interests by the holders thereof and certain other limited matters. Pursuant to a Supplemental Representations and Warranties Agreement (the "Supplemental Agreement"), certain SL Green entities will agree to indemnify the Company against certain breaches of representations and warranties made by such SL Green entities with respect to the Properties and the management, leasing and construction businesses being transferred to the Company for a period of 12 months following the completion of the Offering. The maximum aggregate liability of such SL Green entities under the Supplemental Agreement is limited to $20 million of the Units received by the SL Green entities in the Formation Transactions, with no liability being assumed until the aggregate liability exceeds $250,000. Recourse for any liabilities under the Supplemental Agreement will be limited to Units received by such SL Green entities in the Formation Transactions. Certain SL Green entities will pledge an aggregate of $20 million of Units (based on the initial public offering price of shares of Common Stock) to secure their indemnification obligations under the Supplemental Agreement.

ASSETS NOT BEING TRANSFERRED TO THE COMPANY

In addition to the interests of SL Green in the Properties which are being acquired by the Company and the Option Properties, SL Green also owns interests in certain other properties which the Company will not acquire at the time of the completion of the Offering and the Formation Transactions. These interests are (i) a portion of a net leasehold interest scheduled to expire in 2000, in a substantially vacant showroom building located at 305 East 63rd Street in Manhattan which is slated for conversion to residential space, (ii) a one-third non-controlling interest in a loft building located at 133 West 21st Street in Manhattan substantially occupied by one tenant pursuant to leases scheduled to expire in the near term, (iii) the net leasehold of an office building located at 215 Park Avenue South in Manhattan, the equity in which is controlled by the leasehold mortgagee and which the Company believes has no value to SL Green, (iv) interests in ground floor retail and other non-office commercial space in various predominantly

residential buildings located in Manhattan (830/832 Broadway, 5 East 16th Street, 12 East 12th Street, 8 East 12th Street and 30 West 15th Street) and (v) an 89% interest in a warehouse/distribution center in Bethlehem, Pennsylvania.

The Company also will not acquire at the time of the completion of the Offering any interest in certain office property service businesses currently conducted by companies which are owned by a son of Stephen L. Green. These services include office cleaning (and related) services and security services with respect to the Company's properties and properties in which the Company will not own any interest, as well as facilities management services with respect to third parties. The interests in these service businesses are not being transferred to the Company at the time of the completion of the Offering in order to maintain the Company's qualification as a REIT for Federal income tax purposes or because the Company does not believe such services are directly related or material to the Company's business strategy.

After the completion of the Offering, the Company may retain two entities (both of which are owned by a son of Stephen L. Green) to provide cleaning and security services for the Properties. Such services would be provided to the Company at competitive rates. The Company expects these services would be provided under contracts with such SL Green entities with an initial one-year term, but will be terminable by either party upon 30 days' notice. Any actions with respect to the contracts to provide these services that may be taken by the Company in the future would need to be approved by a vote of the disinterested members of the Board of Directors of the Company. See "Policies With Respect To Certain Activities-- Conflict of Interest Policies." After the completion of the Offering, certain employees of the Management LLC will supervise the provision of cleaning and security services by SL Green entities with respect to the Company's properties.

COMPETITION

All of the Properties are located in highly developed areas of midtown Manhattan that include a large number of other office properties. Manhattan is by far the largest office market in the United States and contains more rentable square feet than the next six largest central business district office markets in the United States combined. Of the total inventory of 378 million rentable square feet in Manhattan approximately 205 million rentable square feet is comprised of Class A office space and 173 million of Class B office space. Class A office properties are generally newer than Class B office properties, have higher finishes and command higher rental rates. Many tenants have been attracted to Class B properties in part because of their relatively less expensive rental rates and the tightening of the Class A office market in midtown Manhattan. See "Market Overview." Consequently, an increase in vacancy rates and/or a decrease in rental rates for Class A office space would likely have an adverse effect on rental rates for Class B office space. Also, the number of competitive Class B office properties in Manhattan (some of which are newer and better located) could have a material adverse effect on the Company's ability to lease office space at its properties, and on the effective rents the Company is able to charge. In addition, the Company may compete with other property owners that have greater resources than the Company. See "Risk Factors--Competition in its Marketplace Could Have an Adverse Impact on the Company's Results of Operations."

REGULATION

GENERAL. Office properties in Manhattan are subject to various laws, ordinances and regulations, including regulations relating to common areas. The Company believes that each Property has the necessary permits and approvals to operate its business.

AMERICANS WITH DISABILITIES ACT. The Company's properties must comply with Title III of the ADA to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of the Company's properties where such removal is readily achievable. The Company believes that the Properties are in substantial compliance with the ADA and that it will not be required to make substantial capital

expenditures with respect to the Properties to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and the Company will continue to assess its properties and to make alterations as appropriate in this respect.

ENVIRONMENTAL MATTERS. Under various Federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up certain hazardous substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by the parties in connection with the contamination. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. See "Risk Factors-- Liability for Environmental Matters Could Adversely Affect the Company's Financial Condition."

INSURANCE

The Operating Partnership carries comprehensive liability, fire, extended coverage and rental loss insurance covering all of the Properties, with policy specifications and insured limits which the Company believes are adequate and appropriate under the circumstances. There are, however, certain types of losses that are not generally insured because they are either uninsurable or not economically feasible to insure. Should an uninsured loss or a loss in excess of insured limits occur, the Operating Partnership could lose its capital invested in the property, as well as the anticipated future revenues from the property and, in the case of debt which is with recourse to the Operating Partnership, would remain obligated for any mortgage debt or other financial obligations related to the property. Any such loss would adversely affect the Company. Moreover, as a general partner of the Operating Partnership, the Company will generally be liable for any unsatisfied obligations other than non-recourse obligations. The Company believes that the Properties will be adequately insured; however no assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

LEGAL PROCEEDINGS

The Company currently is not a party to any legal proceedings. Certain SL Green entities are parties to a variety of legal proceedings relating to their ownership of the Properties in the Core Portfolio and SL Green's activities with regard to its construction, management and leasing businesses, respectively, arising in the ordinary course of business. Because the Company may be acquiring certain of the Properties subject to associated liabilities, it may therefore become a successor party-in-interest to certain of these proceedings as a result of the Formation Transactions. The Company believes that substantially all of this liability is covered by insurance. All of these matters, taken together, are not expected to have a material adverse impact on the Company.

DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

The Board of Directors of the Company will be expanded immediately following the completion of the Offering to include the director nominees named below, each of whom has been nominated for election and has consented to serve. Upon election of the director nominees, a majority of directors will not be employees or affiliates of the Company or SL Green. Pursuant to the Company's Charter, the Board of Directors is divided into three classes of directors. The initial terms of the first, second and third classes will expire in 1998, 1999 and 2000, respectively. Beginning in 1998, directors of each class will be chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. The Company believes that classification of the Board of Directors will help to assure the continuity and stability of the Company's business strategies and policies as determined by the Board of Directors. Holders of shares of Common Stock will have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of Common Stock will be able to elect all of the successors of the class of directors whose terms expire at that meeting.

The following table sets forth certain information with respect to the directors, director nominees and executive officers of the Company immediately following the completion of the Offering:

NAME	AGE	POSITION
Stephen L. Green	59	Chairman of the Board, Chief Executive Officer and President (term will expire in 2000)
David J. Nettina	44	Executive Vice President, Chief Operating Officer and Chief Financial Officer
Nancy Ann Peck	53	Executive Vice President--Development and Operations
Steven H. Klein	37	Executive Vice President--Acquisitions
Benjamin P. Feldman	45	Executive Vice President, General Counsel, Secretary and Director (term will expire in 1999)
Gerard Nocera	40	Executive Vice President--Leasing
Louis A. Olsen	53	Senior Vice President--Finance
John H. Alschuler, Jr.	49	Director Nominee (term will expire in 2000)
Edwin Thomas Burton, III	54	Director Nominee (term will expire in 1998)
John S. Levy	61	Director Nominee (term will expire in 1999)

STEPHEN L. GREEN will serve as the Chairman of the Board of Directors, Chief Executive Officer and President of the Company. Stephen L. Green founded S.L. Green Real Estate in 1980. Since then he has been involved in the acquisition of over 30 Manhattan office buildings containing in excess of four million square feet and the management of 50 Manhattan office buildings containing in excess of 10 million square feet. His clients have included Aldrich Eastman & Waltch, Bank of New York, CalPERS, Dai-lchi Kangyo Bank, and CS First Boston. Mr. Green is a Governor of the Real Estate Board of New York and an at-large member of the Executive Committee of the Board of Governors of the Real Estate Board of New York. Additionally, Mr. Green is a Co-Chairman of the Real Estate Tax Fairness Coalition. Mr. Green received a B.A. degree from Hartwick College and a J.D. degree from Boston College Law School. Mr. Green is the husband of Nancy A. Peck.

DAVID J. NETTINA will serve as Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company. Prior to joining SL Green, Mr. Nettina worked for The Pyramid Companies ("Pyramid"), based in Syracuse, NY, in various positions from March 1986 to June, 1997. From 1990 to 1997, Mr. Nettina was a partner and Chief Financial Officer of Pyramid. From 1989 to 1990, Mr. Nettina was a development partner at the Boston, MA office of Pyramid. Mr. Nettina was the Director of Corporate Finance of the Pyramid Development Group from 1987 to 1989. From 1986 to 1987, Mr.

Nettina was Chief Operating Officer of the Pyramid Management Group. Mr. Nettina served as President of Citibank (Maine), N.A. from 1983 to 1986. From 1980 to 1983, Mr. Nettina was Assistant Vice President of Citibank (NYS), N.A. in Rochester, NY. Mr. Nettina was in the U.S. Army from 1976 until he completed service as a Captain in 1980. Mr. Nettina received a B.S. degree in 1974 and a MBA in 1976 from Canisius College.

NANCY ANN PECK will serve as Executive Vice President-Development and Operations of the Company. Since 1983, Ms. Peck has supervised redevelopment of the SL Green projects and has overseen the management and construction of all properties owned and managed by SL Green. Prior to joining SL Green, Ms. Peck served as project coordinator for projects valued in excess of $500 million, one of which was the renovation and conversion of the two million square foot American Furniture Mart in Chicago into a multi-use complex. Ms. Peck worked for McKeon Construction Corp., Paul Properties and Shelter Rock Holdings Corp. She recently was appointed to the Board of Directors of the Real Estate Board of New York, Management Division. Ms. Peck received a B.A. degree from the University of California at Berkeley and an MBA in finance from New York University Business School. She is the wife of Stephen L. Green.

STEVEN H. KLEIN will serve as Executive Vice President-Acquisitions of the Company. Mr. Klein has overseen the Asset Management division of SL Green since 1991 and leads acquisition, sale and investment analysis decisions. Mr. Klein has played a major role in the redevelopment of SL Green's managed portfolio. Prior to joining SL Green, Mr. Klein worked at Gallin Realty Company in marketing and leasing. Mr. Klein received a B.A. degree from the University of Michigan.

BENJAMIN P. FELDMAN will serve as Executive Vice President and General Counsel of the Company and as a Director of the Company. He has served as General Counsel of SL Green since 1987. Mr. Feldman handles the legal aspects of all leasing, financing and acquisition decisions. Prior to joining the Company, Mr. Feldman was vice-president and general counsel for Bruce Berger Realty. Mr. Feldman received a B.A. degree from Columbia University and a J.D. degree from Columbia University School of Law.

GERARD NOCERA will serve as Executive Vice President-Leasing of the Company. Since 1991, Mr. Nocera has been responsible for the development and implementation of marketing and leasing programs at SL Green owned and managed properties. Prior to joining SL Green, Mr. Nocera worked for The Cohen Brothers as a landlord representative. Mr. Nocera is a member of the Real Estate Board of New York. Mr. Nocera received a B.A. degree from Duquesne University.

LOUIS A. OLSEN will serve as Senior Vice President--Finance of the Company. Since 1988, Mr. Olsen has overseen all financial and accounting functions at SL Green. Before joining SL Green, Mr. Olsen was vice president and comptroller of the management division of Edward S. Gordon Company where he was responsible for the financial accounting of an 8 million square foot commercial office portfolio managed by Edward S. Gordon. Mr. Olsen also served for four years as vice president of Chase Manhattan Bank where he was responsible for financial reporting for the $200 million Real Estate Owned Portfolio. Mr. Olsen also worked as a manager in the real estate department at Peat, Marwick & Mitchell. Mr. Olsen received a B.S. degree in accounting from Bloomfield College and an M.B.A. degree in accounting and taxation from Fairleigh Dickenson University. Mr. Olsen is a licensed New York State Certified Public Accountant.

JOHN H. ALSCHULER, JR. has served as President and the Partner-in-Charge of the New York office of Hamilton, Rabinowitz & Alschuler, Inc., ("HRA") a nationally recognized real estate and management consulting firm since 1996 and 1983, respectively. Mr. Alschuler has also been an Adjunct Assistant Professor in the Graduate Program in Real Estate at Columbia University since 1987. As President of HRA, Mr. Alschuler is currently advising the Government of Kuwait on the redevelopment of the main commercial district of Kuwait City. Mr. Alschuler is also advising the Governor of Massachusetts and the Board of the MBTA on the restructuring and privatization of the nation's second largest mass transit system. Mr. Alschuler also serves as the real estate advisor to the Guggenheim family and their foundation. Mr. Alschuler has advised a wide range of development clients, including Olympia & York, Maguire

Thomas Partners, Queens West Development Corporation and the Empire State Development Corporation. Mr. Alschuler has also advised many public organizations and elected officials, including the Mayor of New York City and the Governor of New York. Mr. Alschuler received a B.A. degree from Wesleyan University and Ed.D. degree from the University of Massachusetts of Amherst.

EDWIN THOMAS BURTON, III has been Chairman of the Board of Trustees and a member of the Investment Advisory Committee of the Virginia Retirement System ("VRS") for state and local employees of the Commonwealth of Virginia ($25 billion in assets) since 1994. Mr. Burton also served as the Chairman of the VRS Special Committee on the sale of RF&P Corporation, a $570 million real estate company. He is also currently a visiting professor of commerce and economics at the University of Virginia, where he has received several awards of distinction. From 1994 until 1995, Mr. Burton served as Senior Vice President, Managing Director and member of the Board of Directors of Interstate Johnson Lane, Incorporated, an investment banking firm where he was responsible for the Corporate Finance and Public Finance Divisions. From 1987 to 1994, Mr. Burton served as President of Rothschild Financial Services, Incorporated (a subsidiary of Rothschild, Inc. of North America), an investment banking company headquartered in New York City that is involved in proprietary trading, securities lending and other investment activities. From 1985 until 1987, Mr. Burton was a partner of First Capital Strategists, a partnership that managed security lending and investment activities for large endowment portfolios. Mr. Burton also served as a consultant to the American Stock Exchange from 1985 until 1986 and a senior vice president with Smith Barney (or its corporate predecessor) from 1976 until 1984. Mr. Burton currently serves on the Board of Directors of Capstar, a publicly traded hotel company and SNL Securities, a private securities data company. He has held various teaching positions at York College, Rice University and Cornell University and has written and lectured extensively in the field of economics. Mr. Burton also serves as a member of the Children's Medical Center Committee of the University of Virginia Hospital Advisory Board, a member of the Jefferson Scholar Selection Committee at the University of Virginia, a board member of Madison House in Charlottesville, Virginia and a member of the Governor's Commission on Governmental Reform for the Commonwealth of Virginia. Mr. Burton received a B.A. and an M.A. in economics from Rice University and a Ph.D in economics from Northwestern University.

JOHN S. LEVY is a private investor. Mr. Levy was associated with Lehman Brothers Inc. (or its corporate predecessors) from 1983 until 1995. During this period, Mr. Levy served as Managing Director and Chief Administrative Officer of the Financial Services Division, Senior Executive Vice President and Co-Director of the International Division overseeing the International Branch System and Managing Partner of the Equity Securities Division, where he managed the International, Institutional, Retail and Research Departments. Prior to that period, Mr. Levy was associated with A.G. Becker Incorporated (or its corporate predecessors) from 1960 until 1983. During this period, Mr. Levy served as Managing Director of the Execution Services Division, Vice President-Manager of Institutional and Retail Sales, Manager of the Institutional Sales Division, Manager of the New York Retail Office and a Registered Representative. Mr. Levy received a B.A. degree from Dartmouth College.

COMMITTEES OF THE BOARD OF DIRECTORS

EXECUTIVE COMMITTEE. Promptly following the completion of the Offering, the Board of Directors will establish an Executive Committee. Subject to the Company's conflict of interest policies, the Executive Committee will be granted the authority to acquire and dispose of real estate and the power to authorize, on behalf of the full Board of Directors, the execution of certain contracts and agreements, including those related to the borrowing of money by the Company (and, consistent with the Partnership Agreement of the Operating Partnership, to cause the Operating Partnership to take such actions). The Executive Committee initially will consist of Stephen L. Green and at least two additional directors.

AUDIT COMMITTEE. Promptly following the completion of the Offering, the Board of Directors will establish an Audit Committee. The Audit Committee will make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the scope and

results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Company's internal accounting controls. The Audit Committee initially will consist of two or more independent directors.

COMPENSATION COMMITTEE. Promptly following the completion of the Offering, the Board of Directors will establish a Compensation Committee consisting of at least two independent directors to establish remuneration levels for executive officers of the Company and to implement and administer the Company's stock option plans and any other incentive programs.

The Board of Directors may from time to time establish certain other committees to facilitate the management of the Company.

COMPENSATION OF DIRECTORS

The Company intends to pay its non-employee directors annual compensation of $12,000 for their services. In addition, non-employee directors will receive a fee of $1,000 for each Board of Directors meeting attended (in person or by telephone). Non-employee directors will receive an additional fee of $500 for each committee meeting attended (in person or by telephone), unless the committee meeting is held on the day of a meeting of the Board of Directors. Non-employee directors also will be reimbursed for reasonable expenses incurred to attend director and committee meetings. Compensation and fees may be paid to non-employee directors in the form of cash or Common Stock, at the election of each such director. Officers of the Company who are directors will not be paid any director's compensation or fees. Pursuant to the Company's stock option plan, non-employee directors will receive, upon initial election to the Board of Directors, options to purchase 6,000 shares of Common Stock (at the initial public offering price or, if elected following the completion of the Offering, at the prevailing market price) which will vest after one year.

EXECUTIVE COMPENSATION

The following table sets forth the annual base salary rates and other compensation expected to be paid in 1997 to the Company's Chief Executive Officer and each of the Company's other five most highly compensated executive officers.

NAME	TITLE	1997 BASE SALARY RATE (1)	OPTIONS ALLOCATED (2)
Stephen L. Green	Chairman of the Board, President and Chief Executive Officer	$ 250,000	--
David J. Nettina	Executive Vice President, Chief Operating Officer and Chief Financial Officer	$ 200,000	50,000
Nancy A. Peck	Executive Vice President-- Development and Operations	$ 150,000	50,000
Steven H. Klein	Executive Vice President-- Acquisitions	$ 175,000	50,000
Benjamin P. Feldman	Executive Vice President and General Counsel	$ 150,000	50,000
Gerard Nocera	Executive Vice President--Leasing	$ 175,000	50,000

(1) Does not include bonuses that may be paid to the above individuals. See "--Incentive Compensation Plan" below.

(2) Upon the effective date of the Offering, options to purchase a total of 660,000 shares of Common Stock will be granted to officers and other employees of the Company under the Company's stock option plan at a price equal to the initial public offering price. See "--Stock Option and Incentive Plan" below."

OPTION GRANTS IN FISCAL YEAR 1997

NAME	OPTIONS TO BE GRANTED(1)	PERCENT OF TOTAL OPTIONS TO BE GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE(2)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF SHARE PRICE APPRECIATION FOR OPTION TERM	
					5%	10%
Stephen L. Green	--	--	--	--	--	--
David J. Nettina	50,000	7.6%	$ 20.00	-/-/07	$ 628,895	$ 1,593,742
Nancy A. Peck	50,000	7.6%	$ 20.00	-/-/07	$ 628,895	$ 1,593,742
Benjamin P. Feldman	50,000	7.6%	$ 20.00	-/-/07	$ 628,895	$ 1,593,742
Steven H. Klein	50,000	7.6%	$ 20.00	-/-/07	$ 628,895	$ 1,593,742
Gerard Nocera	50,000	7.6%	$ 20.00	-/-/07	$ 628,895	$ 1,593,742

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(1) The options for one-third of the covered shares (disregarding fractional shares, if any) will become exercisable on each of the first, second and third anniversaries of the date of the grant.

(2) Based on the assumed initial public offering price. The exercise price per share will be the initial public offering price.

EMPLOYMENT AND NONCOMPETITION AGREEMENTS

Each of Stephen L. Green, Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen will enter into an employment and noncompetition agreement with the Company which will be effective as of the completion of the Offering. Each agreement will expire on the third anniversary of the closing of the Offering, unless otherwise extended, except that Mr. Olsen's agreement will expire on the first anniversary of the closing of the Offering, unless extended. Employment under the agreements may be terminated for "cause" by the Company for: (i) engagement in conduct that constitutes a felony, (ii) breach of fiduciary duty, gross negligence or willful misconduct or other conduct against the best interests of the Company, (iii) a breach of material obligations or covenants under the agreement, or (iv) an uncured failure to substantially perform the duties provided for in such agreement. The employee may terminate his or her employment for "good reason," which includes (i) failure to be elected to offices with the same or substantially the same duties as provided for in the agreement, (ii) an uncured breach by the Company of its material obligations under the agreement, or (iii) a substantial adverse change in the nature or scope of the responsibility and authority provided in the agreement following a change-in-control of the Company. If employment is terminated by the Company "without cause" or by the employee "with good reason," then the employee is entitled to severance benefits for the remaining period of the agreement including (i) base salary paid on the same periodic payment dates provided for in the agreement, (ii) continuation of benefits provided for in the agreement and (iii) continuation of any rights of the employee under the Company's Stock Option Plan.

The employment and noncompetition agreements will, subject to certain exceptions, prohibit each of such persons from engaging, directly or indirectly, during the term of his or her employment, in any business which engages or attempts to engage in, directly or indirectly, the acquisition, development, construction, operation, management or leasing of any office real estate property within the New York City metropolitan area (the "Competitive Activities"). The exceptions include investments listed under "The Properties--Assets Not Being Transferred to the Company" and any investments in publicly traded real-estate entities representing less than 1% of the equity ownership of such entity. Pursuant to the agreements, each of such persons will devote substantially all of his or her business time to the Company. The employment and noncompetition agreement of Stephen L. Green will also, subject to certain exceptions, prohibit Mr. Green from engaging, directly or indirectly, during the Noncompetition Period in any Competitive Activities. The Noncompetition Period is the period beginning on the date of the

termination of employment and ending on the later of (i) three years from the closing of the Offering and (ii) one year from the termination of his employment with the Company.

David J. Nettina has entered into a similar employment and noncompetition agreement with the Company. Mr. Nettina's agreement also provides for a minimum yearly bonus of $100,000, the award of options to purchase at least 50,000 shares of Common Stock upon completion of the Offering (exercisable at the initial public offering price), the award of $200,000 worth of shares of Common Stock on each of the first, second and third anniversaries of his employment and customary relocation expenses. The definition of "good reason" in Mr. Nettina's agreement includes a change-in-control of the Company.

In addition, pursuant to the terms of Mr. Nettina's employment agreement, Mr. Nettina will receive a loan from the Company to purchase shares of Common Stock to be issued under the Stock Option and Incentive Plan ("Stock Loan"). The principal amount of the Stock Loan will be $300,000. The Stock Loan will have a term of three years, accrue interest at the Federal mid-term "Applicable Federal Rate" ("AFR") as in effect from time to time, and will be secured by the Common Stock purchased and will otherwise be non-recourse. One-third of the Stock Loan (together with accrued interest on the Stock Loan) will be forgiven each year during the term of the Stock Loan provided that Mr. Nettina is then employed by the Company. In the event of a change-in-control of the Company, Mr. Nettina's death or permanent disability or termination of his employment by the Company without cause, the outstanding principal amounts of the Stock Loan will be forgiven in full. In the event Mr. Nettina leaves the employ of the Company or is terminated with cause, the outstanding amount of the Stock Loan will be immediately due and payable. The outstanding amount shall be equal to the amount then due and owing, pro rated for the number of months elapsed for the year in which termination occurs. Mr. Klein will receive a similar Stock Loan from the Company in the principal amount of $500,000, with a term of five years.

STOCK OPTION AND INCENTIVE PLAN

Prior to the Offering, the Board of Directors will adopt, and the stockholders will approve, the 1997 Stock Option and Incentive Plan (the "Stock Option Plan"). On and after the closing of the Offering, the Stock Option Plan will be administered by the Compensation Committee of the Board of Directors. Officers and certain other employees of the Company and its subsidiaries generally will be eligible to participate in the Stock Option Plan. Non-employee Directors of the Company are eligible to receive stock options under the Stock Option Plan on a limited basis. See "--Compensation of Directors."

The following summary of the Stock Option Plan is qualified in its entirety by reference to the full text of the Stock Option Plan, a copy of which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

The Stock Option Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code ("ISOs"), (ii) the grant of stock options that do not so qualify ("NQSOs"), (iii) the grant of stock options in lieu of cash Directors' fees and employee bonuses, (iv) grants of shares of Common Stock, in lieu of cash compensation and (v) the making of loans to acquire shares of Common Stock, in lieu of compensation. The exercise price of stock options will be determined by the Compensation Committee, but may not be less than 100% of the fair market value of the shares of Common Stock on the date of grant in the case of ISOs; provided that, in the case of grants of NQSOs granted in lieu of cash Directors' fees and employee bonuses, the exercise price may not be less than 50% of the fair market value of the shares of Common Stock on the date of grant. The Company has reserved 1,100,000 shares of Common Stock for issuance under the Stock Option Plan.

INCENTIVE COMPENSATION PLAN

Prior to the completion of the Offering, the Company intends to establish an incentive compensation plan for key officers of the Company and the Company's subsidiaries and affiliates. This plan will provide for payment of cash bonuses to participating officers after an evaluation of the officer's performance and

the overall performance of the Company has been completed. The Chief Executive Officer will make recommendations to the Compensation Committee of the Board of Directors, which will make the final determination for the award of bonuses in its sole discretion. The Compensation Committee will determine the amount of such bonuses, if any, for the Chief Executive Officer in its sole discretion.

401(k) PLAN

Effective upon the completion of the Offering, the Company intends to maintain a 401(k) Savings/ Retirement Plan (the "401(k) Plan") to cover eligible employees of the Company and any designated affiliate.

The 401(k) Plan will permit eligible employees of the Company 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.

LIMITATION OF LIABILITY AND INDEMNIFICATION

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services, or (ii) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

The Charter authorizes the Company, to the maximum extent permitted by Maryland law, to obligate itself to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (i) any present or former director or officer, or (ii) any individual who, while a director of the Company and at the request of the Company serves or has served another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, member, partner or trustee of such corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise from and against any claim or liability which such persons may incur by reason of his status as a present or former stockholder, director or officer of the Company. The Bylaws obligate the Company, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (i) any present or former director or officer who is made a party to the proceeding by reason of his service in that capacity, or (ii) any individual who while a director of the Company and at the request of the Company serves or has served another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, member, partner or trustee of such corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his service in that capacity against any claim or liability to which he may become subject by reason of such service. The Charter and the Bylaws also permit the Company to indemnify and advance expenses to any person who served a predecessor of the Company in any of the capacities described above and to any employee or agent of the Company or a predecessor of the Company.

The MGCL requires a corporation (unless its charter provides otherwise, which the Company's Charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (A) was committed in bad faith, or (B) was the result of active

and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation. In addition, the MGCL requires the Company, as a condition to advancing expenses, to obtain (i) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the Company as authorized by the Bylaws, and (ii) a written statement by or on his behalf to repay the amount paid or reimbursed by the Company if it shall ultimately be determined that the standard of conduct was not met.

The Partnership Agreement also provides for indemnification and advance of expenses of the Company and its officers and directors to the same extent indemnification and advance of expenses is provided to officers and directors of the Company in the Charter and Bylaws, and limits the liability of the Company and its officers and directors to the Operating Partnership and its partners to the same extent liability of officers and directors of the Company to the Company and its stockholders is limited under the Charter. See "Partnership Agreement--Liability and Indemnification."

THE OPERATING ENTITIES OF THE COMPANY

Following the completion of the Offering and the Formation Transactions, the operations of the Company will be carried on through the Operating Partnership. The Formation Transactions were designed to (i) enable the Company to raise the necessary capital to acquire the Properties, repay certain mortgage indebtedness secured by certain of the Properties and establish a working capital reserve, (ii) provide a vehicle for future acquisitions, (iii) enable the Company to comply with certain requirements under the Code (and the regulations promulgated by the IRS thereunder (the "Treasury Regulations")) relating to REITs, and (iv) preserve certain tax advantages for certain participants in the Formation Transactions.

THE OPERATING PARTNERSHIP. Following the completion of the Offering and the Formation Transactions, substantially all of the Company's assets will be held by, and its operations conducted through, the Operating Partnership and its subsidiaries and affiliates. The Company is the sole general partner of the Operating Partnership and will have the exclusive power under the Partnership Agreement to manage and conduct the business of the Operating Partnership. Except with respect to the Lock-out Provisions, limited partners generally will have only limited consent rights. See "Partnership Agreement." The Board of Directors of the Company will manage the affairs of the Company by directing the affairs of the Operating Partnership. The Operating Partnership will continue until December 31, 2095, unless sooner dissolved or terminated. The Operating Partnership cannot be dissolved for a period of 50 years without the consent of the limited partners, except in connection with a sale of all or substantially all of its assets, which also requires the consent of the limited partners. See "Partnership Agreement." The Company's limited and general partner interests in the Operating Partnership will entitle it to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to the Company's percentage interest therein and will entitle the Company to vote on substantially all matters requiring a vote of the limited partners.

Following the completion of the Offering and the Formation Transactions, the Company initially will own an approximate 81.9% interest in the Operating Partnership. Certain participants in the Formation Transactions, including entities owned by Stephen L. Green, will own the remaining Units. The Operating Partnership anticipates that it will acquire additional properties in exchange for Units in the future, in which case partners in the partnerships that own such properties will become limited partners of the Operating Partnership.

After the completion of the Offering and the Formation Transactions, the Operating Partnership expects to make regular quarterly cash distributions to its partners (including the Company) in proportion to their percentage interests in the Operating Partnership. The Company, in turn, will pay cash dividends to its stockholders in an amount per share of Common Stock equal to the amount distributed by the Operating Partnership per Unit. In addition, after a holding period of up to two years following the completion of the Offering, and at any time thereafter (for as long as the Operating Partnership is in existence and subject to compliance with the securities laws and the ownership limits of the Company's organizational documents), limited partners in the Operating Partnership will be able to have their Units redeemed by the Operating Partnership. In the event that the Company elects to acquire Units in exchange for shares of Common Stock upon the exercise of a redemption right by a limited partner, each such acquisition will increase the Company's percentage ownership interest in the Operating Partnership and will decrease the aggregate percentage ownership interest of the limited partners (other than the Company) in the Operating Partnership.

THE MANAGEMENT CORPORATION. In order to maintain the Company's qualification as a REIT while realizing income from management contracts with third parties, all of the management operations with respect to properties in which the Company will not own 100% of the interest will be conducted through the Management Corporation. The Company, through the Operating Partnership, will own 100% of the non-voting common stock (representing 95% of the total equity) of the Management Corporation. Through dividends on its equity interest, the Operating Partnership expects to receive substantially all of

the cash flow from the Management Corporation's operations. All of the voting common stock of the Management Corporation (representing 5% of the total equity) will be held by the Service Corporation LLC. This controlling interest will give The Service Corporation LLC the power to elect all directors of the Management Corporation.

THE MANAGEMENT LLC. All of the management and leasing operations with respect to the Properties and properties to be acquired by the Company, as well as leasing operations with respect to a portion of the properties not owned by the Company, will be conducted through the Management LLC. The Operating Partnership will own a 100% interest in the Management LLC.

THE LEASING CORPORATION. In order to maintain the Company's qualification as a REIT while realizing income from leasing and tenant representation services performed for third parties, leasing operations with respect to a portion of the properties in which the Company will not own 100% of the interest, as well as tenant representation services for all of such properties, will be conducted through the Leasing Corporation. The Company, through the Operating Partnership, will own 100% of the non-voting common stock (representing 95% of the total equity) of the Leasing Corporation. Through dividends on its equity interest, the Operating Partnership expects to receive substantially all of the cash flow from the Leasing Corporation's operations. All of the voting common stock of the Leasing Corporation (representing 5% of the total equity) will be held by the Service Corporation LLC. This controlling interest will give the Service Corporation LLC the power to elect all directors of the Leasing Corporation.

THE CONSTRUCTION CORPORATION. In order to maintain the Company's qualification as a REIT while realizing income from construction services all of the Company's construction operations will be conducted through the Construction Corporation. The Company, through the Operating Partnership, will own 100% of the non-voting common stock (representing 95% of the total equity) of the Construction Corporation. Through dividends on its equity interest, the Operating Partnership expects to receive substantially all of the cash flow from the Construction Corporation's operations. All of the voting common stock of the Construction Corporation (representing 5% of the total equity) will be held by the Service Corporation LLC. This controlling interest will give the Service Corporation LLC the power to elect all directors of the Construction Corporation.

FORMATION TRANSACTIONS

The following Formation Transactions have been consummated or will be consummated concurrently with the completion of the Offering.

- The Company was organized as a Maryland corporation and the Operating Partnership was organized as a Delaware limited partnership in June 1997. In connection with the formation of the Company, certain members of SL Green management (Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen) were issued an aggregate of 553,616 shares of Common Stock for total consideration of $3,831 in cash (the aggregate par value amount of such stock at the time of issuance).

- LBHI entered into the LBHI Loan with Green Realty LLC pursuant to which LBHI agreed to loan up to $46 million to acquire interests in the Core Portfolio and the Acquisition Properties, to fund property related operating expenses, to fund organizational expenses of the Company and to purchase Treasury Securities. The LBHI Loan is secured by partnership interests in certain Property-owning entities and the Treasury Securities.

- The Company will sell 10,100,000 shares of Common Stock in the Offering and will contribute the net proceeds therefrom to the Operating Partnership in exchange for 10,100,000 Units (which, including the issuance of Common Stock to Victor Capital and to the members of SL Green management referred to herein, will represent approximately an 81.9% economic interest in the Operating Partnership after the Offering).

- The Operating Partnership will receive a contribution of its interests in the Core Portfolio as well as 100% of the non-voting common stock of (representing 95% of the economic interest in) the

Service Corporations from the Property-owning entities, the partners or members of such entities and the holders of interests in the Service Corporations. As consideration therefor, the Operating Partnership will issue to such entities, partners or members and holders 2,383,284 Units (having an aggregate value of approximately $47.7 million, based on the assumed initial offering price) approximately and $6.4 million.

- The management and leasing business of SL Green with respect to the Properties in which the Company will have a 100% ownership interest and the tenant representation business with respect to certain properties not owned by the Company will be transferred to the Management LLC.

- The Operating Partnership will be granted (i) an option from 17 Battery LLC to acquire its interest in 17 Battery Place, a property containing approximately 800,000 rentable square feet of office space in downtown Manhattan from an unaffiliated seller for a purchase price of approximately $59 million in cash and (ii) an option from 110 Realty LLC to acquire its interest in 110 East 42nd Street, an office building containing approximately 250,000 rentable square feet in midtown Manhattan from an unaffiliated seller for a purchase price of approximately $30 million in cash. See "The Properties--The Option Properties."

- The Operating Partnership will acquire interests in the Acquisition Properties for an aggregate purchase price of approximately $113.0 million (including a $1.6 million escrow account established in connection with the acquisition of 50 West 23rd Street), to be funded with net proceeds from the Offering and mortgage financing.

- The Operating Partnership will use approximately $82.3 million of net proceeds from the Offering to repay mortgage debt encumbering the Core Portfolio and the LBHI Loan (including approximately $9.4 million in proceeds drawn under the LBHI Loan to fund purchase of the Acquisition Properties).

- The Company will issue to Victor Capital 85,600 shares of restricted Common Stock and the Operating Partnership will pay $900,000 (funded with borrowings under the LBHI Loan and proceeds from the Offering) to Victor Capital as consideration for financial advisory services rendered to the Company in connection with the Formation Transactions.

No independent third-party appraisals, valuations or fairness opinions have been obtained by the Company in connection with the Formation Transactions. Accordingly, there can be no assurance that the value of the Units and other consideration received in the Formation Transactions by persons or entities contributing interests in the Core Portfolio and the Service Corporations to the Operating Partnership is equivalent to the fair market value of such interests.

CONSEQUENCES OF THE OFFERING AND THE FORMATION TRANSACTIONS

The Offering and the Formation Transactions will have the following consequences:

- The Operating Partnership directly or indirectly will own substantially all of the interests in the Properties currently owned by SL Green and its affiliates.

- The purchasers of the Common Stock offered in the Offering will own approximately 93.7% of the outstanding Common Stock.

- The Company will be the general partner of, and will own approximately 81.9% of the ownership interests in, the Operating Partnership and 95% of the equity in the Service Corporations.

If all limited partners in the Operating Partnership were to exchange their Units for Common Stock immediately after the completion of the Offering (notwithstanding the provision of the Partnership Agreement which prohibits such exchange for up to two years following the completion of the Offering), but subject to the Ownership Limit, then the participants in the Formation Transactions would beneficially own approximately 18.1% of the outstanding shares of Common Stock.

See "Risk Factors--Conflicts of Interest in the Formation Transactions and the Business of the Company Could Adversely Affect the Company" and "Principal Stockholders."

BENEFITS TO RELATED PARTIES

Certain affiliates of the Company will realize certain material benefits in connection with the Formation Transactions and the Offering, including the following:

- Certain continuing investors (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities) will receive 2,383,284 Units in consideration for their interests in the Properties, Property-owning entities and the management, leasing and construction businesses of SL Green with a total value of approximately $47.7 million, based on the assumed initial public offering price (representing approximately 18.1% of the equity of the Company on a fully-diluted basis).

- The Operating Partnership will use $20 million to repay a portion of the LBHI Loan that was made to Green Realty LLC and invested in Treasury Securities pledged as collateral therefor (which, upon repayment of the LBHI Loan, will be released for the benefit of Stephen L. Green).

- Certain members of SL Green management (Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen) own an aggregate of 553,616 shares of restricted Common Stock that initially will have a value of $11.1 million, based on the assumed initial public offering price.

- Certain members of SL Green management (Stephen L. Green, David J. Nettina, Nancy A. Peck, Steven H. Klein, Benjamin P. Feldman, Gerard Nocera and Louis A. Olsen) will become officers and/or directors of the Company. In addition, each of such persons will enter into employment and noncompetition agreements with the Company. See "Management--Employment and Noncompetition Agreements." Also, the Company will grant to directors, officers and employees of the Company options to purchase an aggregate of 660,000 shares of Common Stock at the initial public offering price under the Company's stock option and incentive plan, subject to certain vesting requirements. In addition, pursuant to the terms of their employment agreements, Messrs. Nettina and Klein will receive loans to purchase Common Stock to be issued under such plan in the principal amount of $300,000 and $500,000, respectively. See "Management."

- The structure of the Formation Transactions will provide the Unit recipients (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities) the opportunity for deferral of the tax consequences of their contribution to the Operating Partnership of their interest in the Properties, Property-owning entities and Service Corporations.

- The Service Corporation LLC will own all of the voting stock of each of the Service Corporations (representing a 5% equity interest therein).

- Pursuant to the Lock-out Provisions, the Company will be restricted in its ability to sell, or reduce the amount of mortgage indebtedness on, two of the Properties (673 First Avenue and 470 Park Avenue South) for up to 12 years following the completion of the Offering, which could enable certain participants in the Formation Transactions (including Stephen L. Green, members of his immediate family and unaffiliated partners in the Property-owning entities) to defer certain tax consequences associated with the Formation Transactions.

- Persons or entities receiving Units in the Formation Transactions (including entities owned by Stephen L. Green) will have registration rights with respect to shares of Common Stock issued in exchange for Units.

See "Risk Factors--Conflicts of Interests in the Formation Transactions and the Business of the Company Could Adversely Affect the Company," "Management" and "Certain Relationships and Transactions."

POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain investment, financing and other policies of the Company. These policies have been determined by the Company's Board of Directors and may be amended or revised from time to time by the Board of Directors without a vote of the stockholders, except that (i) the

Company cannot change its policy of holding its assets and conducting its business only through the Operating Partnership and its affiliates without the consent of the holders of Units as provided in the Partnership Agreement, (ii) changes in certain policies with respect to conflicts of interest must be consistent with legal requirements, and (iii) the Company cannot take any action intended to terminate its qualification as a REIT without the approval of the holders of a majority of the outstanding shares of Common Stock.

INVESTMENT POLICIES

INVESTMENT IN REAL ESTATE OR INTERESTS IN REAL ESTATE. The Company will conduct all of its investment activities through the Operating Partnership and its affiliates. The Company's primary business objective is to maximize total return to stockholders through growth in distributable cash flow and appreciation in the value of its assets. For a discussion of the Properties and the Company's corporate and growth strategies, see "The Properties" and "Business and Growth Strategies." In general, it is the Company's policy to acquire assets primarily for income.

The Company expects to pursue its investment objectives primarily through the direct or indirect ownership by the Operating Partnership of the Properties and other acquired office properties. The Company currently intends to invest primarily in existing improved properties but may, if market conditions warrant, invest in development projects as well. Furthermore, the Company currently intends to invest in or develop commercial office properties, primarily in midtown Manhattan. However, future investment or development activities will not be limited to any geographic area or product type or to a specified percentage of the Company's assets. The Company does not have any limit on the amount or percentage of its assets that may be invested in any one property or any one geographic area. The Company intends to engage in such future investment or development activities in a manner which is consistent with the maintenance of its status as a REIT for Federal income tax purposes. In addition, the Company may purchase or lease income-producing commercial properties and other types of properties for long-term investment, expand and improve the real estate presently owned or other properties purchased, or sell such real estate or other properties, in whole or in part, if and when circumstances warrant.

The Company also may participate with third parties in property ownership, through joint ventures or other types of co-ownership. Such investments may permit the Company to own interests in larger assets without unduly restricting diversification and, therefore, may add flexibility in structuring its portfolio. The Company will not, however, enter into a joint venture or partnership to make an investment that would not otherwise meet its investment policies.

Equity investments may be subject to existing mortgage financing and other indebtedness or such financing or indebtedness as may be incurred in connection with acquiring or refinancing these investments. Debt service on such financing or indebtedness will have a priority over any distributions with respect to the Common Stock. Investments also are subject to the Company's policy not to be treated as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

INVESTMENTS IN REAL ESTATE MORTGAGES. While the Company's business objectives emphasize equity investments in commercial real estate, the Company may, in the discretion of the Board of Directors, invest in mortgages and other types of equity real estate interests consistent with the Company's qualification as a REIT. In that regard, upon completion of the Formation Transactions, the Company will acquire mortgage interests in the Bar Building and 1372 Broadway which will provide the Company with substantially all control over, and economic interest derived from, such Properties. Although the Company does not presently intend to emphasize investments in mortgages or deeds of trust, it may invest in non-performing mortgages on an opportunistic basis in order to acquire an equity interest in the underlying property or in participating or convertible mortgages if the Company concludes that it would be in the Company's interest to do so. Investments in real estate mortgages are subject to the risk that one or more borrowers may default under such mortgages and that the collateral securing such mortgages may not be sufficient to enable an investor to recoup its full investment.

SECURITIES OR INTERESTS IN PERSONS PRIMARILY ENGAGED IN REAL ESTATE ACTIVITIES AND OTHER ISSUERS. Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, the Company also may invest in securities of other REITs, securities of other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. See "Material Federal Income Tax Consequences--Taxation of the Company." No such investment will be made, however, unless the Board of Directors determines that the proposed investment would not cause the Company or the Operating Partnership to be an "investment company" within the meaning of the 1940 Act. The Company may acquire all or substantially all of the securities or assets of other REITs or similar entities if such investments would be consistent with the Company's investment policies.

DISPOSITION POLICIES

The Company does not currently intend to dispose of any of the Properties, although it reserves the right to do so, subject to the Lock-out Provisions, if, based upon management's periodic review of the Company's portfolio, the Board of Directors determines that such action would be in the best interests of the Company. The tax consequences of the disposition of the Properties may, however, influence the decision of certain directors and executive officers of the Company who hold Units as to the desirability of a proposed disposition. See "Risk Factors--Conflicts of Interests in the Formation Transactions and the Business of the Company Could Adversely Affect the Company" and "--Limitations on Ability to Sell or Reduce the Mortgage Indebtedness on Certain Properties Could Adverseley Affect the Value of the Common Stock."

Any decision to dispose of a Property must be approved by a majority of the Board of Directors (and in accordance with the applicable partnership agreement). In addition, under the Lock-out Provisions contained in the Partnership Agreement, the Company may not sell (except in certain events, including certain transactions that would not result in the recognition of any gain for tax purposes) 673 First Avenue and 470 Park Avenue South during the Lock-out Period without, in the case of either Property, the consent of holders of 75% of the Units originally issued to limited partners in the Operating Partnership who immediately prior to completion of the Formation Transactions owned direct or indirect interests in such Property that remain outstanding at the time of such vote (other than Units held by the Company and excluding any such Units the adjusted tax basis of which has been increased, in the hands of the holder or any predecessor holder thereof, to reflect fair market value through a taxable disposition or otherwise). The Lock-out Provisions apply even if it would otherwise be in the best interest of the stockholders for the Company to sell one or more of these three Properties.

FINANCING POLICIES

As a general policy, the Company intends to limit its total consolidated indebtedness, and its pro rata share of unconsolidated indebtedness, so that at the time any debt is incurred, the Company's Debt Ratio does not exceed 50%. Upon the completion of the Offering and the Formation Transactions, the Debt Ratio of the Company will be approximately 15.0%. The Charter and Bylaws do not, however, limit the amount or percentage of indebtedness that the Company may incur. In addition, the Company may from time to time modify its debt policy in light of current economic conditions, relative costs of debt and equity capital, market values of its Properties, general conditions in the market for debt and equity securities, fluctuations in the market price of its Common Stock, growth and acquisition opportunities and other factors. Accordingly, the Company may increase its Debt Ratio beyond the limits described above. If this policy were changed, the Company could become more highly leveraged, resulting in an increased risk of default on its obligations and a related increase in debt service requirements that could adversely affect the financial condition and results of operations of the Company and the Company's ability to make distributions to stockholders.

The Company has established its debt policy relative to the total market capitalization of the Company computed at the time the debt is incurred, rather than relative to the book value of its assets, a ratio that is frequently employed, because it believes the book value of its assets (which to a large extent is the depreciated value of real property, the Company's primary tangible asset) does not accurately reflect

its ability to borrow and to meet debt service requirements. Total market capitalization, however, is subject to greater fluctuation than book value, and does not necessarily reflect the fair market value of the underlying assets of the Company at all times. Moreover, due to fluctuations in the value of the Company's portfolio of properties over time, and since any measurement of the Company's total consolidated indebtedness, and its pro rata share of unconsolidated indebtedness incurred, to total market capitalization is made only at the time debt is incurred, the Debt Ratio could exceed the 50% level.

The Company has not established any limit on the number or amount of mortgages that may be placed on any single property or on its portfolio as a whole.

Although the Company will consider factors other than total market capitalization in making decisions regarding the incurrence of debt (such as the purchase price of properties to be acquired with debt financing, the estimated market value of properties upon refinancing, and the ability of particular properties and the Company as a whole to generate sufficient cash flow to cover expected debt service), there can be no assurance that the Debt Ratio, or any other measure of asset value, at the time the debt is incurred or at any other time will be consistent with any particular level of distributions to stockholders.

CONFLICT OF INTEREST POLICIES

Certain holders of Units, including Stephen L. Green, will incur adverse tax consequences upon the sale of certain of the Properties to be owned by the Company at the completion of the Formation Transactions and on the repayment of indebtedness which are different from the tax consequences to the Company and persons who purchase shares of Common Stock in the Offering. Consequently, such holders may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness. In addition, pursuant to the Lock-out Provisions, the Operating Partnership may not sell or reduce the mortgage indebtedness on 673 First Avenue and 470 Park Avenue South for up to 12 years following completion of the Offering, even if such sale or reduction in mortgage indebtedness would be in the best interests of the Company's stockholders. Subject to the Lock-out Provisions, the limited partners of the Operating Partnership have agreed that in the event of a conflict in the fiduciary duties owed by the Company to its stockholders and by the General Partner to such limited partners, the General Partner will fulfill its fiduciary duties to such limited partnership by acting in the best interest of the Company's stockholders. See "Partnership Agreement."

The Company has adopted certain policies and entered into agreements with its executive officers designed to eliminate or minimize certain potential conflicts of interest. See "Management--Employment and Noncompetition Agreements." In that regard, the Company has adopted a policy that, without the approval of a majority of the disinterested Directors, it will not (i) acquire from or sell to any director, officer or employee of the Company, or any entity in which a director, officer or employee of the Company beneficially owns more than a 1% interest, or acquire from or sell to any affiliate of any of the foregoing, any of the assets or other property of the Company, (ii) make any loan to or borrow from any of the foregoing persons or (iii) engage in any other transaction with any of the foregoing persons.

In addition, the Company's Board of Directors is subject to certain provisions of Maryland law, which are designed to eliminate or minimize certain potential conflicts of interest. There can be no assurance, however, that these policies and provisions or these agreements always will be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that may fail to reflect fully the interests of all stockholders.

See "Risk Factors--Conflicts of Interest in the Formation Transactions and the Business of the Company Could Adversely Affect the Company."

INTERESTED DIRECTOR AND OFFICER TRANSACTIONS

Under Maryland law, a contract or other transaction between the Company and a director or between the Company and any other corporation or other entity in which a director is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of the director at the meeting at which the contract or transaction is authorized, approved or

ratified or the counting of the director's vote in favor thereof if (i) the transaction or contract is authorized, approved or ratified by the board of directors or a committee of the board, after disclosure of the common directorship or interest, by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum, or by a majority of the votes cast by disinterested stockholders, or (ii) the transaction or contract is fair and reasonable to the Company.

Under Delaware law (where the Operating Partnership is formed), the Company, as general partner, has a fiduciary duty to the Operating Partnership and, consequently, such transactions also are subject to the duties of care and loyalty that the Company, as general partner, owes to limited partners in the Operating Partnership (to the extent such duties have not been eliminated pursuant to the terms of the Partnership Agreement). The Company will adopt a policy which requires that all contracts and transactions between the Company, the Operating Partnership or any of its subsidiaries, on the one hand, and a director or executive officer of the Company or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of the disinterested directors. Where appropriate in the judgment of the disinterested directors, the Board of Directors may obtain a fairness opinion or engage independent counsel to represent the interests of non-affiliated security holders, although the Board of Directors will have no obligation to do so.

BUSINESS OPPORTUNITIES

Pursuant to Maryland law, each director is obligated to offer to the Company any business opportunity (with certain limited exceptions) that comes to him and that the Company reasonably could be expected to have an interest in pursuing. After the Formation Transactions, SL Green will continue to own interests in certain other properties as well as entities that will provide cleaning (and related) services to office properties and security services to office properties, including the Properties. The Company will not have any interest in these properties or businesses. See "The Properties--Assets Not Being Transferred to the Company."

POLICIES WITH RESPECT TO OTHER ACTIVITIES

The Company and the Operating Partnership have authority to offer Common Stock, Preferred Stock, Units, preferred Units or options to purchase capital stock or Units in exchange for property and to repurchase or otherwise acquire its Common Stock or Units or other securities in the open market or otherwise and may engage in such activities in the future. Except in connection with the Formation Transactions, the Company has not issued Common Stock, Units or any other securities in exchange for property or any other purpose, and the Board of Directors has no present intention of causing the Company to repurchase any Common Stock. The Company may issue Preferred Stock from time to time, in one or more series, as authorized by the Board of Directors without the need for stockholder approval. See "Capital Stock--Preferred Stock." The Company has not engaged in trading, underwriter or agency distribution or sale of securities of other issuers other than the Operating Partnership, nor has the Company invested in the securities of other issuers other than the Operating Partnership for the purposes of exercising control, and does not intend to do so. At all times, the Company intends to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code (or the Treasury Regulations), the Board of Directors determines that it is no longer in the best interest of the Company to qualify as a REIT and such determination is approved by a majority vote of the Company's stockholders, as required by the Charter. The Company has not made any loans to third parties, although it may in the future make loans to third parties, including, without limitation, to joint ventures in which it participates. The Company intends to make investments in such a way that it will not be treated as an investment company under the 1940 Act. The Company's policies with respect to such activities may be reviewed and modified or amended from time to time by the Company's Board of Directors without a vote of the stockholders.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

FORMATION TRANSACTIONS

The terms of the acquisitions of interests in the Properties and the Service Corporations by the Operating Partnership are described in "Structure and Formation of the Company--Formation Transactions."

CLEANING SERVICES

First Quality Maintenance, L.P. ("First Quality") provides cleaning and related services with respect to the Properties. First Quality is owned by Gary Green, a son of Stephen L. Green. First Quality also provides additional services directly to tenants on a separately negotiated basis. The aggregate amount of fees to First Quality for services provided (excluding services provided directly to tenants) was approximately $188,000 in 1994, $164,000 in 1995 and $296,000 in 1996. After the completion of the Offering, the Company may retain First Quality to provide cleaning and related services for the Company's properties at market rates. In addition, the cleaning entity will continue to have the non-exclusive opportunity to provide cleaning and related services to individual tenants at the Company's properties on a basis separately negotiated with any tenant seeking such additional services. The cleaning entity will provide such services to individual tenants pursuant to agreements on customary terms (including at market rates). First Quality leases 3,740 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2005 and provides for annual rental payments of approximately $68,660.

SECURITY SERVICES

Classic Security LLC ("Classic Security") provides security services with respect to the Properties. Classic Security is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees for such services was approximately $24,000 in 1996 (no fees were paid to such entity in 1994 or 1995). After the completion of the Offering, Classic Security may continue to provide security services for the Company's properties at market rates.

RELATED PARTY TRANSACTIONS

During 1996, HRA, a real estate and management consulting firm of which John H. Alschuler, Jr., a director nominee of the Company, is the President provided consulting services for the Leasing Corporation. HRA negotiated certain New York City benefit programs for Information Builders, Inc., a tenant that was represented by the Leasing Corporation in connection with its relocation from 1250 Broadway to 2 Penn Plaza. For such services, HRA was paid a total of $128,962.99 by the Leasing Corporation.

PARTNERSHIP AGREEMENT

THE FOLLOWING SUMMARY OF THE AGREEMENT OF LIMITED PARTNERSHIP OF THE OPERATING PARTNERSHIP (THE "PARTNERSHIP AGREEMENT"), INCLUDING THE DESCRIPTIONS OF CERTAIN PROVISIONS SET FORTH ELSEWHERE IN THIS PROSPECTUS, IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PARTNERSHIP AGREEMENT, WHICH IS FILED AS AN EXHIBIT TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART.

OPERATIONAL MATTERS

GENERAL. Holders of Units (other than the Company in its capacity as general partner) will hold a limited partnership interest in the Operating Partnership, and all holders of Units (including the Company in its capacity as general partner) will be entitled to share in cash distributions from, and in the profits and losses of, the Operating Partnership. Each Unit generally will receive distributions in the same amount paid on each share of Common Stock. See "Distributions."

Holders of Units will have the rights to which limited partners are entitled under the Partnership Agreement and, to the extent not limited by the Partnership Agreement, the Delaware Revised Uniform

Limited Partnership Act (the "Act"). The Units have not been and are not expected to be registered pursuant to any Federal or state securities laws or listed on any exchange or quoted on any national market system. The Partnership Agreement imposes certain restrictions on the transfer of Units, as described below.

PURPOSES, BUSINESS AND MANAGEMENT. The purpose of the Operating Partnership includes the conduct of any business that may be lawfully conducted by a limited partnership formed under the Act, except that the Partnership Agreement requires the business of the Operating Partnership to be conducted in such a manner that will permit the Company to be classified as a REIT under Section 856 of the Code, unless the Company ceases to qualify as a REIT for reasons other than the conduct of the business of the Operating Partnership. Subject to the foregoing limitation, the Operating Partnership may enter into partnerships, joint ventures or similar arrangements and may own interests directly or indirectly in any other entity.

The Company, as the general partner of the Operating Partnership, has the exclusive power and authority to conduct the business of the Operating Partnership, subject to the consent of the limited partners in certain limited circumstances discussed below. No limited partner may take part in the operation, management or control of the business of the Operating Partnership by virtue of being a holder of Units.

The Company may not conduct any business other than the business of the Operating Partnership without the consent of the holders of a majority of the limited partnership interests (not including the limited partnership interests held by the Company in its capacity as a limited partner in the Operating Partnership).

DISTRIBUTIONS. The Partnership Agreement provides for the quarterly distribution of Available Cash (as defined below), as determined in the manner provided in the Partnership Agreement, to the Company and the limited partners in proportion to their percentage interests in the Operating Partnership. "Available Cash" is generally defined as net income plus any reduction in reserves and minus interest and principal payments on debt, capital expenditures, any additions to reserves and other adjustments. Neither the Company nor the limited partners are entitled to any preferential or disproportionate distributions of Available Cash.

BORROWING BY THE OPERATING PARTNERSHIP. The Company is authorized to cause the Operating Partnership to borrow money and to issue and guarantee debt as it deems necessary for the conduct of the activities of the Operating Partnership. Such debt may be secured by mortgages, deeds of trust, liens or encumbrances on properties of the Operating Partnership. The Company also may cause the Operating Partnership to borrow money to enable the Operating Partnership to make distributions, including distributions in an amount sufficient to permit the Company, as long as it qualifies as a REIT, to avoid the payment of any Federal income tax. See "Policies with Respect to Certain Activities--Financing Policies." Pursuant to the Lock-out Provisions, the Operating Partnership may not, earlier than one year prior to its maturity, repay the mortgage indebtedness on 673 First Avenue or 470 Park Avenue South and may not consent to any such prepayment of mortgage indebtedness on 673 First Avenue or 470 Park Avenue South (other than pursuant to scheduled amortization) during the Lock-out Period without, in the case of each such Property, the consent of holders of 75% of the Units originally issued to limited partners in the Operating Partnership who immediately prior to completion of the Formation Transactions owned direct or indirect interests in such Property that remain outstanding at the time of such vote (whether held by the original recipient of such Units or by a successor or transferee of the original recipient, but excluding Units held by the Company and excluding any such Units the adjusted tax basis of which has been increased, in the hands of the holder or any predecessor holder thereof, to reflect fair market value through a taxable disposition or otherwise) unless the repayment is in connection with either a refinancing of the outstanding debt (on a basis that is nonrecourse to the Operating Partnership and providing for the least amount of principal amortization that is available on commercially reasonable terms and permitting certain guarantees by the holders of the Units originally issued with respect to the affected Property) or an involuntary

sale pursuant to foreclosure of a mortgage securing the debt (or other similar event). In addition, during the Lock-out Period, the Company is obligated to use commercially reasonable efforts, commencing one year prior to the stated maturity, to refinance at maturity (on a basis that is nonrecourse to the Operating Partnership and providing for the least amount of principal amortization that is available on commercially reasonable terms and permitting certain guarantees by the holders of the Units originally issued with respect to the affected Property) the mortgage indebtedness secured by each of these two Properties at not less than the principal amount outstanding on the maturity date. Finally, during the Lock-out Period, the Company may not incur debt secured by either of these two Properties if the amount of the new debt would exceed the greater of 75% of the value of the Property securing the debt or the amount of existing debt being refinanced (plus the costs associated therewith).

REIMBURSEMENT OF THE COMPANY; TRANSACTIONS WITH THE COMPANY AND ITS AFFILIATES. The Company will not receive any compensation for its services as general partner of the Operating Partnership. The Company, however, as a partner in the Operating Partnership, has the same right to allocations and distributions as other partners in the Operating Partnership. In addition, the Operating Partnership will reimburse the Company for substantially all expenses it incurs relating to the ongoing operation of the Company and offerings of Units or shares of Common Stock (or rights, options, warrants or convertible or exchangeable securities).

Except as expressly permitted by the Partnership Agreement, affiliates of the Company will not engage in any transactions with the Operating Partnership except on terms that are fair and reasonable and no less favorable to the Operating Partnership than would be obtained from an unaffiliated third party.

SALES OF ASSETS. Under the Partnership Agreement, the Company generally has the exclusive authority to determine whether, when and on what terms the assets of the Operating Partnership (including the Properties) will be sold, subject to the Lock-out Provisions. A sale of all or substantially all of the assets of the Operating Partnership (or a merger of the Operating Partnership with another entity) generally requires an affirmative vote of the holders of a majority of the outstanding Units (including Units held by the Company), but also is subject to the Lock-out Provisions.

Under the Lock-out Provisions, the Operating Partnership may not sell or otherwise dispose of 673 First Avenue or 470 Park Avenue South (or any direct or indirect interest therein) during the Lock-out Period (except pursuant to a sale or other disposition of all or substantially all of the Operating Partnership's assets approved as described below, an involuntary sale pursuant to foreclosure of a mortgage secured by one of these Properties or a bankruptcy proceeding, and certain transactions, including a "Section 1031 like-kind exchange," that would not result in the recognition of any gain for tax purposes by the holders of Units issued in the Formation Transactions with respect to these Properties) without, in the case of each such Property, the consent of holders of 75% of the Units originally issued to limited partners in the Operating Partnership who immediately prior to the completion of the Formation Transactions owned direct or indirect interests in such Property that remain outstanding at the time of such vote (whether held by the original recipient of such Units or by a successor or transferee of the original recipient, but excluding Units held by the Company and excluding any such Units the adjusted tax basis of which has been increased, in the hands of the holder or any predecessor holder thereof, to reflect fair market value through a taxable disposition or otherwise). Under the Lock-out Provisions, a sale or other disposition of all or substantially all of the assets of the Operating Partnership during the Lock-out Period generally would require the approval of the holders, as a group, of 75% of the aggregate Units originally issued with respect to 673 First Avenue and 470 Park Avenue South that remain outstanding (whether held by the original recipient of such Units or by a successor or transferee of the original recipient, but excluding Units held by the Company and excluding any such Units the adjusted tax basis of which has been increased, in the hands of the holder or any predecessor holder thereof, to reflect fair market value through a taxable disposition or otherwise). The consent requirement under the Lockout Provisions, however, would not apply in the event of a merger or consolidation involving the Operating Partnership and substantially all of its assets if (i) the transaction would not result in the recognition of any gain with

respect to the Units originally issued with respect to 673 First Avenue and 470 Park Avenue South, (ii) the Lock-out Provisions would continue to apply with respect to each of these two Properties, and (iii) the surviving entity agrees to a number of restrictions and conditions for the benefit of the holders of such Units designed to preserve the benefit of certain provisions and restrictions in the Partnership Agreement for the holders of such Units.

NO REMOVAL OF THE GENERAL PARTNER. The Partnership Agreement provides that the limited partners may not remove the Company as general partner of the Operating Partnership with or without cause (unless neither the General Partner nor its parent entity is a "public company," in which case the General Partner may be removed for cause).

ISSUANCE OF LIMITED PARTNERSHIP INTERESTS. The Company is authorized, without the consent of the limited partners, to cause the Operating Partnership to issue Units to the Company, to the limited partners or to other persons for such consideration and upon such terms and conditions as the Company deems appropriate. The Operating Partnership also may issue partnership interests in different series or classes, which may be senior to the Units. If Units are issued to the Company, then the Company must issue shares of Common Stock and must contribute to the Operating Partnership the proceeds received by the Company from such issuance. In addition, the Company may cause the Operating Partnership to issue to the Company partnership interests in different series or classes of equity securities, which may be senior to the Units, in connection with an offering of securities of the Company having substantially similar rights upon the contribution of the proceeds therefrom to the Operating Partnership. Consideration for partnership interests may be cash or any property or other assets permitted by the Act. No limited partner has preemptive, preferential or similar rights with respect to capital contributions to the Operating Partnership or the issuance or sale of any partnership interests therein.

AMENDMENT OF THE PARTNERSHIP AGREEMENT. Generally, the Partnership Agreement may be amended with the approval of the Company, as general partner, and limited partners (including the Company) holding a majority of the Units. Certain provisions regarding, among other things, the rights and duties of the Company as general partner or the dissolution of the Operating Partnership, may not be amended without the approval of a majority of the Units not held by the Company. Notwithstanding the foregoing, the Company, as general partner, has the power, without the consent of the limited partners, to amend the Partnership Agreement in certain circumstances. Certain amendments that would affect the fundamental rights of a limited partner must be approved by the Company and each limited partner that would be adversely affected by such amendment. In addition, any amendment that would affect the Lock-out Provisions with respect to 673 First Avenue or 470 Park Avenue South during the Lock-out Period would require, in the case of each such Property affected by the Amendment, the consent of holders of 75% of the Units originally issued with respect to such Property that remain outstanding at the time of such vote (whether held by the original recipient of such Units or by a successor or transferee of the original recipient, but excluding Units held by the Company and excluding any such Units the adjusted tax basis of which has been increased, in the hands of the holder or any predecessor holder thereof, to reflect fair market value through a taxable disposition or otherwise).

DISSOLUTION, WINDING UP AND TERMINATION. The Operating Partnership will continue until December 31, 2095, unless sooner dissolved and terminated. The Operating Partnership will be dissolved prior to the expiration of its term, and its affairs wound up upon the occurrence of the earliest of: (i) the withdrawal of the Company as general partner without the permitted transfer of the Company's interest to a successor general partner (except in certain limited circumstances); (ii) the sale of all or substantially all of the Operating Partnership's assets and properties (subject to the Lock-out Provisions during the Lockout Period); (iii) the entry of a decree of judicial dissolution of the Operating Partnership pursuant to the provisions of the Act; (iv) the entry of a final non-appealable order for relief in a bankruptcy proceeding of the general partner, or the entry of a final non-appealable judgment ruling that the general partner is bankrupt or insolvent (except that, in either such case, in certain circumstances the limited partners (other than the Company) may vote to continue the Operating Partnership and substitute a new

general partner in place of the Company); and (v) on or after January 1, 2046, at the option of the Company, in its sole and absolute discretion. Upon dissolution, the Company, as general partner, or any liquidator will proceed to liquidate the assets of the Operating Partnership and apply the proceeds therefrom in the order of priority set forth in the Partnership Agreement.

LIABILITY AND INDEMNIFICATION

LIABILITY OF THE COMPANY AND LIMITED PARTNERS. The Company, as general partner of the Operating Partnership, is liable for all general recourse obligations of the Operating Partnership to the extent not paid by the Operating Partnership. The Company is not liable for the nonrecourse obligations of the Operating Partnership. Assuming that a limited partner does not take part in the control of the business of the Operating Partnership and otherwise acts in conformity with the provisions of the Partnership Agreement and the Act, the liability of a limited partner for obligations of the Operating Partnership under the Partnership Agreement and the Act will be limited, subject to certain exceptions, generally to the loss of such limited partner's investment in the Operating Partnership represented by his Units. The Operating Partnership will operate in a manner that the Company deems reasonable, necessary or appropriate to preserve the limited liability of the limited partners.

EXCULPATION AND INDEMNIFICATION OF THE COMPANY. The Partnership Agreement generally provides that the Company, as general partner of the Operating Partnership, will incur no liability to the Operating Partnership or any limited partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission, if the Company carried out its duties in good faith. In addition, the Company is not responsible for any misconduct or negligence on the part of its agents, provided the Company appointed such agents in good faith.

The Partnership Agreement also provides for indemnification (including, in certain circumstances, the advancement of expenses) of the Company, the directors and officers of the Company and such other persons as the Company may from time to time designate against any judgments, penalties, fines, settlements and reasonable expenses that are actually (or will be) incurred by such person in connection with a proceeding in which any such person is involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the indemnified person was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the indemnified person actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful.

TRANSFERS OF INTERESTS

RESTRICTIONS ON TRANSFER OF THE COMPANY'S INTEREST. The Company may not transfer any of its interests as general or limited partner in the Operating Partnership, except in connection with a merger or sale of all or substantially all of its assets, in which (i) the limited partners in the Operating Partnership either will receive, or will have the right to receive, substantially the same consideration as holders of shares of Common Stock, and (ii) such transaction has been approved by the holders of a majority of the interests in the Operating Partnership (including interests held by the Company). The Lock-out Provisions do not apply to a sale or other transfer by the Company of its interests as a partner in the Operating Partnership, but they would apply to transfers of assets of the Operating Partnership undertaken during the Lock-out Period in connection with or as part of any such transaction by the Company. See "--Operational Matters--Sales of Assets" above.

RESTRICTIONS ON TRANSFERS OF UNITS BY LIMITED PARTNERS. For up to two years after the completion of the Offering, a limited partner may not transfer any of his rights as a limited partner without the consent of the Company, which consent the Company may withhold in its sole discretion. Any attempted transfer in violation of this restriction will be void ab initio and without any force or effect. Beginning two years after the completion of the Offering, limited partners (other than the Company) will be permitted to transfer all

or any portion of their Units without restriction as long as they satisfy certain requirements set forth in the Partnership Agreement. In addition, limited partners will be permitted to dispose of their Units following the expiration of up to a two-year period following the completion of the Offering by exercising the redemption right described below. See "--Redemption of Units" below.

The right of any permitted transferee of Units to become a substituted limited partner is subject to the consent of the Company, which consent the Company may withhold in its sole and absolute discretion. If the Company does not consent to the admission of a transferee of Units as a substituted limited partner, then the transferee will succeed to all economic rights and benefits attributable to such Units (including the redemption right described below), but will not become a limited partner or possess any other rights of limited partners (including the right to vote).

REDEMPTION OF UNITS. Subject to certain limitations and exceptions, holders of Units (other than the Company) have the right to have each of their Units redeemed by the Operating Partnership at any time beginning two years after the completion of the Formation Transactions. Unless the Company elects to assume and perform the Operating Partnership's obligation with respect to the redemption right, as described below, the limited partner will receive cash from the Operating Partnership in an amount equal to the market value of the Units to be redeemed. The market value of a Unit for this purpose will be equal to the average of the closing trading price of a share of Common Stock on the NYSE for the ten trading days before the day on which the redemption notice was given to the Operating Partnership of exercise of the redemption right. In lieu of the Operating Partnership's acquiring the Units for cash, the Company will have the right (except as described below, if the Common Stock is not publicly traded) to elect to acquire the Units directly from a limited partner exercising the redemption right, in exchange for either cash or shares of Common Stock, and, upon such acquisition, the Company will become the owner of such Units. The redemption generally will occur on the tenth business day after the notice to the Operating Partnership, except that no redemption or exchange can occur if delivery of shares of Common Stock would be prohibited either under the provisions of the Company's Charter designed primarily to protect the Company's qualification as a REIT or under applicable Federal or state securities laws as long as the shares of Common Stock are publicly traded. See "Capital Stock--Restrictions on Transfer--Ownership Limits."

In the event that the Common Stock is not publicly traded but another entity whose stock is publicly traded owns more than 50% of the capital stock of the Company (referred to as the "Parent Entity"), the redemption right will be determined by reference to the publicly traded stock of the Parent Entity and the Company will have the right to elect to acquire the Units to be redeemed for publicly traded stock of the Parent Entity. In the event that the Common Stock is not publicly traded and there is no Parent Entity with publicly traded stock, the redemption right will be based upon the fair market value of the Operating Partnership's assets at the time the redemption right is exercised (as determined in good faith by the Company based upon a commercially reasonable estimate of the amount that would be realized by the Operating Partnership if each asset of the Operating Partnership were sold to an unaffiliated purchaser in an arm's length transaction where neither the purchaser nor the seller were under economic compulsion to enter into the transaction), and the Company and the Operating Partnership will be obligated to satisfy the redemption right in cash (unless the redeeming partner, in such partner's sole and absolute discretion, consents to the receipt of Common Stock), payable on the thirtieth business day after notice was given to the Operating Partnership of exercise of the redemption right.

FIDUCIARY DUTY

The limited partners have agreed, subject to the Lock-out Provisions, that in the event of a conflict in the fiduciary duties owed by the Company to its stockholders and by the General Partner to such limited partners, the General Partner will fulfill its fiduciary duties to such limited partnership by acting in the best interests of the Company's stockholders.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock (or Common Stock for which Units are exchangeable) by (i) each director (and director nominee) of the Company, (ii) each executive officer of the Company, (iii) all directors (including director nominees) and executive officers of the Company as a group, and (iv) each person or entity which is expected to be the beneficial owner of 5% or more of the outstanding shares of Common Stock immediately following the completion of the Offering. Except as indicated below, all of such Common Stock is owned directly, and the indicated person or entity has sole voting and investment power. The extent to which a person will hold shares of Common Stock as opposed to Units is set forth in the footnotes below.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES AND UNITS BENEFICIALLY OWNED	PERCENT OF ALL SHARES(1)	PERCENT OF ALL SHARES AND UNITS(2)
Stephen L. Green (3)	2,140,784	16.6%	16.3%
David Nettina (4)	15,000	0.1%	0.1%
Nancy A. Peck (4)	197,720	1.8%	1.5%
Steven H. Klein (4)(5)	104,088	1.0%	0.8%
Benjamin P. Feldman (4)(6)	118,632	1.1%	0.9%
Gerard Nocera (4)	79,088	0.7%	0.6%
Louis A. Olsen (4)	79,088	0.7%	0.6%
Edwin Thomas Burton, III	0	N/A	N/A
John S. Levy	0	N/A	N/A
John H. Alschuler, Jr	0	N/A	N/A
All directors, director nominees and executive officers as a group (10 persons)	2,734,400	21.2%	20.8%

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(1) Assumes 10,779,216 shares of Common Stock outstanding immediately following the Offering. Assumes that all Units held by the person (and no other person) are redeemed for shares of Common Stock. The total number of shares of Common Stock outstanding used in calculating this percentage assumes that none of the Units held by other persons are redeemed for shares of Common Stock.

(2) Assumes a total of 13,162,500 shares of Common Stock and Units outstanding immediately following the Offering (10,779,216 shares of Common Stock and 2,383,284 Units, which may be redeemed for cash or shares of Common Stock under certain circumstances). Assumes that all Units held by the person are redeemed for shares of Common Stock. The total number of shares of Common Stock outstanding used in calculating this percentage assumes that all of the Units held by other persons are redeemed for shares of Common Stock.

(3) Represents Units issued in the Formation Transactions.

(4) Represents shares of restricted Common Stock.

(5) All of such shares are held by Mr. Klein through family trusts of which he is the managing member.

(6) All of such shares are held by Mr. Feldman through a family trust of which he is the managing member.

CAPITAL STOCK

GENERAL

The Company's Charter provides that the Company may issue up to 100 million shares of common stock, $.01 par value per share ("Common Stock"), 25 million shares of preferred stock, $.01 par value per share ("Preferred Stock"), and 75 million shares of excess stock, $.01 par value per share ("Excess Stock"). Upon completion of the Offering, 10,779,216 shares of Common Stock will be issued and outstanding (12,294,216 shares if the Underwriters' over-allotment option is exercised in full) and no shares of Preferred Stock will be issued and outstanding. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

COMMON STOCK

All shares of Common Stock offered hereby will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other shares or series of stock and to the provisions of the Charter regarding Excess Stock, holders of shares of Common Stock are entitled to receive dividends on such stock if, as and when authorized and declared by the Board of Directors of the Company out of assets legally available therefor and to share ratably in the assets of the Company legally available for distribution to its stockholders in the event of its liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of the Company.

Subject to the provisions of the Charter regarding Excess Stock, each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of Common Stock can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Holders of shares of Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of the Company. Subject to the provisions of the Charter regarding Excess Stock, shares of Common Stock will have equal dividend, liquidation and other rights.

The Charter authorizes the Board of Directors to reclassify any unissued shares of Common Stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations and
restrictions on ownership, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series.

PREFERRED STOCK

The Charter authorizes the Board of Directors to classify any unissued shares of Preferred Stock and to reclassify any previously classified but unissued shares of Preferred Stock of any series. Prior to issuance of shares of each series the Board is required by the MGCL and the Charter to set, subject to the provisions of the Charter regarding Excess Stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations and restrictions on ownership, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such series. Thus, the Board could authorize the issuance of shares of Preferred Stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium price for holders of Common Stock or otherwise be in their best interest. As of the date hereof, no shares of Preferred Stock are outstanding and the Company has no present plans to issue any Preferred Stock.

EXCESS STOCK

For a description of Excess Stock, see "--Restrictions on Transfer."

POWER TO ISSUE ADDITIONAL SHARES OF COMMON STOCK AND PREFERRED STOCK

The Company believes that the power of the Board of Directors to issue additional authorized but unissued shares of Common Stock or Preferred Stock and to classify or reclassify unissued shares of Common Stock or Preferred Stock and thereafter to cause the Company to issue such classified or reclassified shares of stock will provide the Company with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the Common Stock, will be available for issuance without further action by the Company's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded. Although the Board of Directors has no intention at the present time of doing so, it could authorize the Company to issue a class or series that could, depending upon the terms of such class or series, delay, defer or prevent a transaction or a change of control of the Company that might involve a premium price for holders of Common Stock or otherwise be in their best interest.

The Company intends to furnish its stockholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

RESTRICTIONS ON TRANSFER

For the Company to qualify as a REIT under the Code, among other things, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year (other than the first taxable year) (the "Five or Fewer Requirement"), and such shares of capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first taxable year) or during a proportionate part of a shorter taxable year. Pursuant to the Code, Common Stock held by certain types of entities, such as pension trusts qualifying under Section 401(a) of the Code, United States investment companies registered under the Investment Company Act of 1940, partnerships, trusts and corporations, will be attributed to the beneficial owners of such entities for purposes of the Five or Fewer Requirement (I.E., the beneficial owners of such entities will be counted as persons). See "Material Federal Income Tax Consequences." In order to protect the Company against the risk of losing it status as a REIT due to a concentration of ownership among its stockholders, the Charter, subject to certain exceptions, provides that no stockholder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.0% (the "Ownership Limit") of the aggregate number or value of the Company's outstanding shares of Common Stock. In the event the Company issues Preferred Stock, it may, in the Articles Supplementary creating such Preferred Stock, determine a limit on the ownership of such stock. Any direct or indirect ownership of shares of stock in excess of the Ownership Limit or that would result in the disqualification of the Company as a REIT, including any transfer that results in shares of capital stock being owned by fewer than 100 persons or results in the Company being "closely held" within the meaning of Section 856(h) of the Code, shall be null and void, and the intended transferee will acquire no rights to the shares of capital stock. The foregoing restrictions on transferability and ownership will not apply if the Board of Directors determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT. The Board of Directors may, in its sole discretion, waive the Ownership Limit if evidence satisfactory to the Board of Directors and the Company's tax counsel is presented that the changes in ownership will not then or in the future jeopardize the Company's REIT status and the Board of Directors otherwise decides that such action is in the best interest of the Company.

Shares of capital stock owned, or deemed to be owned, or transferred to a stockholder in excess of the Ownership Limit will automatically be converted into shares of Excess Stock that will be transferred, by operation of law, to the trustee of a trust for the exclusive benefit of one or more charitable organizations described in Section 170(b)(1)(A) and 170(c) of the Code (the "Charitable Beneficiary"). The trustee of the trust will be deemed to own the Excess Stock for the benefit of the Charitable Beneficiary on the date of the violative transfer to the original transferee-stockholder. Any dividend or distribution paid to the original transferee-stockholder of Excess Stock prior to the discovery by the Company that capital stock has been transferred in violation of the provisions of the Company's Charter shall be repaid to the trustee upon demand. Any dividend or distribution authorized and declared but unpaid shall be rescinded as void ab initio with respect to the original transferee-stockholder and shall instead be paid to the trustee of the trust for the benefit of the Charitable Beneficiary. Any vote cast by an original transferee-stockholder of shares of capital stock constituting Excess Stock prior to the discovery by the Company that shares of capital stock have been transferred in violation of the provisions of the Company's Charter shall be rescinded as void ab initio. While the Excess Stock is held in trust, the original transferee-stockholder will be deemed to have given an irrevocable proxy to the trustee to vote the capital stock for the benefit of the Charitable Beneficiary. The trustee of the trust may transfer the interest in the trust representing the Excess Stock to any person whose ownership of the shares of capital stock converted into such Excess Stock would be permitted under the Ownership Limit. If such transfer is made, the interest of the Charitable Beneficiary shall terminate and the proceeds of the sale shall be payable to the original transferee-stockholder and to the Charitable Beneficiary as described herein. The original transferee-stockholder shall receive the lesser of (i) the price paid by the original transferee-stockholder for the shares of capital stock that were converted into Excess Stock or, if the original transferee-stockholder did not give value for such shares (E.G., the stock was received through a gift, devise or other transaction), the average closing price for the class of shares from which such shares of capital stock were converted for the ten trading days immediately preceding such sale or gift, and (ii) the price received by the trustee from the sale or other disposition of the Excess Stock held in trust. The trustee may reduce the amount payable to the original transferee-stockholder by the amount of dividends and distributions relating to the shares of Excess Stock which have been paid to the original transferee-stockholder and are owned by the original transferee-stockholder to the trustee. Any proceeds in excess of the amount payable to the original transferee-stockholder shall be paid by the trustee to the Charitable Beneficiary. Any liquidation distributions relating to Excess Stock shall be distributed in the same manner as proceeds of a sale of Excess Stock. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statue, rule or regulation, then the original transferee-stockholder of any shares of Excess Stock may be deemed, at the option of the Company, to have acted as an agent on behalf of the Company in acquiring the shares of Excess Stock and to hold the shares of Excess Stock on behalf of the Company.

In addition, the Company will have the right, for a period of 90 days during the time any shares of Excess Stock are held in trust, to purchase all or any portion of the shares of Excess Stock at the lesser of (i) the price initially paid for such shares by the original transferee-stockholder, or if the original transferee-stockholder did not give value for such shares (E.G., the shares were received through a gift, devise or other transaction), the average closing price for the class of stock from which such shares of Excess Stock were converted for the ten trading days immediately preceding such sale or gift, and (ii) the average closing price for the class of stock from which such shares of Excess Stock were converted for the ten trading days immediately preceding the date the Company elects to purchase such shares. The Company may reduce the amount payable to the original transferee-stockholder by the amount of dividends and distributions relating to the shares of Excess Stock which have been paid to the original transferee-stockholder and are owed by the original transferee-stockholder to the trustee. The Company may pay the amount of such reductions to the trustee for the benefit of the Charitable Beneficiary. The 90-day period begins on the later date of which notice is received of the violative transfer if the original transferee-stockholder gives notice to the Company of the transfer or, if no such notice is given, the date the Board of Directors determines that a violative transfer has been made.

These restrictions will not preclude settlement of transactions through the New York Stock Exchange.

All certificates representing shares of stock will bear a legend referring to the restrictions described above.

Each stockholder shall upon demand be required to disclose to the Company in writing any information with respect to the direct, indirect and constructive ownership of capital stock of the company as the Board of Directors deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

The Ownership Limit may have the effect of delaying, deferring or preventing a change in control of the Company unless the Board of Directors determines that maintenance of REIT status is no longer in the best interest of the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company.

CERTAIN PROVISIONS OF MARYLAND LAW AND THE COMPANY'S CHARTER AND BYLAWS

THE FOLLOWING SUMMARY OF CERTAIN PROVISIONS OF MARYLAND LAW AND OF THE CHARTER AND BYLAWS OF THE COMPANY DOES NOT PURPORT TO BE COMPLETE AND IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO MARYLAND LAW AND THE CHARTER AND BYLAWS OF THE COMPANY, COPIES OF WHICH ARE EXHIBITS TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART.

The Charter and the bylaws of the Company (the "Bylaws") contain certain provisions that could make more difficult an acquisition or change in control of the Company by means of a tender offer, a proxy contest or otherwise. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to negotiate first with the Board of Directors. The Company believes that the benefits of these provisions outweigh the potential disadvantages of discouraging such proposals because, among other things, negotiation of such proposals might result in an improvement of their terms. The description set forth below is intended as a summary only and is qualified in its entirety by reference to the Charter and the Bylaws, which have been filed as exhibits to the Registration Statement of which this Prospectus is a part. See also "Capital Stock--Restrictions on Transfer."

CLASSIFICATION AND REMOVAL OF BOARD OF DIRECTORS; OTHER PROVISIONS

The Company's Charter provides for the Board of Directors to be divided into three classes of directors, with each class to consist as nearly as possible of an equal number of directors. The term of office of the first class of directors will expire at the 1998 annual meeting of stockholders; the term of the second class of directors will expire at the 1999 annual meeting of stockholders; and the term of the third class will expire at the 2000 annual meeting of stockholders. At each annual meeting of stockholders, the class of directors to be elected at such meeting will be elected for a three-year term, and the directors in the other two classes will continue in office. Because stockholders will have no right to cumulative voting for the election of directors, at each annual meeting of stockholders the holders of a majority of the shares of Common Stock will be able to elect all of the successors to the class of directors whose term expires at that meeting.

The Company's Charter also provides that, except for any directors who may be elected by holders of a class or series of capital stock other than the Common Stock, directors may be removed only for cause and only by the affirmative vote of stockholders holding at least two-thirds of all the votes entitled to be cast for the election of directors. Vacancies on the Board of Directors may be filled by the affirmative vote of the remaining directors and, in the case of a vacancy resulting from the removal of a director, by the stockholders by a majority of the votes entitled to be cast for the election of directors. A vote of stockholders holding at least two-thirds of all the votes entitled to be cast thereon is required to amend, alter, change, repeal or adopt any provisions inconsistent with the foregoing classified board and director removal provisions. Under the Charter, the power to amend the Bylaws of the Company is vested exclusively in the Board of Directors, and the stockholders do not have any power to adopt, alter or repeal the Bylaws absent amendment to the Charter to confer such power. These provisions may make it more difficult and time-consuming to change majority control of the Board of Directors of the Company and, thus, may reduce the vulnerability of the Company to an unsolicited proposal for the takeover of the Company or the removal of incumbent management.

Because the Board of Directors will have the power to establish the preferences and rights of additional series of capital stock without stockholder vote, the Board of Directors may afford the holders of any series of senior capital stock preferences, powers and rights, voting or otherwise, senior to the rights of holders of shares of Common Stock. The issuance of any such senior capital stock could have the effect of delaying or preventing a change in control of the Company. The Board of Directors, however, currently does not contemplate the issuance of any series of capital stock other than shares of Common Stock.

See "Management--Directors, Director Nominees and Executive Officers" for a description of the limitations on liability of directors of the Company and the provisions for indemnification of directors and officers provided for under applicable Maryland law and the Charter.

BUSINESS COMBINATION STATUTE

The MGCL establishes special requirements with respect to "business combinations" between Maryland corporations and "interested stockholders" unless exemptions are applicable. Among other things, the law prohibits for a period of five years a merger and other specified or similar transactions between a company and an interested stockholder and requires a super majority vote for such transactions after the end of the five-year period.

For this purpose, "interested stockholders" are all persons owning beneficially, directly or indirectly, 10% or more of the outstanding voting stock of a Maryland corporation, and affiliates and associates of the Maryland corporation (which are, generally, any entities controlling, controlled by, or under common control with, the Maryland corporation) which owned beneficially, directly or indirectly, 10% or more of the outstanding voting stock of such Maryland corporation. "Business combinations" include any merger or similar transaction subject to a statutory vote and additional transactions involving transfers of assets or securities in specified amounts to interested stockholders or their affiliates. Unless an exemption is available, transactions of these types may not be consummated between a Maryland corporation and an interested stockholder or its affiliates for a period of five years after the date on which the stockholder first became an interested stockholder. Thereafter, the transaction may not be consummated unless recommended by the board of directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by all holders of outstanding shares of voting stock and two-thirds of the votes entitled to be cast by all holders of outstanding shares of voting stock other than the interested stockholder. A business combination with an interested stockholder that is approved by the board of directors of a Maryland corporation at any time before an interested stockholder first becomes an interested stockholder is not subject to the special voting requirements. An amendment to a Maryland corporation's charter electing not to be subject to the foregoing requirements must be approved by the affirmative vote of at least 80% of the votes entitled to be cast by all holders of outstanding shares of voting stock and two-thirds of the votes entitled to be cast by holders of outstanding shares of voting stock who are not interested stockholders. Any such amendment is not effective until 18 months after the vote of stockholders and does not apply to any business combination of a corporation with a stockholder who was an interested stockholder on the date of the stockholder vote. The Company has opted out of the business combination provisions of the MGCL, but the Board of Directors may elect to adopt these provisions of the MGCL in the future.

CONTROL SHARE ACQUISITION STATUTE

Maryland law imposes certain limitations on the voting rights in a "control share acquisition." The MGCL considers a "control share acquisition" to occur at each of the 20%, 33 1/3% and 50% acquisition levels, and requires the affirmative vote of at least two-thirds of the votes entitled to be cast by holders of outstanding shares of voting stock (excluding shares owned by the acquiring person and certain members of management) to accord voting rights to capital stock acquired in a control share acquisition. The statute also requires Maryland corporations to hold a special meeting at the request of an actual or proposed control share acquirer generally within 50 days after a request is made by means of the submission of an "acquiring person statement," but only if the acquiring person (i) posts a bond for the cost of a meeting (not including the expenses of opposing approval of the voting rights) and (ii) submits a definitive financing agreement with respect to the proposed control share acquisition to the extent that financing is not provided by the acquiring person. In addition, unless its charter or bylaws provide otherwise, the statute gives a Maryland corporation, within certain time limitations, various redemption rights if there is a stockholder vote on the issue and the grant of voting rights is not approved, or if an acquiring person statement is not delivered to the corporation within 10 days following an actual control share acquisition. Moreover, unless the charter or bylaws provide otherwise, the statute provides that if, before a control share acquisition occurs, voting rights are accorded to control shares that result in the acquiring persons having majority voting power, then minority stockholders have certain appraisal rights. An acquisition of shares may be exempted from the control share statute, provided that a charter or bylaw provision is adopted for such purpose prior to the control share acquisition. The Company has opted out of the control

share provisions of the MGCL, but the Board of Directors may elect to adopt these provisions of the MGCL in the future.

AMENDMENTS TO THE CHARTER

The Charter, including its provisions on classification of the Board of Directors, restrictions on transferability of shares of Common Stock and removal of directors, may be amended only by the affirmative vote of the holders of not less than two-thirds of all of the votes entitled to be cast on the matter. However, the provisions of the Charter relating to authorized shares of stock and the classification and reclassification of shares of Common Stock and Preferred Stock may be amended by the affirmative vote of the holders of not less than a majority of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

The Bylaws of the Company provide that (i) with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (A) pursuant to the Company's notice of the meeting, (B) by the Board of Directors or (C) by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the Bylaws and (ii) with respect to special meetings of the stockholders, only the business specified in the Company's notice of meeting may be brought before the meeting of stockholders and nominations of persons for election to the Board of Directors may be made only (A) pursuant to the Company's notice of the meeting, (B) by the Board of Directors or (C) provided that the Board of Directors has determined that directors shall be elected at such meeting, by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the Bylaws.

ANTI-TAKEOVER EFFECT OF CERTAIN PROVISIONS OF MARYLAND LAW AND OF THE CHARTER AND BYLAWS

The business combination provisions and the control share acquisition provisions of the MGCL, the provisions of the Charter on classification of the Board of Directors and removal of directors and the advance notice provisions of the Bylaws could delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for holders of Common Stock or otherwise be in their best interests.

RIGHTS TO PURCHASE SECURITIES AND OTHER PROPERTY

The Charter authorizes the Board of Directors to create and issue rights entitling the holders thereof to purchase from the Company shares of capital stock or other securities or property. The times at which and terms upon which such rights are to be issued would be determined by the Board of Directors and set forth in the contracts or instruments that evidence such rights. This provision is intended to confirm the Board of Directors' authority to issue share purchase rights, which might have terms that could impede a merger, tender offer or other takeover attempt, or other rights to purchase shares or securities of the Company or any other corporation.

SHARES AVAILABLE FOR FUTURE SALE

GENERAL

Upon the completion of the Offering, the Company will have outstanding 10,779,216 shares of Common Stock (12,294,216 shares if the Underwriters' overallotment option is exercised in full). In addition, 2,383,284 shares of Common Stock are reserved for issuance upon exchange of Units. The shares of Common Stock issued in the Offering will be freely tradeable by persons other than "affiliates" of the Company without restriction under the Securities Act, subject to the limitations on ownership set forth in the Charter. See "Capital Stock--Restrictions on Transfer." The shares of Common Stock received by the participants in the Formation Transactions or acquired by any participant in redemption of Units (the "Restricted Shares") will be "restricted" securities under the meaning of Rule 144 promulgated under the Securities Act ("Rule 144") and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. As described below under "--Registration Rights," the Company has granted certain holders registration rights with respect to their shares of Common Stock.

In general, under Rule 144, if one year has elapsed since the later of the date of acquisition of Restricted Shares from the Company or any "affiliate" of the Company, as that term is defined under the Securities Act, the acquiror or subsequent holder thereof is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of Common Stock or the average weekly trading volume of the Common Stock during the four calendar weeks immediately preceding the date on which notice of the sale is filed with the Securities and Exchange Commission (the "Commission"). Sales under Rule 144 also are subject to certain manner of sales provisions, notice requirements and the availability of current public information about the Company. If two years have elapsed since the date of acquisition of Restricted Shares from the Company or from any "affiliate" of the Company, and the acquiror or subsequent holder thereof is deemed not to have been an affiliate of the Company at any time during the 90 days immediately preceding a sale, such person is entitled to sell such shares in the public market under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements.

The Company has established a stock option plan for the purpose of attracting and retaining highly qualified directors, executive officers and other key employees. See "Management--Stock Option and Incentive Plan" and "--Compensation of Directors." The Company intends to issue options to purchase approximately 660,000 shares of Common Stock to directors, officers and certain key employees prior to the completion of the Offering and has reserved 440,000 additional shares for future issuance under the plan. On or prior to the expiration of the initial 12-month period following the completion of the Offering, the Company expects to file a registration statement with the Commission with respect to the shares of Common Stock issuable under these plans, which shares may be resold without restriction, unless held by affiliates.

Prior to the Offering, there has been no public market for the Common Stock. Trading of the Common Stock on the New York Stock Exchange is expected to commence immediately following the completion of the Offering. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Common Stock (including shares issued upon the exercise of options), or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Stock. See "Risk Factors--Other Risks of Ownership of Common Stock Could Adversely Affect the Trading Price of the Common Stock" and "Partnership Agreement--Transfers of Interests."

REGISTRATION RIGHTS

The Company has granted the participants in the Formation Transactions who received Units in the Formation Transactions certain registration rights with respect to the shares of Common Stock owned by them or acquired by them in connection with the exercise of the redemption right under the Partnership Agreement. These registration rights require the Company to register all such shares of Common Stock upon request. The Company will bear expenses incident to its registration requirements under the registration rights, except that such expenses shall not include any underwriting discounts or commissions or transfer taxes, if any, relating to such shares.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

GENERAL

The following discussion summarizes the material Federal income tax consequences that are generally applicable to all prospective stockholders of the Company. The specific tax consequences of owning Common Stock will vary for stockholders because of the different circumstances of stockholders and the discussion contained herein does not purport to address all aspects of Federal income taxation that may be relevant to particular holders in light of their personal investment or tax circumstances. Therefore, it is imperative that a stockholder review the following discussion and consult with his own tax advisors to determine the interaction of his individual tax situation with the anticipated tax consequences of owning Common Stock.

The information in this section and the opinions of Brown & Wood LLP are based on the Code, existing and proposed Treasury Regulations thereunder, current administrative interpretations and court decisions. No assurance can be given that future legislation, Treasury Regulations, administrative interpretations and court decisions will not significantly change current law or affect existing interpretations of current law in a manner which is adverse to stockholders. Any such change could apply retroactively to transactions preceding the date of change. The Company and the Operating Partnership do not plan to obtain any rulings from the IRS concerning any tax issue with respect to the Company. Thus, no assurance can be provided that the opinions and statements set forth herein (which do not bind the IRS or the courts) will not be challenged by the IRS or will be sustained by a court if so challenged. The following description does not constitute tax advice.

This summary does not give a detailed discussion of state, local or foreign tax considerations. Except where indicated, the discussion below describes general Federal income tax considerations applicable to individuals who are citizens or residents of the United States. Accordingly, the following discussion has limited application to domestic corporations and persons subject to specialized Federal income tax treatment, such as foreign persons, trusts, estates, tax-exempt entities, regulated investment companies and insurance companies.

As used in this section, the term "Company" refers solely to SL Green Realty Corp. and the term "Operating Partnership" refers solely to SL Green Operating Partnership, L.P.

PROSPECTIVE STOCKHOLDERS ARE STRONGLY URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH REGARD TO THE APPLICATION OF THE FEDERAL INCOME TAX LAWS TO SUCH STOCKHOLDERS' RESPECTIVE PERSONAL TAX SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION.

TAXATION OF THE COMPANY

GENERAL. The Company will make an election to be taxed as a REIT under Sections 856 through 860 of the Code effective for its taxable year ending December 31, 1997. The Company believes that, commencing with such taxable year, it will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Code and the Company intends to continue to operate in such a manner. Although the Company has been structured so as to qualify to be treated as a REIT, no assurance can be given that the Company will operate in a manner so as to qualify or remain qualified as a REIT.

In the opinion of Brown & Wood LLP, commencing with the Company's taxable year ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification and taxation as a REIT under the Code and the proposed method of operation of the Company will enable the Company to meet the requirements for qualification and taxation as a REIT. This opinion is based on

various assumptions relating to the organization and operation of the Company, the Operating Partnership, the Management LLC, the Management Corporation (together with the Management LLC, the "Management Entities"), the Leasing Corporation and the Construction Corporation and upon certain representations made by the Company, the Operating Partnership, the Management Entities, the Leasing Corporation and the Construction Corporation as to certain relevant factual matters, including matters related to the organization and expected manner of operation of the Company, the Operating Partnership, the Property-owning entities, the Management Entities, the Leasing Corporation and the Construction Corporation. Moreover, such qualification and taxation as a REIT will depend upon the Company's ability to meet on a continuing basis, through actual annual operating results, distribution levels, and diversity of stock ownership, the various qualification tests imposed under the Code (discussed below). Brown & Wood LLP will not review compliance with these tests on a continuing basis. Accordingly, no assurance can be given that the Company will satisfy such tests on a continuing basis. See "--Failure to Qualify" below.

The following is a general summary of the material Code provisions that govern the Federal income tax treatment of a REIT and its stockholders. These provisions of the Code are highly technical and complex.

If the Company qualifies for taxation as a REIT, it generally will not be subject to Federal corporate income taxes on net income that it distributes currently to stockholders. This treatment substantially eliminates the "double taxation" (taxation at both the corporate and stockholder levels) that generally results from investment in a corporation. However, the Company will be subject to Federal income and excise tax in certain circumstances, including the following. First, the Company will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains. Second, under certain circumstances, the Company may be subject to the "alternative minimum tax" on its items of tax preference. Third, if the Company has (i) net income from the sale or other disposition of "foreclosure property" (which is, in general, property acquired by foreclosure or otherwise on default of a loan secured by the property) held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, the Company will be subject to tax at the highest corporate rate on such income. Fourth, if the Company has net income from prohibited transactions (which are, in general, certain sales or other dispositions of property (other than dispositions of foreclosure property and, as a result of the Taxpayer Relief Act of 1997, enacted on August 5, 1997 (the "Taxpayer Relief Act"), effective for the Company's taxable year ending December 31, 1998, dispositions of property that occur due to an involuntary conversion) held primarily for sale to customers in the ordinary course of business), such income will be subject to a 100% tax. Fifth, if the Company fails to satisfy either the 75% gross income test or the 95% gross income test (both of which are discussed below), but nonetheless maintains its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on the greater of the amount by which the Company fails the 75% or 95% test, multiplied by a fraction intended to reflect the Company's profitability. Sixth, if the Company fails to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior years, the Company will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, if the Company acquires any asset from a C corporation (i.e., a corporation generally subject to full corporate level tax) in a transaction in which the basis of the asset in the Company's hands is determined by reference to the basis of the asset (or any other property) in the hands of the C corporation and the Company recognizes gain on the disposition of such asset during the ten-year period (the "Recognition Period") beginning on the date on which such asset was acquired by the Company, then, to the extent of such property's "built-in" gain (the excess of the fair market value of such property at the time of acquisition by the Company over the adjusted basis in such property at such time), such gain will be subject to tax at the highest regular corporate rate applicable (the "Built-In Gain Rule").

REQUIREMENTS FOR QUALIFICATION. The Code defines a REIT as a corporation, trust, or association (i) that is managed by one or more trustees or directors; (ii) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest; (iii) that would be taxable as a

domestic corporation, but for Section 856 through 859 of the Code; (iv) that is neither a financial institution nor an insurance company subject to certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities); and (vii) that meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (i) through (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (v) and (vi), however, will not apply until after the first taxable year for which an election is made to be taxed as a REIT. The Company anticipates issuing sufficient shares of Common Stock in the Offering with sufficient diversity of ownership to allow the Company to satisfy conditions (v) and (vi) immediately following the Offering. In addition, the Company intends to comply with Treasury regulations requiring it to ascertain the actual ownership of its outstanding shares. The Taxpayer Relief Act eliminates the rule that a failure to comply with these regulations will result in a loss of REIT status. Instead, a failure to comply with the regulations will result in a fine. This provision will be effective for the Company's taxable year ending December 31, 1998. In addition, the Company's Charter will include restrictions regarding the transfer of its shares of capital stock that are intended to assist the Company in continuing to satisfy the share ownership requirements described in (v) and (vi) above. See "Capital Stock--Restrictions on Transfer."

In addition, a corporation may not elect to become a REIT unless its taxable year is the calendar year. The Company's taxable year will be the calendar year.

If a REIT owns a corporate subsidiary that is a "qualified REIT subsidiary," that subsidiary is disregarded for Federal income tax purposes and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of the REIT itself. (A qualified REIT subsidiary is a corporation all of the capital stock of which has been owned by the REIT from the commencement of such corporate existence. The Taxpayer Relief Act eliminates the requirement that a REIT own a qualified REIT subsidiary from the commencement of its corporate existence. This change will be effective for the Company's taxable year ending December 31, 1998.) Similarly, a single member limited liability company owned by the REIT or by the Operating Partnership is disregarded as a separate entity for Federal income tax purposes.

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that for purposes of the gross income tests and asset tests the REIT will be deemed to own its proportionate share (based on its interest in partnership capital) of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. In addition, the assets and gross income of the partnership will retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and asset tests, that they have in the hands of the Partnership. Thus, the Company's proportionate share of the assets, liabilities and items of gross income of the Operating Partnership will be treated as assets, liabilities and items of gross income of the Company for purposes of applying the requirements described herein.

INCOME TESTS. In order to maintain qualification as a REIT, three gross income tests must be satisfied annually. First, at least 75% of the REIT's gross income (excluding gross income from "prohibited transactions") for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property" and, in certain circumstances, interest) or from certain types of temporary investments. Second, at least 95% of the REIT's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments described above and from dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. Third, gain from the sale or other disposition of stock or securities held for less than one year, gain from prohibited transactions and gain on the sale or other disposition of real property held for less than four years (apart from involuntary

conversions and sales of foreclosure property) must represent less than 30% of the REIT's gross income (including gross income from prohibited transactions) for each taxable year. For purposes of applying the 30% gross income test, the holding period of Properties and other assets acquired in the Formation Transactions will be deemed to have commenced on the date of the Formation Transactions. The Taxpayer Relief Act repeals the 30% gross income test for taxable years beginning after its enactment on August 5, 1997. Thus, the 30% gross income test will apply only to the Company's taxable year ending December 31, 1997.

Rents received by a REIT will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, or a direct or indirect owner of 10% or more of the REIT, directly or constructively, owns 10% or more of such tenant (a "Related Party Tenant"). Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property." Finally, in order for rents received with respect to a property to qualify as "rents from real property," the REIT generally must not operate or manage the property or furnish or render services to tenants, except through an "independent contractor" who is adequately compensated and from whom the Company derives no income. The "independent contractor" requirement, however, does not apply to the extent the services provided by the REIT are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant." The Taxpayer Relief Act provides a DE MINIMIS rule for non-customary services which is effective for taxable years beginning after August 5, 1997. If the value of the non-customary service income with respect to a property (valued at no less than 150% of the Company's direct costs of performing such services) is 1% or less of the total income derived from the property, then all rental income except the non-customary service income will qualify as "rents from real property." This provision will be effective for the Company's taxable year ending December 31, 1998.

The Company does not anticipate charging rent that is based in whole or in part on the income or profits of any person (except by reason of being based on a fixed percentage or percentages of receipts of sales consistent with the rule described above). The Company does not anticipate deriving rent attributable to personal property leased in connection with real property that exceeds 15% of the total rents.

The Company will provide certain services with respect to the Properties, but the Company believes (and has represented to Brown & Wood LLP) that all such services will be considered "usually or customarily rendered" in connection with the rental of space for occupancy only, so that the provision of such services will not jeopardize the qualification of rent from the Properties as "rents from real property." In rendering its opinion on the Company's ability to qualify as a REIT, Brown & Wood LLP is relying on such representations. In the case of any services that are not "usual and customary" under the foregoing rules, the Company intends to employ "independent contractors" to provide such services.

The Operating Partnership may receive certain types of income, including rent from Related Party Tenants, with respect to the properties it owns that will not qualify under the 75% or 95% gross income test. In particular, dividends on the Operating Partnership's stock in the Service Corporations will not qualify under the 75% gross income test. The Company believes, however, that the aggregate amount of such items and other non-qualifying income in any taxable year will not cause the Company to exceed the limits on non-qualifying income under the 75% and 95% gross income tests.

The Management LLC will receive managements fees from the Operating Partnership with respect to properties that are wholly-owned by the Operating Partnership. In the opinion of Brown & Wood LLP, such fees will not constitute gross income of the Operating Partnership.

If the Company fails to satisfy one or both of the 75% or the 95% gross income tests for any taxable year, it nevertheless may qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions generally will be available if the Company's failure to meet any such tests was due to reasonable cause and not due to willful neglect, the Company attaches a schedule of the sources of its income to its Federal corporate income tax return and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances the Company would be entitled to the benefit of these relief provisions. As discussed in "--General" above, even if these relief provisions were to apply, a tax would be imposed with respect to the excess net income. Moreover, these relief provisions are unavailable if the Company fails the 30% gross income test.

ASSET TESTS. The Company must also satisfy three tests relating to the nature of its assets at the close of each quarter of its taxable year. First, at least 75% of the value of the Company's total assets must be represented by real estate assets (including (i) its allocable share of real estate assets held by the Operating Partnership or any partnerships in which the Operating Partnership owns an interest and (ii) stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (i.e., at least five-year) public debt offering of the Company), cash, cash items and government securities. Second, of the investments not included in the 75% asset class, the value of any one issuer's securities owned by the Company may not exceed 5% of the value of the Company's total assets. Third, of the investments not included in the 75% asset class, the Company may not own more than 10% of any one issuer's outstanding voting securities.

After initially meeting the asset tests at the close of any quarter, the Company will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient non-qualifying assets within 30 days after the close of that quarter. The Company intends to maintain adequate records of the value of its assets to ensure compliance with the asset tests and to take such other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

Based on the foregoing, the 5% test must generally be met for any quarter in which the Company acquires securities of an issuer. Thus, this requirement must be satisfied not only on the date the Company acquires securities of the Service Corporations, but also each time the Company increases its ownership of securities of a Service Corporation (including as a result of increasing its interest in the Operating Partnership as limited partners exercise their redemption rights).

The Operating Partnership will own all of the non-voting stock of each of the Service Corporations, which stock represents 95% of the equity of the Service Corporations. See "Structure and Formation of the Company--The Operating Entities of the Company--The Service Corporations." By virtue of its ownership of Units, the Company will be considered to own its pro rata share of the assets of the Operating Partnership, including the securities of the Service Corporations described above. The Operating Partnership will not own more than 10% of the voting securities of the Service Corporations and, therefore, the Company will not own more than 10% of the voting securities of the Service Corporations. In addition, the Company and senior management believe that the Company's pro rata share of the value of the securities of the Service Corporations will not exceed, for each Service Corporation, as of the completion of the Offering, 5% of the total value of the Company's assets. The Company's belief is based in part upon its analysis of the anticipated operating cash flows of the Service Corporations. There can be no assurance, however, that the IRS will not contend that the value of the securities of a Service Corporation exceeds the 5% value limitation. Brown & Wood LLP, in rendering its opinion regarding the qualification of the Company as a REIT, will rely on the conclusions of the Company and its senior management as to the value of the securities of the Service Corporations.

As noted above, the 5% value requirement must be satisfied at or within 30 days after the end of each quarter during which the Company increases its (direct or indirect) ownership of securities of the Service Corporations (including as a result of increasing its interest in the Operating Partnership). Although the

Company plans to take steps to ensure that it satisfies the 5% value test for any quarter with respect to which retesting is to occur, there can be no assurance that such steps always will be successful or will not require a reduction in the Operating Partnership's overall interest in a Service Corporation.

Although currently the IRS will not rule regarding compliance with the 10% voting securities test, in the opinion of Brown & Wood LLP the Company's proposed structure will meet the current statutory requirements with respect to the 10% voting securities test.

ANNUAL DISTRIBUTION REQUIREMENTS. The Company, in order to qualify as a REIT, is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to (i) the sum of (A) 95% of the Company's "REIT taxable income" (computed without regard to the dividends paid deduction and the REIT's net capital gain) and (B) 95% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of certain items of noncash income (including, as a result of the Taxpayer Relief Act of 1997, INTER ALIA cancellation of indebtedness and original issue discount income. Such distributions must be paid during the taxable year to which they relate (or during the following taxable year, if declared before the Company timely files its tax return for the preceding year and paid on or before the first regular dividend payment after such declaration). To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its "REIT taxable income," as adjusted, it will be subject to tax on the undistributed amount at regular corporate capital gains rates and ordinary income tax rates. Furthermore, if the Company fails to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income of such year, (ii) 95% of its REIT capital gain income for such year and (iii) any undistributed taxable income from prior periods, the Company will be subject to a 4% excise tax on the excess of such amounts over the amounts actually distributed. In addition, if the Company disposes of any asset subject to the Built-In Gain Rule during its Recognition Period, the Company will be required to distribute at least 95% of the built-in gain (after tax), if any, recognized on the disposition.

The Company intends to make timely distributions sufficient to satisfy the annual distribution requirements. In this regard, it is expected that the Company's REIT taxable income will be less than its cash flow due to the allowance of depreciation and other noncash charges in the computing of REIT taxable income. Moreover, the Partnership Agreement of the Operating Partnership authorizes the Company, as general partner, to take such steps as may be necessary to cause the Operating Partnership to make distributions to its partners of amounts sufficient to permit the Company to meet these distribution requirements. It is possible, however, that the Company, from time to time, may not have sufficient cash or other liquid assets to meet the 95% distribution requirement due to timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of such income and deduction of such expenses in arriving at REIT taxable income of the Company, or due to an excess of nondeductible expenses such as principal amortization or capital expenditures over noncash deductions such as depreciation. In the event that such circumstances do occur, then in order to meet the 95% distribution requirement, the Company may cause the Operating Partnership to arrange for short-term, or possibly long-term, borrowings to permit the payment of required dividends.

Under certain circumstances, the Company may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to stockholders in a later year that may be included in the Company's deduction for dividends paid for the earlier year. Thus, the Company may be able to avoid being taxed on amounts distributed as deficiency dividends. However, the Company would be required to pay to the IRS interest based upon the amount of any deduction taken for deficiency dividends.

FAILURE TO QUALIFY. If the Company fails to qualify for taxation as a REIT in any taxable year and certain relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Unless entitled to relief under specific statutory provisions, the Company also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances the Company would be entitled to such statutory relief.

Distributions to stockholders in any year in which the Company fails to qualify as a REIT will not be deductible by the Company, nor will the Company be required to make distributions. If the Company makes distributions, such distributions will be taxable as ordinary income to the extent of the Company's current and accumulated earnings and profits. Subject to certain limitations in the Code, corporate distributees may be eligible for the dividends received deduction.

TAXATION OF STOCKHOLDERS

TAXATION OF DOMESTIC STOCKHOLDERS. As long as the Company qualifies as a REIT, distributions made to the Company's taxable domestic stockholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income and corporate stockholders will not be eligible for the dividends received deduction as to such amounts. Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed the Company's actual net capital gain for the taxable year) without regard to the period for which the stockholder has held its stock. However, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. The Taxpayer Relief Act provides that, beginning with the Company's taxable year ending December 31, 1998, if the Company elects to retain and pay income tax on any net long term capital gain, domestic stockholders of the Company would include in their income as long term capital gain their proportionate share of such net long term capital gain. A domestic stockholder would also receive a refundable tax credit for such stockholder's proportionate share of the tax paid by the REIT on such retained capital gains and an increase in its basis in the stock of the REIT in an amount equal to the difference between the undistributed long term capital gains and the amount of tax paid by the REIT. Distributions in excess of current and accumulated earnings and profits will not be taxable to a stockholder to the extent that they do not exceed the adjusted basis of the stockholder's shares of Common Stock, but rather will reduce the adjusted basis of a stockholder's shares of Common Stock. To the extent that such distributions exceed the stockholder's adjusted basis in his shares of Common Stock, they will be included in income as long-term capital gain (or short-term capital gain if the shares have been held for one year or less), assuming the shares of Common Stock are a capital asset in the hands of the stockholder.

Any dividend declared by the Company in October, November or December of any year payable to a stockholder of record on a specific date in any such month shall be treated as both paid by the Company and received by the stockholder on December 31 of such year, if the dividend is actually paid by the Company during January of the following calendar year.

Stockholders may not include in their individual income tax returns net operating losses or capital losses of the Company. In addition, distributions from the Company and gain from the disposition of shares of Common Stock will not be treated as "passive activity" income and, therefore, stockholders will not be able to use passive losses to offset such income.

In general, any loss upon a sale or exchange of shares of Common Stock by a stockholder which has held such shares of Common Stock for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss to the extent of distributions from the Company required to be treated by such stockholder as long-term capital gains.

BACKUP WITHHOLDING. The Company will report to its domestic stockholders and the IRS the amount of dividends paid during each calendar year and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a stockholder may be subject to backup withholding at the rate of 31% with respect to dividends paid unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a taxpayer identification number and certifies as to no loss of exemption, and otherwise complies with the applicable requirements of the backup withholdings rules. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. The United States Treasury has recently issued proposed regulations regarding the withholding and information reporting rules discussed above. In general, the proposed regulations do not alter the substantive withholding and information reporting requirements but unify

current certification procedures and forms and clarify and modify reliance standards. If finalized in their current form, the proposed regulations would generally be effective for payments made after December 31, 1997, subject to certain transition rules.

In addition, the Company may be required to withhold a portion of capital gain distributions made to any stockholders which fail to certify their non foreign status to the Company. See "--Taxation of Foreign Stockholders" below.

TAXATION OF TAX-EXEMPT STOCKHOLDERS. The IRS has ruled that amounts distributed as dividends by a qualified REIT generally do not constitute unrelated business taxable income ("UBTI") when received by a tax-exempt entity. Based on that ruling, the dividend income from the Common Stock will not be UBTI to a tax-exempt stockholder, provided that the tax-exempt stockholder has not held its shares of Common Stock as "debt financed property" within the meaning of the Code and such shares are not otherwise used in a trade or business. Similarly, income from the sale of Common Stock will not constitute UBTI unless such tax-exempt stockholder has held such shares as "debt financed property" within the meaning of the Code or has used the shares in a trade or business.

Notwithstanding the above, however, a portion of the dividends paid by a "pension held REIT" will be treated as UBTI as to any trust which is described in Section 401(a) of the Code and is tax-exempt under Section 501(a) of the Code (a "qualified trust") and which holds more than 10% (by value) of the interests in the REIT. A REIT is a "pension held REIT" if (i) it would not have qualified as a REIT but for the application of a "look-through" exception to the "not closely held" requirement applicable to qualified trusts, and (ii) either (A) at least one such qualified trust holds more than 25% (by value) of the interests in the REIT, or (B) one or more such qualified trusts, each of which owns more than 10% (by value) of the interests in the REIT, hold in the aggregate more than 50% (by value) of the interests in the REIT. The percentage of any REIT dividend treated as UBTI is equal to the ratio of (i) the gross income (less direct expenses related thereto) of the REIT from unrelated trades or businesses (determined as if the REIT were a qualified trust) to (ii) the total gross income (less direct expenses related thereto) of the REIT. A de minimis exception applies where this percentage is less than 5% for any year. The provisions requiring qualified trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the "not closely held" requirement without relying upon the "look-through" exception with respect to qualified trusts. As a result of certain limitations on transfer and ownership of Common Stock contained in the Charter, the Company does not expect to be classified as a "pension held REIT."

TAXATION OF FOREIGN STOCKHOLDERS. The rules governing U.S. Federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign stockholders (collectively, "Non-U.S. Stockholders") are complex and no attempt will be made herein to provide more than a limited summary of such rules. Prospective Non-U.S. Stockholders should consult with their own tax advisors to determine the impact of U.S. Federal, state and local income tax laws with regard to an investment in shares of Common Stock, including any reporting requirements.

ORDINARY DIVIDENDS. Distributions, other than distributions that are treated as attributable to gain from sales or exchanges by the Company of U.S. real property interests (discussed below) and other than distributions designated by the Company as capital gain dividends, will be treated as ordinary income to the extent that they are made out of current or accumulated earnings and profits of the Company. Such distributions to foreign stockholders will ordinarily be subject to a withholding tax equal to 30% of the gross amount of the distribution, unless an applicable tax treaty reduces that tax rate. However, if income from the investment in the shares of Common Stock is treated as effectively connected with the Non-U.S. Stockholder's conduct of a U.S. trade or business, the Non-U.S. Stockholder generally will be subject to a tax at graduated rates in the same manner as U.S. stockholders are taxed with respect to such dividends (and may also be subject to the 30% branch profits tax if the stockholder is a foreign corporation). The Company expects to withhold U.S. income tax at the rate of 30% on the gross amount of any dividends, other than dividends treated as attributable to gain from sales or exchanges of U.S. real property interests and capital gain dividends, paid to a Non-U.S. Stockholder, unless (i) a lower treaty rate applies and the

required form evidencing eligibility for that reduced rate is filed with the Company or (ii) the Non-U.S. Stockholder files an IRS Form 4224 (or its future equivalent) with the Company claiming that the distributions are "effectively connected" income.

Pursuant to current Treasury Regulations, dividends paid to an address in a country outside the United States are generally presumed to be paid to a resident of such country for purposes of determining the applicability of withholding discussed above and the applicability of a tax treaty rate. Under proposed Treasury Regulations, not currently in effect, however, a Non-U.S. Stockholder who wishes to claim the benefit of an applicable treaty rate would be required to satisfy certain certification and other requirements.

RETURN OF CAPITAL. Distributions in excess of current and accumulated earnings and profits of the Company, which are not treated as attributable to the gain from disposition by the Company of a U.S. real property interest, will not be taxable to a Non-U.S. Stockholder to the extent that they do not exceed the adjusted basis of the Non-U.S. Stockholder's shares of Common Stock, but rather will reduce the adjusted basis of such shares of Common Stock. To the extent that such distributions exceed the adjusted basis of a Non-U.S. Stockholder's shares of Common Stock, they will give rise to tax liability if the Non-U.S. Stockholder otherwise would be subject to tax on any gain from the sale or disposition of its shares of Common Stock, as described below. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the Non-U.S. Stockholder may seek a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of current and accumulated earnings and profits of the Company.

CAPITAL GAIN DIVIDENDS. For any year in which the Company qualifies as a REIT, distributions that are attributable to gain from sales or exchanges by the Company of U.S. real property interests will be taxed to a Non-U.S. Stockholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"). Under FIRPTA, these distributions are taxed to a Non-U.S. Stockholder as if such gain were effectively connected with a U.S. business. Thus, Non-U.S. Stockholders will be taxed on such distributions at the same capital gain rates applicable to U.S. stockholders (subject to any applicable alternative minimum tax and special alternative minimum tax in the case of nonresident alien individuals), without regard to whether such distributions are designated by the Company as capital gain dividends. Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a corporate Non-U.S. Stockholder not entitled to treaty relief or exemption. The Company is required by applicable Treasury Regulations under FIRPTA to withhold 35% of any distribution that could be designated by the Company as a capital gain dividend.

COMMON STOCK SALES. Gain recognized by a Non-U.S. Stockholder upon a sale or exchange of shares of Common Stock generally will not be taxed under FIRPTA if the Company is a "domestically controlled REIT," defined generally as a REIT in respect of which at all times during a specified testing period less than 50% in value of the stock was held directly or indirectly by foreign persons. It is currently anticipated that the Company will be a "domestically controlled REIT" and that therefore the sale of shares of Common Stock will not be subject to taxation under FIRPTA. However, gain not subject to FIRPTA will be taxable to a Non-U.S. Stockholder if (i) investment in the shares of Common Stock is treated as "effectively connected" with the Non-U.S. Stockholder's U.S. trade or business, in which case the Non-U.S. Stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, or (ii) the Non U.S. Stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, or maintains an office or a fixed place of business in the United States to which the gain is attributable, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains. A similar rule will apply to capital gain dividends not subject to FIRPTA.

Although the Company anticipates that it will qualify as a domestically controlled REIT, because the Common Stock will be publicly traded, no assurance can be given that the Company will continue to so

qualify. If the Company were not a domestically controlled REIT, whether or not a Non-U.S. Stockholder's sale of shares of Common Stock would be subject to tax under FIRPTA would depend on whether or not the shares of Common Stock were regularly traded on an established securities market (such as the NYSE, on which the Company has applied for the listing of the shares of Common Stock) and on the size of the selling Non-U.S. Stockholder's interest in the Company. If the gain on the sale of shares of Common Stock were to be subject to tax under FIRPTA, the Non-U.S. Stockholder would be subject to the same treatment as U.S. stockholders with respect to such gain (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals) and the purchaser of such shares of Common Stock may be required to withhold 10% of the gross purchase price.

OTHER TAX CONSIDERATIONS

EFFECT OF TAX STATUS OF OPERATING PARTNERSHIP AND OTHER ENTITIES ON REIT QUALIFICATION. All of the Company's significant investments are held through the Operating Partnership. The Operating Partnership may hold interests in certain Properties through Property-owning entities. The Operating Partnership and the Property-owning entities, as well as the Management LLC, involve special tax considerations. These tax considerations include: (i) allocations of income and expense items of the Operating Partnership and the Property-owning entities, which could affect the computation of taxable income of the Company, (ii) the status of the Operating Partnership, the Property-owning entities and the Management LLC as partnerships or entities that are disregarded as entities separate from their owners (as opposed to associations taxable as corporations) for income tax purposes and (iii) the taking of actions by the Operating Partnership or any of the Property-owning entities that could adversely affect the Company's qualification as REIT.

In the opinion of Brown & Wood LLP, based on certain representations of the Company and the Operating Partnership, for Federal income tax purposes, the Operating Partnership will be treated as a partnership and neither the Management LLC nor any of the Property-owning entities will be treated as an association taxable as a corporation. If, however, the Operating Partnership or any of such other entities were treated as an association taxable as a corporation, the Company would fail to qualify as a REIT for a number of reasons.

The Partnership Agreement requires that the Operating Partnership be operated in a manner that will enable the Company to satisfy the requirements for classification as a REIT. In this regard, the Company will control the operation of the Operating Partnership through its rights as the sole general partner of the Operating Partnership.

TAX ALLOCATIONS WITH RESPECT TO THE PROPERTIES. When property is contributed to a partnership in exchange for an interest in the partnership, the partnership generally takes a carryover basis in that property for tax purposes (i.e., the partnership's basis is equal to the adjusted basis of the contributing partner in the property), rather than a basis equal to the fair market value of the property at the time of contribution. Pursuant to Section 704(c) of the Code, income, gain, loss and deductions attributable to such contributed property must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "Book-Tax Difference"). Such allocations are solely for Federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The Operating Partnership will be funded by way of contributions of appreciated property to the Operating Partnership in the Formation Transactions. Consequently, the Operating Partnership Agreement will require such allocations to be made in a manner consistent with Section 704(c) of the Code and the regulations thereunder (the "Section 704(c) Regulations").

The Section 704(c) Regulations require partnerships to use a "reasonable method" for allocation of items affected by Section 704(c) of the Code and outline three methods which may be considered reasonable for these purposes. The Operating Partnership intends to use the "traditional method" of Section 704(c) allocations, which is the least favorable method from the Company's perspective because of certain technical limitations. Under the traditional method, depreciation with respect to a contributed Property for which there is a Book-Tax Difference first will be allocated to the Company and other partners who did not have an interest in such Property until they have been allocated an amount of depreciation equal to what they would have been allocated if the Operating Partnership had purchased such property for its fair market value at the time of contribution. In addition, if such a Property is sold, gain equal to the Book-Tax Difference at the time of sale will be specially allocated to the Purchaser who contributed the Property. These allocations will tend to eliminate the Book-Tax Differences with respect to the contributed Properties over the life of the Operating Partnership. However, they may not always entirely eliminate the Book-Tax Difference on an annual basis or with respect to a specific taxable transaction such as a sale. This could cause the Company (i) to be allocated lower amounts of depreciation deduction for tax purposes than would be allocated to the Company if all Properties were to have a tax basis equal to their fair market value at the time of contribution and (ii) to be allocated lower amounts of taxable loss in the event of a sale of such contributed interests in the Properties at a book loss, than the economic or book loss allocated to the Company as a result of such sale, with a corresponding benefit to the other partners in the Operating Partnership. These allocations possibly might adversely affect the Company's ability to comply with REIT distribution requirements, although the Company does not anticipate that this will occur. These allocations may also affect the earnings and profits of the Company for purposes of determining the portion of distributions taxable as a dividend income. See "--Taxation of U.S. Stockholders". The application of these rules over time may result in a higher portion of distributions being taxed as dividends than would have occurred had the Company purchased its interests in the Properties at their agreed values.

Interests in the Properties purchased by the Operating Partnership for cash simultaneously with or subsequent to the admission of the Company to the Operating Partnership initially will have a tax basis equal to their fair market value. Thus, Section 704(c) of the Code will not apply to such interests.

SERVICE CORPORATIONS. A portion of the amounts to be used by the Operating Partnership to fund distributions to stockholders is expected to come from the Service Corporations, through dividends on non-voting stock of the Service Corporations to be held by the Operating Partnership. The Service Corporations will not qualify as REITs and thus will pay Federal, state and local income taxes on their net income at normal corporate rates. To the extent that the Service Corporations are required to pay Federal, state and local income taxes, the cash available for distribution to the Company's stockholders will be reduced accordingly.

As described above, the value of the securities of any Service Corporation held by the Operating Partnership cannot exceed 5% of the value of the Operating Partnership's assets at a time when the Company is considered to acquire additional securities of the Service Corporation. See "--Taxation of the Company--Asset Tests." This limitation may restrict the ability of the Service Corporations to increase the sizes of their businesses unless the value of the assets of the Operating Partnership is increasing at a commensurate rate.

STATE AND LOCAL TAX

The Company and its stockholders may be subject to state and local tax in states and localities in which it does business or owns property. The tax treatment of the Company and the stockholders in such jurisdictions may differ from the Federal income tax treatment described above.

UNDERWRITING

The underwriters of the Offering (the "Underwriters"), for whom Lehman Brothers Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Legg Mason Wood Walker, Incorporated and Prudential Securities Incorporated are acting as representatives (the "Representatives"), have severally agreed, subject to the terms and conditions contained in the Underwriting Agreement (the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part) to purchase from the Company and the Company has agreed to sell to each Underwriter, the aggregate number of shares of Common Stock set forth below opposite the name of each such Underwriter.

UNDERWRITER	NUMBER OF SHARES
Lehman Brothers Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Legg Mason Wood Walker, Incorporated	
Prudential Securities Incorporated	
Total	10,100,000

The Underwriting Agreement provides that the obligations of the several Underwriters to purchase shares of Common Stock are subject to certain conditions, and that if any of the shares of Common Stock are purchased by the Underwriters pursuant to the Underwriting Agreement, all of the shares agreed to be purchased by the Underwriters under the Underwriting Agreement must be so purchased.

The Company has been advised that the Underwriters propose to offer the shares of Common Stock directly to the public at the initial public offering price set forth on the cover page of this Prospectus, and to certain selected dealers who may include the Underwriters at such public offering price less a selling concession not in excess of $ per share. The selected dealers may reallow a concession not in excess of $ per share to certain brokers or dealers. After the Offering, the public offering price, the concession to selected dealers and the reallowance may be changed by the Representatives.

The Company has granted to the Underwriters an option to purchase up to an additional 1,515,000 shares of Common Stock at the public offering price less the aggregate underwriting discounts and commissions shown on the cover page of this Prospectus, solely to cover overallotments, if any. Such option may be exercised at any time within 30 days after the date of the Underwriting Agreement. To the extent that such option is exercised, each Underwriter will be committed, subject to certain conditions, to purchase a number of additional shares of Common Stock proportionate to such Underwriter's initial commitment as indicated in the preceding table.

The Company has agreed that it will not, without the prior written consent of Lehman Brothers Inc., offer for sale, contract to sell, sell or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of), directly or indirectly, any shares of Common Stock or securities convertible into or exercisable or exchangeable for Common Stock (other than shares offered hereby, shares issued pursuant to the Stock Option Plan and any Units or shares of Common Stock that may be issued in connection with any acquisition of a property), or sell or grant options, rights or warrants with respect to any shares of Common Stock (other than the grant of options pursuant to the Stock Option Plan), for a period of 180 days after the date of this Prospectus.

In addition, certain SL Green entities and certain officers of the Company have agreed that they will not, without the prior written consent of the Company and Lehman Brothers Inc., subject to certain exceptions, offer for sale, contract to sell, sell or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of), directly or indirectly, any shares of Common Stock or Units received by them in connection with the Formation Transactions or the Offering, for an initial period of one year after the date of this Prospectus, after which time one-third of such Common Stock or Units held by each such entity or person shall no longer be subject to such restrictions and an additional one-third thereof shall be released from such restrictions on each of the second and third anniversaries of the date of this Prospectus. Also, Victor Capital has agreed to similar restrictions with respect to the shares of Common Stock received by it in connection with the Formation Transactions for a period of one year after the date of this Prospectus.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to the payments they may be required to make in respect thereto.

The Underwriters do not intend to confirm sales of Common Stock to any account over which they exercise discretionary authority.

Prior to the Offering, there has been no public market for the Common Stock. The initial public offering price will be determined through negotiations between the Company and the Representatives. Among the factors to be considered in such negotiations, in addition to prevailing market conditions, are distribution rates and financial characteristics of publicly traded REITs that the Company and the Representatives believe to be comparable to the Company, the expected results of operations of the Company (which are based on the results of operations of the Properties in recent periods), estimates of future business potential and earnings prospects of the Company as a whole and the current state of the real estate market in the Midtown Markets and the economy as a whole. The initial price per share to the public set forth on the cover page of this Prospectus should not, however, be considered an indication of the actual value of the Common Stock. Such price is subject to change as a result of market conditions and other factors.

The shares of Common Stock have been approved for listing on the NYSE, subject to official notice of issuance, under the symbol "SLG."

Until the distribution of the Common Stock is completed, rules of the Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the offering, I.E., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the Representatives may reduce that short position by purchasing Common Stock in the open market. The Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described herein.

The Representatives may also impose a penalty bid on certain Underwriters and selling group members. This means that if the Representatives purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The

imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security by purchasers in an offering.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Certain of the Underwriters and their affiliates have from time to time performed, and may continue to perform in the future, various investment banking and other services for the Company, for which customary compensation has been, and will be, received. The Company will pay an advisory fee equal to 0.75% of the gross proceeds of the Offering (including any exercise of the Underwriters' overallotment option) to Lehman for advisory services in connection with the evaluation, analysis and structuring of the Company's formation as a REIT. In connection with the Offering, an affiliate of Lehman Brothers Inc. will receive $39.6 million of the net proceeds in repayment of amounts outstanding under the LBHI Loan. In addition, LBHI is expected to provide the Operating Partnership with a $14 million mortgage loan secured by 50 West 23rd Street and will receive an administrative fee of up to .02% in connection with a line of credit being arranged for the Company in anticipation of the establishment of the Credit Facility by the Company and LBHI. See "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources," "The Properties--Credit Facility" and "Certain Relationships and Transactions."

Although the Conduct Rules of the National Association of Securities Dealers, Inc. exempt REITs from the conflict of interest provisions thereof, because Lehman Brothers Inc. and certain of its affiliates will receive more than 10% of the net proceeds of the Offering in payment of the financial advisory fee and in repayment of currently outstanding indebtedness, the Underwriters have determined to conduct the Offering in accordance with the applicable provisions of Rule 2720 of the Conduct Rules. In accordance with these requirements, Prudential Securities Incorporated (the "Independent Underwriter") is assuming the responsibilities of acting as "qualified independent underwriter," and will recommend the maximum initial public offering price for the Common Stock in compliance with the requirements of the Conduct Rules. In connection with the Offering, the Independent Underwriter is performing due diligence investigations and is reviewing and participating in the preparation of this Prospectus and the Registration Statement of which this Prospectus forms a part. The initial public offering price of the Common Stock will be no higher than the price recommended by the Independent Underwriter.

The Underwriters have reserved for sale at the public offering price up to 505,000 shares of Common Stock to directors, officers, employees and consultants of the Company, their business affiliates and related parties who have expressed an interest in purchasing shares. The number of shares available for sale to the general public will be reduced to the extent such persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as the others have been offered hereby.

EXPERTS

The balance sheet of SL Green Realty Corp. as of June 12, 1997, the combined financial statements of the SL Green Predecessor as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, the combined financial statements of the uncombined joint ventures of the SL Green Predecessor as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, the statements of revenues and certain expenses for each of the Properties at (i) 36 West 44th Street, (ii) 1372 Broadway, (iii) 1140 Avenue of the Americas and (iv) 50 West 23rd Street in the Borough of Manhattan for the year ended December 31, 1996 and the statement of revenues and certain expenses for the property at 1414 Avenue of the Americas in the Borough of Manhattan for the year ended

December 31, 1995, all appearing in this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in these reports thereon appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

The Rosen Market Study was prepared for the Company by Rosen Consulting Group, which is a real estate consulting firm with significant expertise relating to the New York metropolitan area economy and the Manhattan office market and the various submarkets therein. Information relating to the New York economy and the Manhattan office market set forth on "Market Overview" is derived from the Rosen Market Study and is included in reliance on the Rosen Consulting Group's authority as experts on such matters.

LEGAL MATTERS

The validity of the shares of Common Stock and certain tax matters will be passed upon for the Company by Brown & Wood LLP. In addition, the description of Federal income tax consequences under the heading "Material Federal Income Tax Consequences" is based upon the opinion of Brown & Wood LLP. Certain legal matters will be passed upon for the Underwriters by Rogers & Wells, New York, New York. Rogers & Wells may rely on the opinion of Brown & Wood LLP as to certain matters of Maryland law.

ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form S- -11 (of which this Prospectus is a part) under the Securities Act with respect to the securities offered hereby. This Prospectus does not contain all information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. Statements contained in this Prospectus as to the content of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement is qualified in all respects by such reference and the exhibits and schedules hereto. For further information regarding the Company and the Common Stock offered hereby, reference is hereby made to the Registration Statement and such exhibits and schedules, which may be obtained from the Commission as its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of the fees prescribed by the Commission. The Commission maintains a website at http:/www.sec.gov containing reports, proxy and information statements and other information regarding registrants, including the Company, that file electronically with the Commission. In addition, the Company intends to file an application to list the Common Stock on the New York Stock Exchange and, if the Common Stock is listed on the New York Stock Exchange, similar information concerning the Company can be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The Company intends to furnish its stockholders with annual reports containing audited combined financial statements and a report thereon by independent certified public accountants.

Unless the context otherwise requires, the following capitalized terms shall have the meanings set forth below for the purposes of this Prospectus:

"ACMS" means asbestos containing materials.

"ADA" means the Americans with Disabilities Act, as amended.

"ACQUISITION PROPERTIES" means the three office properties described under "The Properties--Acquisition Properties" which the Company has contracted to acquire on or after completion of the Offering.

"BIDS" means Business Improvement Districts (public/private ventures that provide security, sanitation and other services within their boundaries).

"BOOK-TAX DIFFERENCE" means the difference between the fair market value of a contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution.

"BYLAWS" means the Company's bylaws, as supplemented or amended.

"CHARTER" means the Company's articles of incorporation, as supplemented or amended.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMISSION" means the Securities and Exchange Commission.

"COMMON STOCK" means shares of the Company's Common Stock, $.01 par value per share.

"COMPANY" means SL Green Realty Corp., a Maryland corporation, and one or more of its subsidiaries (including the Operating Partnership), and the predecessors thereof or, as the context may require, SL Green Realty Corp. only or the Operating Partnership only.

"CONSTRUCTION CORPORATION" means Emerald City Construction Corp., the corporation which following completion of the Offering will conduct the construction business with respect to properties in which the Company has no ownership interest.

"CORE PORTFOLIO" means the six office properties that will be acquired by the Company from SL Green upon completion of the Offering.

"CREDIT FACILITY" means the revolving credit facility which the Company expects to establish in order to facilitate acquisitions of properties and for working capital purposes.

"EXCESS STOCK" means the separate class of stock of the Company into which shares of stock of the Company owned, or deemed to be owned, or transferred to a stockholder in excess of the Ownership Limit will automatically be converted.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FIRPTA" means the Foreign Investment in Real Property Tax Act of 1980, as amended.

"FORMATION TRANSACTIONS" means the transactions described in "Structure and Formation of the Company--Formation Transactions."

"401(K) PLAN" means the Company's Section 401(k) Savings/Retirement Plan.

"FUNDS FROM OPERATIONS" means net income (computed in accordance with GAAP) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures.

"GAAP" means generally accepted accounting principles.

"INTERESTED STOCKHOLDER" means, with respect to the business combination provisions of the MGCL, any person who beneficially owns 10% or more of the voting power of a corporation's shares.

"IRA" means an individual retirement account or annuity.

"IRS" means the United States Internal Revenue Service.

"LEASING CORPORATION" means S.L. Green Leasing, Inc. (formerly S.L. Green Realty, Inc.), the corporation which following completion of the Offering will conduct the leasing business with respect to properties in which the Company has no interest.

"LOCK-OUT PERIOD" means the period, up to 12 years following the completion of the Offering, during which the Lock-out Provisions will be in effect.

"LOCK-OUT PROVISIONS" means the limitations on the ability of the Company to sell, or reduce the amount of mortgage indebtedness on, two of the Properties (673 First Avenue and 470 Park Avenue South) for up to 12 years following the completion of the Offering, except in certain circumstances.

"MANAGEMENT CORPORATION" means S.L. Green Management Corp., the corporation which following completion of the Offering will conduct the management business with respect to properties in which the Company has no ownership interest.

"MANAGEMENT ENTITIES" means the Management Corporation and the Management LLC.

"MANAGEMENT LLC" means the limited liability company to which SL Green will transfer its management and leasing business with respect to the Properties owned by the Company as well as the tenant representation business with respect to certain properties not owned by the Company.

"MGCL" means the Maryland General Corporation Law.

"NAREIT" means the National Association of Real Estate Investment Trusts.

"1940 ACT" means the Investment Company Act of 1940, as amended.

"NON-U.S. STOCKHOLDERS" means nonresident alien individuals, foreign corporations, foreign partnerships and other foreign stockholders.

"OFFERING" means this offering of shares of Common Stock of the Company pursuant to and as described in this Prospectus.

"OPERATING PARTNERSHIP" means SL Green Operating Partnership, L.P., a Delaware limited partnership.

"OWNERSHIP LIMIT" means the restriction contained in the Company's Charter providing that, subject to certain exceptions, no holder may own, or be deemed to own by virtue of the attribution provision of the Code, more than 9.0% of the aggregate number or value of shares of Common Stock of the Company.

"PARENT ENTITY" means an entity whose stock is publicly traded and which owns more than 50% of the capital stock of the Company.

"PARTNERSHIP AGREEMENT" means the Agreement of Limited Partnership of the Operating Partnership, as amended from time to time.

"PCBS" means polychlorinated biphenyls.

"PREFERRED STOCK" means one or more classes of Preferred Stock of the Company as designated and issued by the Board of Directors from time to time.

"PROPERTIES" means the eight Class B properties located in midtown Manhattan in which the Company will own interests upon completion of the Offering.

"REIT" means a real estate investment trust as defined by Sections 856 through 860 of the Code and applicable Treasury Regulations.

"RELATED PARTY TENANT" means, for purposes of determining whether rents received by the Company will qualify as "rents from real property" for satisfying the gross income requirements for a REIT, a tenant in which the Company, or an owner of 10% or more of the Company, directly or constructively has at least a 10% ownership interest.

"RESTRICTED SHARES" means the shares of Common Stock received by the participants in the Formation Transactions or acquired by any participant in the Formation Transactions as a result of the redemption of Units.

"SECTION 704(c) REGULATIONS" means the regulations promulgated by the IRS under Section 704(c) of the Code.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SERVICE CORPORATIONS" means the Management Corporation, the Leasing Corporation and the Construction Corporation.

"STOCK OPTION PLAN" means the 1997 Stock Option and Incentive Plan.

"TREASURY REGULATIONS" means the regulations promulgated by the IRS under the Code.

"TRUSTEE" means the trustee appointed by the Company, but not affiliated with the Company, who will name a charitable trust for the benefit of a charitable organization to receive any shares of Common Stock purportedly transferred to a stockholder in violation of the applicable Ownership Limit or Existing Holder Limit.

"UBTI" means unrelated business taxable income.

"UNDERWRITERS" means the underwriters of the Offering, for whom Lehman Brothers Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Legg Mason Wood Walker, Incorported and Prudential Securities Incorporated are acting as representatives.

"UNITS" means units of partnership interest in the Operating Partnership.

"UPREIT" means a REIT conducting business through a partnership.

INDEX TO FINANCIAL STATEMENTS

SL GREEN REALTY CORP.

1414 AVENUE OF THE AMERICAS

36 WEST 44TH STREET

1372 BROADWAY

1140 AVENUE OF THE AMERICAS

50 WEST 23RD STREET

SL GREEN REALTY CORP.

PRO FORMA COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

The pro forma balance sheet of the Company as of June 30, 1997 has been prepared as if the Offering and Formation Transactions had been consummated on June 30, 1997. The pro forma statements of income for the six months ended June 30, 1997 and for the year ended December 31, 1996 are presented as if the completion of the Offering and the Formation Transactions occurred at January 1, 1996 and the effect thereof was carried foward through the six month period ended June 30, 1997.

The pro forma financial statements do not purport to represent what the Company's financial position or results of operations would have been assuming the completion of the Formation Transactions and the Offering on such date or at the beginning of the period indicated, nor do they purport to project the Company's financial position or results of operations at any future date or for any future period. The pro forma combined financial statements should be read in conjunction with the combined financial statements of SL Green Predecessor included elsewhere herein.

SL GREEN REALTY CORP.

PRO FORMA COMBINED BALANCE SHEET

AS OF JUNE 30, 1997

(UNAUDITED)

(DOLLARS IN THOUSANDS)

	SL GREEN PREDECESSOR HISTORICAL (A)	ACQUISITION OF PARNERSHIPS' INTERESTS (B)	EQUITY CONVERSION OF SERVICE CORPORATIONS (C)	THE OFFERING (D)	ACQUISITION PROPERTIES (E)	FINANCING ADJUSTMENTS (F)	PRO FORMA ADJUSTMENTS (G)
ASSETS :							
Commercial real estate property at cost.....							
Land.....	$ 7,719	$ 4,079			$ 22,267		$ 60
Buildings and improvements....	36,014	70,523			89,170		229
Property under capital lease..		12,208			4,592		
	43,733	86,810			116,029		289
Less accumulated depreciation.....	(6,251)	(14,638)					
	37,482	72,172			116,029		289
Cash and cash equivalents.....	1,221	(6,434)	$ (529)	$ 183,711	(103,597)	$ (45,678)	(21,691)
Restricted cash.....	1,685	2,305					
Receivables.....	1,107	12	(944)				
Related party receivables.....	1,658	26	(783)				
Deferred rents receivable.....	1,383	9,690					
Investment in partnerships....	1,176	(1,176)					
Deferred lease fees and loan costs.....	1,561	2,887	(214)			(107)	
Other assets.....	2,319	2,792	(657)		1,560		
Total assets.....	$ 49,592	$ 82,274	$ (3,127)	$ 183,711	$ 13,992	$ (45,785)	$ (21,402)
LIABILITIES AND EQUITY :							
Mortgage loans payable.....	$ 26,646	$ 57,725				$ (37,638)	
Accrued interest payable.....	109	10,851				(10,863)	
LBHI loan payable.....	7,000	530			$ 9,400	(16,930)	
Capitalized lease obligations.....		14,374			4,592		
Deferred land lease payable...		12,021					
Accrued expenses and accounts payable.....	1,171	576	$ (768)				
Accounts payable to related parties.....	1,298	503	(1,298)				
Excess of distributions and share of losses over amounts invested in:							
Partnerships.....	18,007	(18,007)					
Service Corporations....			879				
Security deposits.....	1,683	2,390					
Total liabilities.....	55,914	80,963	(1,187)		13,992	(65,431)	
Minority interest in Operating Partnership.....							
Common stock.....				$ 108			$ 1
Additional paid-in capital....							
Owners' equity (deficit).....	(6,322)	1,311	(1,940)	183,603		19,646	(21,403)
Total equity.....	(6,322)	1,311	(1,940)	183,711		19,646	(21,402)
Total liabilities and equity.....	$ 49,592	$ 82,274	$ (3,127)	$ 183,711	$ 13,992	$ (45,785)	$ (21,402)

	MINORITY INTEREST IN OPERATING PARTNERSHIP ADJUSTMENT (H)	COMPANY PRO FORMA
ASSETS :		
Commercial real estate property at cost.....		
Land.....		$ 34,125
Buildings and improvements....		195,936
Property under capital lease..		16,800
		246,861
Less accumulated depreciation.....		(20,889)

		225,972
Cash and cash equivalents.....		7,003
Restricted cash.....		3,990
Receivables.....		175
Related party receivables.....		901
Deferred rents receivable.....		11,073
Investment in partnerships....		0
Deferred lease fees and loan costs.....		4,127
Other assets.....		6,014
Total assets.....		$ 259,255
LIABILITIES AND EQUITY :		
Mortgage loans payable.....		$ 46,733
Accrued interest payable.....		97
LBHI loan payable.....		0
Capitalized lease obligations.....		18,966
Deferred land lease payable...		12,021
Accrued expenses and accounts payable.....		979
Accounts payable to related parties.....		503
Excess of distributions and share of losses over amounts invested in:		
Partnerships.....		0
Service Corporations....		879
Security deposits.....		4,073
Total liabilities.....		84,251
Minority interest in Operating Partnership.....	$ 31,656	31,656
Common stock.....		109
Additional paid-in capital....	143,239	143,239
Owners' equity (deficit).....	(174,895)	0
Total equity.....	(31,656)	143,348
Total liabilities and equity.....	$ 0	$ 259,255

SL GREEN REALTY CORP.

PRO FORMA COMBINED INCOME STATEMENT

FOR THE SIX MONTHS ENDED JUNE 30, 1997

(UNAUDITED)

(DOLLARS IN THOUSANDS)

	SL GREEN PREDECESSOR HISTORICAL (I)	ACQUISITION OF PARTNERSHIPS' INTERESTS (J)	EQUITY CONVERSION SERVICE CORPORATIONS (K)	ACQUISITION PROPERTIES (L)	FINANCING ADJUSTMENTS (M)	PRO FORMA ADJUSTMENTS	COMPANY PRO FORMA
REVENUES:							
Rental revenue	$ 2,800	$ 10,579		$ 9,639			$ 23,018
Escalations and reimbursement revenues	456	725		1,293			2,474
Management revenues	966		$ (966)				0
Leasing commissions	3,088		(1,563)				1,525
Construction revenues	8		(8)				0
Investment income							
Other income	16		(11)	1,532			1,537
Equity in Service Corporations income			382				382
Total revenues	7,334	11,304	(2,166)	12,464			28,936
Share of net loss from uncombined joint ventures	564	(564)					
EXPENSES:							
Operating expenses	1,625	2,099	(696)	2,683			5,711
Ground rent		1,938					1,938
Interest	713	4,163		189	$ (2,079)		2,986
Depreciation and amortization	599	1,939	(47)	1,146	(10)	$ 3(N)	3,630
Real estate taxes	482	1,461		2,135			4,078
Marketing, general and administrative	1,835		(1,235)			828(O)	1,428
Total expenses	5,254	11,600	(1,978)	6,153	(2,089)	831	19,771
Income (loss) before minority interest and extraordinary item	1,516	268	(188)	6,311	2,089	(831)	
Minority interest in operating partnership						(1,659)(P)	
Income (loss) before extraordinary item	$ 1,516	$ 268	($188)	$ 6,311	$ 2,089	$ (2,490)	
Income per common share (Q)							

Income (loss) before minority interest and extraordinary item	9,165
Minority interest in operating partnership	(1,659)
Income (loss) before extraordinary item	$ 7,506
Income per common share (Q)	$ 0.70

SL GREEN REALTY CORP.

PRO FORMA COMBINED INCOME STATEMENT

FOR THE YEAR ENDED
DECEMBER 31, 1996
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	SL GREEN PREDECESSOR HISTORICAL (A)	ACQUISITION OF PARTNERSHIPS' INTERESTS (B)	EQUITY CONVERION OF SERVICE CORPORATIONS (C)	ACQUISITION PROPERTIES (D)	FINANCING ADJUSTMENTS (E)	PRO FORMA ADJUSTMENTS (F)	COMPANY PRO FORMA
REVENUES:							
Rental revenue	$ 4,199	$ 20,985		$ 19,154			$ 44,338
Escalations and reimbursement revenues	1,051	2,304		3,274			6,629
Management revenues	2,336		$ (2,336)				
Leasing commissions	2,372		(1,115)				1,257
Construction revenues	101		(101)				0
Investment income		15					15
Other income	123	13	(92)	906			950
Equity in Service Corporations income							
Total revenues	10,182	23,317	(3,644)	23,334			53,189
Share of net loss from uncombined joint ventures	1,408	(1,408)	504				504
EXPENSES:							
Operating expenses	3,197	4,608	(1,522)	6,016			12,299
Ground rent		3,925					3,925
Interest	1,357	7,743		379	$ (3,621)		5,858
Depreciation and amortization	975	3,812	(92)	2,292	(13)	$ 5	6,979
Real estate taxes	703	3,189		4,356			8,248
Marketing, general and administrative	3,250		(2,264)			1,657	2,643
Total expenses	9,482	23,277	(3,878)	13,043	(3,634)	1,662	39,952
Income (loss) before minority interest and extraordinary item	(708)	1,448	(270)	10,291	3,634	(1,662)	12,733
Minority interest in Operating Partnership (G)						(2,305)	
Income (loss) before extraordinary item	($ 708)	$ 1,448	($ 270)	$ 10,291	$ 3,634	$ (3,967)	
Income per common share(H)							

Minority interest in Operating Partnership (G).....	(2,305)
Income (loss) before extraordinary item.....	$ 10,428
Income per common share(H).....	$ 0.97

SL GREEN REALTY CORP.

NOTES TO PRO FORMA COMBINED FINANCIAL INFORMATION

JUNE 30, 1997

(UNAUDITED)
(DOLLARS IN THOUSANDS)

ADJUSTMENTS TO THE PRO FORMA COMBINED BALANCE SHEET

(A) To reflect the SL Green Predecessor historical combined balance sheet as of June 30, 1997. The real estate and other assets and the assumption of liabilities and deficit of the SL Green Predecessor will be transferred at their historical amounts to the Operating Partnership.

(B) To reflect 673 First Avenue, 470 Park Avenue South and 29 West 35th Street (the "Equity Properties") as consolidated entities rather than as uncombined joint ventures as a result of the acquisition of 100% of the partnerships' interests and to record payment of transfer costs on the transfer of the properties to the Operating Partnership. The Company will account for interests acquired from third parties (the other partners), by the purchase method.

				ACQUISITION OF THIRD PARTY PARTNERSHIP INTERESTS		
	ELIMINATE HISTORICAL AMOUNTS	UNCOMBINED TOTAL	RECLASSIFY AND OTHER	673 FIRST AVE	470 PARK AVE	29 WEST 35TH
ASSETS:						
Commercial real estate property at cost, net		$ 57,955		$ 8,859	$ 3,106	$ 2,252
Cash and cash equivalents		1,663		(5,449)	(260)	(2,388)
Restricted cash		1,305		1,000		
Receivables			$ 12			
Related party receivables			26			
Deferred rents receivable		14,881		(2,880)	(1,458)	(853)
Investment in partnerships	$ (1,176)					
Deferred lease fees and loan costs		4,337		(900)	(395)	(155)
Other assets		2,300	492			
Total assets	$ (1,176)	$ 82,441	$ 530	$ 630	$ 993	$ (1,144)
LIABILITIES AND EQUITY:						
Mortgage loans payable		$ 63,724		$ (5,649)	$ (350)	
Accrued interest payable		16,329		(1,834)	(3,644)	
LBHI Loan payable			$ 530			
Capitalized lease obligations		14,374				
Deferred land lease payable		11,996		25		
Accrued expenses and accounts payable		576				
Accounts payable to related parties		628			(125)	
Excess of distributions and share of losses over amounts invested in partnerships	$ (18,007)					
Security deposits		2,390				
Total liabilities	(18,007)	110,017	530	(7,458)	(4,119)	
Total equity (deficit)	16,831	(27,576)		8,088	5,112	$ (1,144)
Total liabilities and equity	$ (1,176)	$ 82,441	$ 530	$ 630	$ 993	$ (1,144)

	TOTAL ADJUSTMENTS
ASSETS:	
Commercial real estate property at cost, net	$ 72,172
Cash and cash equivalents	(6,434)
Restricted cash	2,305
Receivables	12
Related party receivables	26
Deferred rents receivable	9,690
Investment in partnerships	(1,176)
Deferred lease fees and loan costs	2,887
Other assets	2,792

Total assets	$ 82,274
LIABILITIES AND EQUITY:	
Mortgage loans payable	$ 57,725
Accrued interest payable	10,851
LBHI Loan payable	530
Capitalized lease obligations	14,374
Deferred land lease payable	12,021
Accrued expenses and accounts payable	576
Accounts payable to related parties	503
Excess of distributions and share of losses over amounts invested in partnerships	(18,007)
Security deposits	2,390
Total liabilities	80,963
Total equity (deficit)	1,311
Total liabilities and equity	82,274

The purchase price for each third party interest acquired is as follows:

	CASH	UNITS IN DOLLARS	TOTAL
673 First Avenue	$ 4,033		$ 4,033
470 Park Avenue South	25	$ 450	475
29 West 35th Street	2,326		2,326
	$ 6,384	$ 450	$ 6,834

(C) To reflect adjustments required to record the Company's investments in the Service Corporations pursuant to the equity method of accounting. As a result of the Formation Transactions the Company will not own the majority of the voting stock of the Service Corporations but will continue to exercise significant influence due to the following:

--Substantially all of the economic benefits flow to the Company (who will own 100% of the non-voting common stock representing 95% of the total equity).

--The Company and the Service Corporations have common officers and employees.

--The owners of a majority of the voting stock of the Service Corporations have not contributed substantial equity to the Service Corporations.

--The views of the Company's management influence the operations of the Service Corporations.

The adjustment is as follows:

BALANCE SHEET	HISTORICAL SERVICE CORPORATIONS	MANAGEMENT FEE ADJUSTMENT (A)	ADJUSTED SERVICE CORPORATIONS	EQUITY CONVERSION (B)	TOTAL ADJUSTMENT
ASSETS:					
Cash and cash equivalents	$ 529		$ 529		$ (529)
Receivables	944		944		(944)
Related party receivables	783		783		(783)
Deferred lease fees and loan costs	214		214		(214)
Other assets	657		657		(657)
Total Assets	$ 3,127		$ 3,127		$ (3,127)
LIABILITIES AND EQUITY:					
Accrued expenses and accounts payable	$ 768		768		$ (768)
Accounts payable to related parties	3,115	$ (1,817)	1,298		(1,298)
Excess share of losses over amounts invested in Service Corporations				$ 879	879
Total liabilities	3,883	(1,817)	2,066	879	(1,187)
Equity	(756)	1,817	1,061	(879)	(1,940)
Total liabilities and equity	$ 3,127	$ --	$ 3,127	$ 0	$ (3,127)

(a) Management fees charged to the individual predecessors payable to the management corporations are eliminated in the combined historical financial statement. The excess share of losses over amounts invested in the Service Corporations is computed after elimination of management fees as follows:

Equity after elimination of management fees	$ (756)
Adjustment to reflect elimination of management fees related to acquisition of additional partnership interests	(169)
Total adjusted equity	$ (925)
Excess share of losses over amounts invested in Service Corporations at 95 percent interest	$ (879)

(D) To reflect the issuance of 10,100,000 shares of common stock at an assumed price of $20 per share which is reduced by the underwriting discount of $12,625, an advisory fee of $1,514 payable to Lehman Brothers Inc. and estimated other costs of the Offering of $4,150.

(E) To reflect the acquisition of the respective properties at cost which represents the purchase price plus estimated closing costs of 1372 Broadway, 1140 Avenue of the Americas and 50 West 23rd Street as follows:

	1372 BROADWAY	1140 AVENUE OF THE AMERICAS	50 WEST 23RD STREET	TOTAL ACQUISITION PROPERTIES
ASSETS ACQUIRED				
Land	$ 10,828	$ 4,242	$ 7,197	$ 22,267
Building	43,312	17,023	28,835	89,170
Property under capital lease		4,592		4,592
Net Property	54,140	25,857	36,032	116,029
Other assets-escrow			1,560	1,560
	$ 54,140	$ 25,857	$ 37,592	$ 117,589
SOURCES OF FUNDS				
Cash	$ 47,440	$ 19,265	$ 36,892	$ 103,597
Capitalized lease obligations		4,592		4,592
LBHI loan payable	6,700	2,000	700	9,400
	$ 54,140	$ 25,857	$ 37,592	$ 117,589

(F) To reflect the following financing transactions:

- Repayment of certain mortgage loans, payment of prepayment penalties and write off of deferred financing costs.

- Cancellation of portions of mortgage loans and accrued interest due to negotiations with the mortgage holders regarding the value of the collateral and the likelihood of repayment at par of the entire principal amount together with accrued interest.

- Payment of mortgage fees which are capitalized and amortized over the remaining lives of the loans transferred from the SL Green Predecessor to the Company.

- Repayment of portions of the LBHI Loan which were borrowed in connection with the purchase of additional partnership interests and the Acquisition Properties.

- Borrowings under the LBHI Loan to pay a portion of the prepayment penalty on the 1414 Avenue of the Americas mortgage.

- Borrowings under a new mortgage loan and the payment of loan fees which will be capitalized and amortized over the life of the loan are summarized as follows.

	673 FIRST AVENUE	470 PARK AVENUE SOUTH	29 WEST 35TH STREET	36 WEST 44TH STREET	70 WEST 36TH STREET	1414 AVENUE OF THE AMERICAS	NEW MORTGAGE LOAN	LBHI LOAN	TOTAL PRO FORMA ADJUSTMENT
Cash and cash equivalents.....	$ (1,389)	$ (13,162)	$ (30)	$ (10,200)	$ (6,568)	$ (11,059)	$ 13,860	$ (17,130)	$ 45,678
Deferred lease fees and loan costs:.....									
Financing costs capitalized...	$ 390	$ 111	$ 30				$ 140		
Amortization of deferred financing costs.....	(25)	(7)	(4)				(14)		
Deferred financing costs written off.....					$ (260)	$ (468)			
Net deferred lease fees and loan costs.....	$ 365	$ 104	$ 26	$	$ (260)	$ (468)	$ 126		
Mortgage loans payable:									
Loans funded.....							$ 14,000		
Loans repaid (A).....	$ (1,000)	$ (13,042)		$ (10,200)	$ (6,568)	$ (9,878)			
Loans forgiven (B).....	(10,300)	(650)							
Net mortgage loans payable.....	$ (11,300)	$ (13,692)		$ (10,200)	$ (6,568)	$ (9,878)	$ 14,000		
Accrued interest payable:									
Accrued interest paid.....		$ (9)				$ (109)			
Accrued interest forgiven (B).....	$ (3,771)	(6,974)							
Net accrued interest payable.....	$ (3,771)	$ (6,983)				$ (109)			
LBHI loan payable:									
funded.....						$ 200			
repaid.....								$ (17,130)	
Net LBHI Loan.....						$ 200		$ (17,130)	
Equity:									
Increase for forgiveness of debt.....	$ 14,072	$ 7,624							
Decrease due to buyout of profit participation.....						$ (1,272)			
Decrease due to deferred loan costs.....					$ (260)	(468)			
Decrease due to amortization of loan costs.....	(25)	(7)	$ (4)				$ (14)		
Net equity.....	$ 14,047	$ 7,617	$ (4)		$ (260)	$ (1,740)	$ (14)		

Deferred lease fees and loan

costs:	
Financing costs capitalized...	$ 671
Amortization of deferred financing costs	(50)
Deferred financing costs written off	(728)
Net deferred lease fees and loan costs	$ (107)
Mortgage loans payable:	
Loans funded	$ 14,000
Loans repaid (A)	(40,688)
Loans forgiven (B)	(10,950)
Net mortgage loans payable	$ (37,638)
Accrued interest payable:	
Accrued interest paid	$ (118)
Accrued interest forgiven (B)	(10,745)
Net accrued interest payable	$ (10,863)
LBHI loan payable:	
funded	$ 200
repaid	(17,130)
Net LBHI Loan	$ (16,930)
Equity:	
Increase for forgiveness of debt	$ 21,696
Decrease due to buyout of profit participation	(1,272)
Decrease due to deferred loan costs	(728)
Decrease due to amortization of loan costs	(50)
Net equity	$ 19,646

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(A) In anticipation of the establishment of the Credit Facility and in order to satisfy all New York State Tax requirements and to mitigate costs to the Company, it is currently expected that Lehman Brothers Holdings Inc. will acquire certain of the mortgage indebtedness and the proceeds from the Offering intended to repay such indebtedness will be deposited into an escrow account.

(B) In connection with the Formation Transactions, the Company will recognize an extraordinary gain on the forgiveness of the debt of approximately $20,000.

SL GREEN REALTY CORP.

NOTES TO PRO FORMA COMBINED FINANCIAL INFORMATION

JUNE 30, 1997

(UNAUDITED)
(DOLLARS IN THOUSANDS)

(G) To reflect the following pro forma transaction:

--Distribution of excess working capital from the building accounts to partners.

--$20,000 of the offering proceeds will be used by the Operating Partnership to repay a portion of a loan made to a company indirectly owned by Stephen L. Green, which loan was transferred to the Operating Partnership in connection with the transfer thereto by Stephen L. Green of his ownership interests, which has been accounted for as a distribution to Stephen L. Green.

--Payment of real property transfer taxes which are capitalized and amortized over the life of the commercial property.

--Initial capitalization of SL Green Realty Corp.

	673 FIRST AVENUE	470 PARK AVENUE SOUTH	70 WEST 36TH STREET	1414 AVENUE OF THE AMERICAS	LBHI LOAN	INITIAL CAPITALIZATION OF SL GREEN REALTY CORP.	TOTAL PRO FORMA ADJUSTMENT
Cash and cash equivalents:							
Preformation distributions to partners	$ (403)	$ (1,000)					$ (1,403)
Repayment of LBHI loan					$ (20,000)		(20,000)
Payment of real property transfer costs			$ (124)	$ (165)			(289)
Initial Company capitalization						$ 1	1
Net (decrease) in cash and cash equivalents	$ (403)	$ (1,000)	$ (124)	$ (165)	$ (20,000)	$ 1	$ (21,691)
Land			$ 11	$ 49			$ 60
Buildings and improvements			113	116			229
			124	165			289
Equity:							
Decreases for distributions to partners	$ (403)	$ (1,000)					(1,403)
Decrease for distribution					$ (20,000)		(20,000)
Common stock						$ 1	1
(Decrease) increase to equity	(403)	(1,000)			(20,000)		(21,402)
Net adjustment	$ (403)	$ (1,000)	$ (124)	$ (165)	$ (20,000)	$ 1	$ (21,691)

In connection with the formation of the Company a financial advisor will receive 85,600 shares of common stock at a value of $20 per share which will be accounted for as Offering costs in the amount of $1,712. The accounting is as follows:

Common stock/additional paid-in-capital	$ 1,712
Offering costs	(1,712)
	$ 0

(H) Reflects the elimination of accumulated deficit against additional paid in capital and the establishment of limited partners' interest (18.1%) in the Operating Partnership as follows:

Total owners' equity	$ 174,895
Limited partners' percentage ownership interest in the net assets of the Operating Partnership	18.1%
Limited partners' interest in the Operating Partnership	$ 31,656

ADJUSTMENTS TO THE PRO FORMA COMBINED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 1997

(I) To reflect the SL Green Predecessor historical combined statement of operations for the six months ended June 30, 1997.

(J) To reflect the six months ended June 30, 1997 operations of 673 First Avenue, 470 Park Avenue South, 29 West 35th Street and 36 West 44th Street (the "Equity Properties") as consolidated entities rather than equity method investees due to the acquistion 100% of the partnership interests.

			ACQUISITION OF PARTNERSHIP INTERESTS AND FAIR MARKET VALUE ADJUSTMENTS				
	ELIMINATE HISTORICAL AMOUNTS	UNCOMBINED TOTAL	673 FIRST AVE	470 PARK AVE	29 WEST 35TH	36 WEST 44TH	TOTAL ADJUSTMENTS
REVENUES:							
Rental revenue(a)		$ 10,203	$ 194	$ 120	$ 50	$ 12	$ 10,579
Escalations and reimbursement revenues		725					725
Total revenues		10,928	194	120	50	12	11,304
Equity in net loss of investees	$ (564)						(564)
EXPENSES:							
Operating expenses(b)		2,448	(162)	(98)	(27)	(62)	2,099
Real estate taxes		1,461					1,461
Ground rent(c)		1,913	25				1,938
Interest		4,163					4,163
Depreciation and amortization(c)		1,982	19	(51)	(9)	(2)	1,939
Total expenses		11,967	(118)	(149)	(36)	(64)	11,600
Income before minority interest	$ 564	$ (1,039)	$ 312	$ 269	$ 86	$ 76	$ 268

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(a) Rental income is adjusted to reflect straight line amounts as of the acquisition date.

(b) Operating expenses are adjusted to eliminate management fees paid to the

Service Corporations (Management fee income received by the Service Corporations was also eliminated.)

(c) Ground rent and depreciation and amortization were adjusted to reflect the purchase of the assets.

(K) To reflect the six months operations of the Service Corporations pursuant to the equity method of accounting.

	HISTORICAL SERVICE CORPORATIONS	LEASING COMMISSIONS ATTRIBUTABLE TO LLC	EXPENSES ATTRIBUTABLE TO REIT (A)	EQUITY CONVERSION (B)	TOTAL ADJUSTMENT
STATEMENT OF OPERATIONS:					
Management revenue	$ 966				$ (966)
Leasing commissions	3,088	$ (1,525)			(1,563)
Construction revenues	8				(8)
Equity in net income of Service Corporations				$ (382)	382
Other income	11				(11)
Total revenue	4,073	(1,525)		(382)	(2,166)
EXPENSES					
Operating expenses	696				(696)
Depreciation and amortization	47				(47)
Marketing, general and administrative	1,835		$ (600)		(1,235)
Total expenses	2,578		(600)		(1,978)
Income (loss)	$ 1,495	$ (1,525)	$ 600	$ (382)	$ (188)

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(a) Expenses are allocated to the Service Corporations and the Management LLC based upon the job functions of the employees.

(b) The Equity in net income of the Service Corporations is computed as follows:

Historical Service Corporations income	$ 1,495
Adjustment for management fees eliminated in the combined historical financial statements due to acquisition of partnerships interests	(169)
Leasing commissions attributable to Management LLC	(1,525)
Expenses attributable to REIT	600
Income	$ 401
Equity in net income of Service Corporations at 95 percent	$ 382

(L) To reflect the operations of 1372 Broadway, 1140 Avenue of the Americas and 50 West 23rd Street for the six months ended June 30, 1997. Historical rental revenue was adjusted for straight line rents as of the acquisition date, historical operating expenses were reduced for management fees, the capitalized land

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(DOLLARS IN THOUSANDS)

lease on 1140 Avenue of the Americas was recorded, and depreciation and amortization based on cost was recorded.

	1372 BROADWAY			1140 AVENUE OF THE AMERICAS			50 WEST 23RD STREET		
	HISTORICAL	ADJUSTMENT	PRO FORMA	HISTORICAL	ADJUSTMENT	PRO FORMA	HISTORICAL	ADJUSTMENT	
Revenues:									
Rental revenue..	$ 4,054	$ 455	$ 4,509	$ 2,178	$ 181	$ 2,359	$ 2,597	$ 174	
Escalations & reimbursement revenue.....	561		561	346		346	386		
Other income....	1,483		1,483	48		48	1		
Total revenue.....	6,098	455	6,553	2,572	181	2,753	2,984	174	
Expenses:									
Operating expenses.....	1,337	(142)	1,195	992	(102)	890	689	(91)	
Interest on capital lease.....					189	189			
Depreciation & amortization..		541	541		245	245		360	
Real estate taxes.....	1,098		1,098	519		519	518		
Total expenses....	2,435	399	2,834	1,511	332	1,843	1,207	269	
Income before minority interest.....	$ 3,663	$ 56	$ 3,719	$ 1,061	$ (151)	$ 910	$ 1,777	$ (95)	

	PRO FORMA	TOTAL PRO FORMA
Revenues:		
Rental revenue..	$ 2,771	$ 9,639
Escalations & reimbursement revenue.....	386	1,293
Other income....	1	1,532
Total revenue.....	3,158	12,464
Expenses:		
Operating expenses.....	598	2,683
Interest on capital lease.....		189
Depreciation & amortization..	360	1,146
Real estate taxes.....	518	2,135
Total expenses....	1,476	6,153
Income before minority interest.....	$ 1,682	$ 6,311

(M) To reflect the changes in interest expense as the result of financing

transactions and the related adjustments to deferred financing expense (see note (F)).

	673 1ST AVE	470 PAS	29 W 35TH	36 W 44TH	70 W 36TH	1414 AVE. AMERICAS	NEW MORTGAGE LOAN	TOTAL
Interest	$ (799)	$ (645)		$ (461)	$ (253)	$ (460)	$ 539	$ (2,079)
Depreciation and amortization	25	6	$ 4		(36)	(23)	14	(10)
Total expenses	(774)	(639)	4	(461)	(289)	(483)	553	(2,089)
Income before minority interest	$ 774	$ 639	$ (4)	$ 461	$ 289	$ 483	$ (553)	$ 2,089

(N) To reflect for 70 West 36th Street and 1414 Avenue of the Americas, depreciation expense adjustments for real property transfer taxes capitalized which are amortized over the remaining life of the commercial property (see note (G)).

(O) To reflect the net increase in marketing, general and administrative expenses related to operations of a public company which include the following:

Officers' compensation and related costs	$ 384
Professional fees	175
Directors' fees and insurance	150
Printing and distribution costs	75
Other	44
	$ 828

The additional officers' compensation and related costs are attributable primarily to Employment Agreements with the officers as further described under the caption "Employment and Non Competition Agreement."

(P) Represents the 18.1% interest of the minority in the Operating Partnership.

(Q) Pro Forma net income per common share is based upon 10,779,216 shares of common stock expected to be outstanding after the Offering. As each Operating Partnership Unit is redeemable for cash, or at the company's election, for one share of common stock, the calculation of earnings per share upon redemption will be unaffected as unitholders and stockholders share equally on a per unit and per share basis in the net income of the Company. In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. At that time the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. Management does not believe the adoption of Statement No. 128 will have a material impact on earnings per share.

SL GREEN REALTY CORP.

NOTES TO PRO FORMA COMBINED FINANCIAL INFORMATION

DECEMBER 31, 1996

(UNAUDITED)
(DOLLARS IN THOUSANDS)

ADJUSTMENTS TO THE PRO FORMA COMBINED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1996

(A) To reflect the SL Green Predecessor historical combined statement of operations for the year ended December 31, 1996.

(B) To reflect 673 First Avenue, 470 Park Avenue South, 29 West 35th Street and 36 West 44th Street (the "Equity Properties") as consolidated entities rather than as uncombined joint ventures due to the acquisition of 100% of the partnerships' interests.

	ELIMINATE HISTORICAL AMOUNTS	UNCOMBINED TOTAL	673 FIRST AVE	470 PARK AVE	29 WEST 35TH	36 WEST 44TH
Revenues						
Rental revenue	$ 17,386		$ 334	$ 183	$ 146	$ 2,936
Escalations and reimbursement revenues	1,488					816
Investment income	15					
Other income	13					
Total revenues	18,902		334	183	146	3,752
Equity in net loss of uncombined joint ventures		$ (1,408)				
Expenses						
Operating expenses	3,964		(316)	(206)	(68)	1,234
Real estate taxes	2,316					873
Ground rent	3,756		100			69
Interest	7,743					
Depreciation and amortization	3,580		40	(99)	(22)	313
Total expenses	21,359		(176)	(305)	(90)	2,489
Income (loss)	$ (2,457)	$ 1,408	$ 510	$ 488	$ 236	$ 1,263

	TOTAL ADJUSTMENTS
Revenues	
Rental revenue	$ 20,985
Escalations and reimbursement revenues	2,304
Investment income	15
Other income	13
Total revenues	23,317
Equity in net loss of uncombined joint ventures	(1,408)
Expenses	
Operating expenses	4,608
Real estate taxes	3,189
Ground rent	3,925
Interest	7,743
Depreciation and amortization	3,812
Total expenses	23,277
Income (loss)	$ 1,448

(C) To reflect adjustments to record the Company's share in the net income of the Service Corporations pursuant to the equity method of accounting for the year ended December 31, 1996. As a result of the Formation Transactions the

Company will not own any voting stock of the Service Corporations but will continue to exercise significant influence due to the following:

- Substantially all of the economic benefits flow to the Company (who will own 100% of the non-voting common stock representing 95% of the total equity)

- The Company and the Service Corporations have common officers and employees

- The owners of a majority of the voting stock of the Service Corporations have not contributed substantial equity to the Service Corporations

- The views of the Company's management influence the operations of the Service Corporations

The adjustment is as follows:

	HISTORICAL SERVICE CORPORATIONS	LEASING COMMISSIONS ATTRIBUTABLE TO LLC	EXPENSES ATTRIBUTABLE TO REIT	EQUITY CONVERSION (A)	TOTAL ADJUSTMENTS
REVENUE:					
Management revenue	$ 2,336				$ (2,336)
Leasing commissions	2,372	$ (1,257)			(1,115)
Construction revenue	101				(101)
Other income	92				(92)
Total revenue	4,901	(1,257)			(3,644)
Equity in net loss of Service Corporations				$ 504	504
EXPENSES:					
Operating expenses	1,522				(1,522)
Depreciation and amortization	92				(92)
Marketing, general and administration	3,250		$ (986)		(2,264)
Total expenses	4,864		(986)		(3,878)
Income (loss)	$ 37	$ (1,257)	$ 986	$ 504	$ (270)

(a) The equity in net loss of Service Corporations is computed as follows:

Historical Service Corporations income	$ 37
Adjustment for management fees eliminated in the combined historical financial statements due to acquisition of partnerships' interests	(297)
Leasing commissions attributable to Management LLC	(1,257)
Expenses attributable to REIT	986
Loss	$ (531)
Equity in net loss of investees at 95 percent	$ (504)

(D) To reflect the operations of 1372 Broadway, 1140 Avenue of the Americas and 50 West 23rd Street for the year ended December 31, 1996. Historical rental revenue was adjusted for straight line rents as of the acquisition date, historical operating expenses were reduced for management fees, the capitalized land lease on 1140 Avenue of the Americas and depreciation and amortization are based on cost.

SL GREEN REALTY CORP.
NOTES TO PRO FORMA COMBINED FINANCIAL INFORMATION
DECEMBER 31, 1996
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	1372 BROADWAY			1140 AVENUE OF THE AMERICAS			50 WEST 23RD STREET	
	HISTORICAL	ADJUSTMENT	PRO FORMA	HISTORICAL	ADJUSTMENT	PRO FORMA	HISTORICAL	ADJUSTMENT
REVENUES:								
Rental revenue.....	$ 8,580	$ 656	$ 9,236	$ 4,265	$ 286	$ 4,551	$ 5,357	$ 10
Escalations & reimbursement revenue.....	1,842		1,842	716		716	716	
Other income.....	690		690	204		204	12	
Total revenue..	11,112	656	11,768	5,185	286	5,471	6,085	10
EXPENSES:								
Operating expenses.....	3,257	(459)	2,798	2,177	(275)	1,902	1,511	(195)
Interest on capital lease.....					379	379		
Depreciation & amortization.....		1,082	1,082		490	490		720
Real estate taxes..	2,343		2,343	1,007		1,007	1,006	
Total expenses.....	5,600	623	6,223	3,184	594	3,778	2,517	525
Income before minority interest.....	$ 5,512	$ 33	$ 5,545	$ 2,001	$ (308)	$ 1,693	$ 3,568	$ (515)

	PRO FORMA	TOTAL PRO FORMA
REVENUES:		
Rental revenue.....	$ 5,367	$ 19,154
Escalations & reimbursement revenue.....	716	3,274
Other income.....	12	906
Total revenue..	6,095	23,334
EXPENSES:		
Operating expenses.....	1,316	6,016
Interest on capital lease.....		379
Depreciation & amortization.....	720	2,292
Real estate taxes..	1,006	4,356
Total expenses.....	3,042	13,043
Income before minority interest.....	$ 3,053	$ 10,291

(E) To eliminate interest expense and amortization of deferred financing costs related to mortgage loans paid off or forgiven, to reflect amortization of deferred financing cost related to the transfer of mortgage debt to the Company and to record interest and amortization of deferred finance costs related to the new mortgage.

	INTEREST EXPENSE	AMORTIZATION OF DEFERRED FINANCING COSTS
673 First Avenue.....	$ (1,571)	$ 49
470 Park Avenue South.....	(1,537)	13
29 West 35th Street.....		8
36 West 44th Street.....	(234)	
70 West 36th Street.....	(911)	(62)
1414 Avenue of the Americas.....	(446)	(28)

New mortgage interest	1,078	7
	$ (3,621)	$ (13)

(F) To reflect depreciation and amortization expense related to the real property transfer taxes incurred to transfer title of 70 West 36th Street and 1414 Avenue of the Americas to the Company and to reflect the net increase in marketing, general and administrative expenses related to operations of a public company.

The additional marketing, general and adminsitrative expenses consist of the following:

Officers' compensation and related costs	$ 768
Professional fees	350
Directors' fees and insurance	300
Printing and distribution costs	150
Other	89
	$ 1,657

The additional officers' compensation and related costs are attributable primarilty to employment agreements with the officers as further described under the caption "Employment and Non-Competition Agreement."

(G) Represents the 18.1% interest of the minority in the Operating Partnership.

(H) Pro Forma net income per common share is based upon 10,779,216 shares of common stock expected to be outstanding after the Offering. As each Operating Partnership unit is redeemable for cash, or at the company's election, for one share of common stock, the calculation of earnings per share upon redemption will be unaffected as unitholders and stockholders share equally on a per unit and per share basis in the net income of the Company. In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. At that time the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. Management does not believe the adoption of Statement No. 128 will have a material impact on earnings per share.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
SL Green Realty Corp.

We have audited the accompanying balance sheet of SL Green Realty Corp. as of June 12, 1997. This balance sheet is the responsibility of SL Green Realty Corp. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of SL Green Realty Corp. at June 12, 1997 in conformity with generally accepted accounting principles.

/S/ Ernst & Young LLP

New York, New York
June 12, 1997

SL GREEN REALTY CORP.

BALANCE SHEET

JUNE 12, 1997

ASSETS

Cash (NOTE 1)	$ 1,000
Total assets	$ 1,000

LIABILITIES AND STOCKHOLDER'S EQUITY

Commitments and contingencies (NOTE 3)	
Common stock, $.01 par value, 100,000,000 shares authorized, 1,000 shares issued and outstanding (NOTES 1, 2 AND 3)	$ 10
Paid in capital	990
Retained earnings (NOTE 2)	
Total liabilities and stockholder's equity	$ 1,000

See accompanying notes.

SL GREEN REALTY CORP.

NOTES TO BALANCE SHEET

JUNE 12, 1997

1. ORGANIZATION AND FORMATION TRANSACTIONS

FORMATION AND INITIAL PUBLIC OFFERING

SL Green Realty Corp. (the "Company"), a Maryland corporation, and SL Green Operating Partnership, L.P., (the "Operating 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 ("SL Green"). The Operating Partnership will receive a contribution of interests in the real estate properties as well as 95% of the economic interest in the management, leasing and construction companies (the "Service Corporations"). The Company expects to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended; and will operate as a fully integrated, self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to shareholders, is permitted to reduce or avoid the payment of federal income taxes at the corporate level.

The Company has authorized the issuance of up to 100 million shares of Common Stock, $.01 par value per share, 75 million shares of Excess Stock, at $.01 par value per share, and 25 million shares of Preferred Stock, par value $.01 per share. In connection with the formation of the Company, the Company issued 1,000 shares of Common Stock to Stephen L. Green at $1 per share, for an aggregate consideration of $1,000 consisting of cash. At the conclusion of the Offering such shares of stock will be repurchased by the Company at cost. As of June 12, 1997, no shares of Excess Stock or Preferred Stock are issued and outstanding. The Company expects to issue 10,100,000 shares of its Common Stock to the public through a public offering (the "Offering"). In addition, the Company expects to issue to its executive officers approximately 553,616 shares, as founders' shares.

Substantially all of the Company's assets will be held by, and its operations conducted through, the Operating Partnership, a newly formed Delaware limited partnership. The Company will be the sole managing general partner of the Operating Partnership. Continuing investors will expect to hold, in the aggregate, a 18.1% limited partnership interest in the Operating Partnership.

MANAGEMENT

In order to maintain the Company's qualification as a REIT while realizing income from management leasing and construction contracts from third parties, all of the management operations with respect to properties in which the Company will not own 100% of the interest will be conducted through the Service Corporations. The Company, through the Operating Partnership, will own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporations. Through dividends on its equity interest, the Operating Partnership expects to receive substantially all of the cash flow from the Service Corporations' operations. All of the voting common stock of the Service Corporations (representing 5% of the total equity) will be held by an SL Green affiliate. This controlling interest will give the SL Green affiliate the power to elect all directors of the Service Corporations. All of the management and leasing with respect to the properties to be contributed and to be acquired by the Company will be conducted through the Management LLC. The Operating Partnership will own a 100% interest in the Management LLC. The Company will account for its investment in the Service Corporations on the equity basis of accounting on the basis that it will have significant influence with respect to management and operations. For further description, see the caption "Structure and Formation of the Company".

1. ORGANIZATION AND FORMATION TRANSACTIONS (CONTINUED)
PARTNERSHIP AGREEMENT

In accordance with the partnership agreement of the Operating Partnership (the "Operating Partnership Agreement"), all allocations of distributions and profits and losses are to be made in proportion to the percentage ownership interests of their respective partners. As the managing general partner of the Operating Partnership, the Company will be required to take such reasonable efforts, as determined by it in its sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient distributions by the Company to avoid any federal income or excise tax at the Company level as a consequence of a sale of a SL Green property.

Under the Operating Partnership agreement each limited partner will have the right to redeem limited partnership interest for cash, or if the Company so elects shares of common stock, as described further under the caption "Partnership Agreement Transfer of Interest--Redemption of Units".

INITIAL PUBLIC OFFERING AND USE OF PROCEEDS

The net cash proceeds to be received by the Company from the Offering (after deducting underwriting discounts) are estimated to be approximately $189.4 million. Of this amount the Company expects that approximately $42.7 million to repay mortgage indebtedness encumbering the properties, including $1.9 million for prepayment penalties and other financing fees and expenses, approximately $6.4 million to purchase the direct or indirect interests of certain participants in the Formation Transactions in the properties, approximately $99.0 million to acquire properties (including a $1.6 million escrow account established in connection with the acquisition of 50 W. 23rd Street), approximately $6.1 million to pay certain expenses incurred in the Formation Transactions, $27.5 million to repay the LBH Inc. Loan (excluding $2.5 million and $200,000 borrowed under the loan to fund offering expenses and prepayment penalties, respectively), and $9.4 million to acquire properties), $1.5 million to fund the advisory fee payment to Lehman Brothers, Inc. and $6.2 million to fund capital expenditures and general working capital needs.

If the underwriters' over-allotment option to purchase 1.515 million shares of Common Stock is exercised, the Company will use the additional net proceeds (estimated to be approximately $28.2 million if the option is exercised in full) to acquire an additional interest in the Operating Partnership which will be used to acquire additional properties and/or for working capital.

2. STOCKHOLDER'S EQUITY

COMMON STOCK

The authorized capital stock of the Company will consist of 200,000,000 shares of capital stock, $.01 par value, of which 100 million shares initially will be designated as shares of Common Stock. Under the Company's Charter, the Board of Directors will have authority to issue, without any further action by the stockholders, shares of capital stock in one or more series having such preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as the Board of Directors may determine.

2. STOCKHOLDER'S EQUITY (CONTINUED)
RETAINED EARNINGS

The Company has not engaged in any operations from inception in 1997.

3. COMMITMENTS AND CONTINGENCIES

STOCK OPTION AND INCENTIVE PLAN

The Company intends to adopt a stock option plan designed to attract, retain and motivate executive officers of the Company and other key employees and the plan will authorize the issuance of shares of common stock pursuant to options granted under the plan, as described further under the caption "Stock Option and Incentive Plan."

INCENTIVE COMPENSATION PLAN

The Company intends to establish an incentive compensation plan for key officers of the Company and its subsidiaries and affiliates. This plan will provide for payment of cash bonuses to participating officers after an evaluation of the officer's performance and the overall performance of the Company. The Compensation Committee of Board of Directors will make the determination for the award of the bonuses.

EMPLOYMENT AGREEMENTS

The Company will enter into employment and non-competition agreements with certain executive officers, as described further under the caption "Employment and Non-Competition Agreements."

CREDIT FACILITY

Subject to negotiation of mutually satisfactory covenants and other terms, Lehman Brothers Holdings Inc. has agreed to provide the Company a revolving $75 million Credit Facility that will be used to facilitate acquisitions and for working capital purposes. Although the Company expects that the Credit Facility will be established shortly after the completion of the Offering, there can be no assurance at this time as to whether the Company will be successful in obtaining the Credit Facility, or, if the Credit Facility is established, the terms governing the Credit Facility.

REPORT OF INDEPENDENT AUDITORS

The Partners, Members and Stockholders
SL Green Predecessor

We have audited the accompanying combined balance sheets of SL Green Predecessor as of December 31, 1996 and 1995, and the related combined statements of operations, owners' deficit and cash flows for each of the three years in the period ended December 31, 1996. We have also audited the financial statement schedule listed on the Index to Financial Statements included in the Prospectus. These financial statements and financial statement schedule are the responsibility of SL Green Predecessor's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of SL Green Predecessor at December 31, 1996 and 1995, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be set forth therein.

/S/ Ernst & Young LLP

New York, New York
April 16, 1997, except for
Note 9, as to which date is
May 27, 1997

SL GREEN PREDECESSOR

COMBINED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	JUNE 30, 1997			DECEMBER 31,	
				1996	1995
	HISTORICAL (UNAUDITED)	PRO FORMA ADJUSTMENT (UNAUDITED)	PRO FORMA (UNAUDITED)		
ASSETS					
Commercial real estate properties, at cost (NOTE 4)					
Land	$ 7,719		$ 7,719	$ 4,465	$ 1,517
Buildings and improvements	36,014		36,014	21,819	14,042
	43,733		43,733	26,284	15,559
Less accumulated depreciation	(6,251)		(6,251)	(5,721)	(5,025)
	37,482		37,482	20,563	10,534
Cash and cash equivalents	1,221	$ (20,000)	(18,779)	476	619
Restricted cash	1,685		1,685	1,227	664
Receivables	1,107		1,107	914	383
Related party receivables (NOTE 7)	1,658		1,658	1,186	1,016
Deferred rents receivable	1,383		1,383	1,265	904
Investment in uncombined joint venture (NOTE 2)	1,176		1,176	1,730	369
Deferred costs, net (NOTE 3)	1,561		1,561	1,371	449
Other assets	2,319		2,319	1,340	1,146
Total assets	$ 49,592	$ (20,000)	$ 29,592	$ 30,072	$ 16,084
LIABILITIES AND OWNERS' DEFICIT					
Mortgage notes payable (NOTE 4)	$ 33,646		$ 33,646	$ 16,610	$ 12,700
Accrued interest payable (NOTE 4)	109		109	90	2,894
Accounts payable and accrued expenses	1,171		1,171	1,037	756
Accounts payable to related parties (NOTE 7)	1,298		1,298	2,213	2,092
Excess of distributions and share of losses over investments in uncombined joint ventures (NOTE 2)	18,007		18,007	17,300	15,826
Security deposits	1,683		1,683	1,227	664
Total liabilities	55,914		55,914	38,477	34,932
Commitments, contingencies and other matters (NOTES 6, 8, 9 AND 10)					
Owners' deficit	(6,322)	$ (20,000)	(26,322)	(8,405)	(18,848)
Total liabilities and owners' deficit	$ 49,592	$ (20,000)	$ 29,592	$ 30,072	$ 16,084

See accompanying notes.

SL GREEN PREDECESSOR

COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
Revenues					
Rental revenue	$ 2,800	$ 1,315	$ 4,199	$ 2,416	$ 2,605
Escalation and reimbursement revenues	456	285	1,051	758	802
Management revenues, including $299 (June 1997 (unaudited)), $447 (1996), $449 (1995), and $531 (1994) from affiliates (NOTE 7)	966	1,063	2,336	2,260	1,959
Leasing commissions	3,088	1,282	2,372	897	890
Construction revenues, net, including $6 (June 1997 (unaudited)), $35 (1996), $82 (1995), and $134 (1994) from affiliates (NOTE 7)	8	39	101	233	344
Other income	16	114	123	--	--
Total revenues	7,334	4,098	10,182	6,564	6,600
Share of net loss from uncombined joint ventures (NOTE 2)	564	817	1,408	1,914	1,423
Expenses					
Operating expenses	1,625	1,230	3,197	2,505	2,009
Interest (NOTE 4)	713	442	1,357	1,212	1,555
Depreciation and amortization	599	406	975	775	931
Real estate taxes	482	232	703	496	543
Marketing, general and administrative	1,835	2,029	3,250	3,052	2,351
Total expenses	5,254	4,339	9,482	8,040	7,389
Income (loss) before extraordinary item	1,516	(1,058)	(708)	(3,390)	(2,212)
Extraordinary income on forgiveness of debt (NOTE 4)	--	--	8,961	--	--
Net income (loss)	$ 1,516	$ (1,058)	$ 8,253	$ (3,390)	$ (2,212)

See accompanying notes.

SL GREEN PREDECESSOR

COMBINED STATEMENTS OF OWNERS' DEFICIT

(DOLLARS IN THOUSANDS)

BALANCE AT JANUARY 1, 1994	$ (13,487)
Distributions	--
Contributions	178
Net loss for the year ended December 31, 1994	(2,212)
BALANCE AT DECEMBER 31, 1994	(15,521)
Distributions	--
Contributions	63
Net loss for the year ended December 31, 1995	(3,390)
BALANCE AT DECEMBER 31, 1995	(18,848)
Distributions	(552)
Contributions	2,742
Net income for the year ended December 31, 1996	8,253
BALANCE AT DECEMBER 31, 1996	(8,405)
Distributions (Unaudited)	(286)
Contributions (Unaudited)	25
Other--reclassification of investment in joint venture to combined property, net Note 1	828
Net income for the six months ended June 30, 1997 (Unaudited)	1,516
BALANCE AT JUNE 30, 1997 (UNAUDITED)	$ (6,322)

See accompanying notes.

SL GREEN PREDECESSOR
COMBINED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
OPERATING ACTIVITIES					
Net income (loss)	$ 1,516	$ (1,058)	$ 8,253	$ (3,390)	$ (2,212)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation and amortization	599	406	975	775	931
Share of net loss from uncombined joint ventures	744	992	1,763	2,249	1,800
Deferred rents receivable	(80)	(334)	(362)	87	(424)
Extraordinary gain on the forgiveness of debt	--	--	(8,961)	--	--
Changes in operating assets and liabilities:					
Restricted cash	(42)	64	(563)	(38)	(64)
Receivables	(112)	(96)	(531)	47	(117)
Related party receivables	(472)	(131)	(170)	(299)	157
Deferred costs	(191)	(25)	(1,108)	(465)	171
Other assets	12	96	(287)	(858)	1,253
Accounts payable and accrued expenses	22	(417)	280	(180)	(1,034)
Accounts payable to related parties	(915)	629	121	948	(69)
Security deposits payable	40	(64)	564	29	90
Accrued interest payable	19	(7)	298	861	457
Net cash provided by (used in) operating activities	1,140	55	272	(234)	939
INVESTING ACTIVITIES					
Additions to land, buildings and improvements	(206)	(111)	(10,725)	(369)	(389)
Contributions to partnership investments	(25)	(537)	(1,650)	(63)	(178)
Distributions from partnership investments	86	--	--	--	--
Net cash used in investing activities	(145)	(648)	(12,375)	(432)	(567)
FINANCING ACTIVITIES					
Proceeds from mortgage notes payable	--	--	16,680	--	--
Payments of mortgage notes payable	(164)	(80)	(6,910)	--	--
Cash distributions to owners	(286)	(175)	(552)	--	--
Cash contributions from owners	25	538	2,742	63	178
Net cash (used in) provided by financing activities	(425)	283	11,960	63	178
Net increase (decrease) in cash and cash equivalents	570	(310)	(143)	(603)	550
Cash transfer related to Praedium Bar Associates, LLC presented as a combined entity	185	--	--	--	--
Cash and cash equivalents at beginning of period	476	619	619	1,222	672
Cash and cash equivalents at end of period	$ 1,231	$ 309	$ 476	$ 619	$ 1,222
Supplemental cash flow disclosures					
Interest paid	$ 694	$ 449	$ 1,059	$ 351	$ 1,098
Income taxes paid	$ --	$ --	$ --	$ 35	$ 31

Supplemental schedule of non cash investing and financing activities:
(unaudited)

On June 30, 1997 the remaining interest of Praedium Bar Associates, LLC ("Praedium Bar") was purchased by an affiliate of Stephen L. Green. In connection with the purchase, as of June 30, 1997, the investment in Praedium Bar has been presented as a combined entity (see note 1). The assets, liabilities and owners' equity of Praedium Bar as of June 30, 1997 are as follows:

Commercial real estate properties, net	$ 14,383
Total assets	16,174
Mortgage notes payable	10,200
Total liabilities	10,831
Owners' equity	5,343
Less net investment in Praedium Bar and net purchase accounting adjustments	4,515
Reclassification of investment in joint venture to combined property, net	$ 828

See accompanying notes.

SL GREEN PREDECESSOR

NOTES TO COMBINED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

SL Green Predecessor is engaged in the business of owning, managing, leasing, acquiring and repositioning of Class B office properties in Manhattan, New York.

PROPOSED TRANSACTIONS

Concurrently with the consummation of an initial public offering of SL Green Realty Corp., (the "REIT") Common Stock (the "Offering"), which is expected to be completed in 1997, the REIT and a newly formed limited partnership, SL Green Operating Partnership, L.P. (the "Operating Partnership"), together with the partners and members of the affiliated partnerships of the SL Green Predecessor and other parties which hold ownership interests in the properties (collectively, the "Participants"), will engage in certain formation transactions (the "Formation Transactions"). The Formation Transactions are designed to (i) enable the REIT to raise the necessary capital to acquire the remaining interests in the Properties (see note 2), repay certain mortgage debt relating thereto and pay other indebtedness, (ii) enable the REIT to acquire properties, (iii) fund costs, capital expenditures, and working capital, (iv) provide a vehicle for future acquisitions, (v) enable the REIT to comply with certain requirements under the Federal income tax laws and regulations relating to real estate investment trusts, and (vi) preserve certain tax advantages for certain Participants.

The operations of the REIT will be carried on primarily through the Operating Partnership in order to assist the REIT and the Participants in forming the REIT under the Internal Revenue Code of 1986. The REIT will be the sole general partner in the Operating Partnership. The Operating Partnership will receive a contribution of interests in the real estate properties sold, as well as 95% of the economic interest in the management, leasing and construction companies (the "Service Corporations") for third party properties, in exchange for units of limited partnership interests in the Operating Partnership and/or cash. The REIT will be fully integrated, self-administered and self-managed.

PRINCIPLES OF COMBINATION

The SL Green Predecessor is not a legal entity but rather a combination of real estate properties and affiliated real estate management, construction and leasing entities under common control and management of Stephen L. Green; and interests owned and managed by Stephen L. Green in entities accounted for on the equity method (see note 2) that are organized as partnerships and a limited liability company. The entities included in this financial statement have been combined for only the periods that they were under common control and management. All significant intercompany transactions and balances have been eliminated in combination.

Capital contributions, distributions and profits and losses are allocated in accordance with the terms of the applicable agreements.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accompanying combined financial statements include partnerships and corporations which are under common control as follows:

ENTITY	PROPERTY/SERVICE	STEPHEN L. GREEN PERCENTAGE OWNERSHIP	OWNERSHIP TYPE
Office Property Entities			
64-36 Realty Associates	70 West 36th Street	95%(A)	General partner
1414 Management Associates, LP	1414 Avenue of the Americas	100%	General partner
Service Corporations			
SL Green Management, Corp.	Management	100%	Sole shareholder
SL Green Leasing, Inc.	Management and leasing	100%	Sole shareholder
Emerald City Construction Corp.	Construction	100%	Sole shareholder

(A) The minority interest is not material.

On June 30, 1997, the majority owner of SL Green Predecessor purchased the remaining 90% interest in Praedium Bar Associates LLC, which was funded by a loan from Lehman Brothers Holdings Inc., which as of that date is included in the combined financial statements (unaudited) (see note 2).

For the entities accounted for on the equity method, the SL Green Predecessor's records its investments in partnerships and limited liability company at cost and adjusts the investment accounts for its share of the entities' income or loss and for cash distributions and contributions.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

REAL ESTATE

Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The SL Green Predecessor, adopted SFAS No. 121 in the first quarter of 1996. Through March 31, 1997 (unaudited) and December 31,1996 no indicators of impairment were present and no impairment losses have been recorded in any of the periods presented.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION OF REAL ESTATE PROPERTIES

Depreciation and amortization is computed on the straight-line method as follows.

CATEGORY	TERM
Building	40 years
Building improvements	remaining life of the building
Furniture and fixtures	four to seven years
Tenant improvements	remaining life of the lease

Depreciation expense amounted to $788, $579 and $638 in 1996, 1995 and 1994 respectively. For the unaudited three months ended June 30, 1997 depreciation expense amounted to $488.

CASH AND CASH EQUIVALENTS

The SL Green Predecessor considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED CASH

Restricted cash consists of security deposits.

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 combined balance sheets. Contractually due but unpaid rents are included in receivables on the accompanying combined balance sheets.

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 initial lease term or renewal period as appropriate.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is refinanced before maturity.

DEFERRED OFFERING COSTS

The SL Green Predecessor have incurred costs related to its proposed offering. The deferred offering costs will be charged to the equity of the REIT at the time of the completion of the public offering.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The partnerships in the SL Green Predecessor are not taxpaying entities for Federal income tax purposes, and, accordingly, no provision or credit has been made in the accompanying financial statements for Federal income taxes. Owners' allocable shares of taxable income or loss are reportable on their income tax returns. The management, leasing and construction entities are C-Corporations, which have had minimal income during the three years ended December 31, 1996 and therefore have paid minimal federal and state income taxes.

CREDIT RISK

Management of the SL Green Predecessor performs on going credit evaluation of its tenants and requires certain tenants to provide security deposits. Although the SL Green Predecessors' buildings are all located in Mid-town Manhattan, the tenants operate in various industries and there is no dependence upon any single tenant.

CAPITALIZATION

The Service Corporations (three) each have 200 shares of no par value common stock authorized and issued for $1,000, with no related additional paid in capital at December 31, 1996 and 1995.

INTERIM UNAUDITED FINANCIAL INFORMATION

The accompanying interim unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with generally accepted accounting principles may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of June 30, 1997 and for the six month periods ended June 30, 1997 and 1996 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein.

The June 30, 1997 financial statements reflects a pro forma adjustment, with respect to the proposed formation of the REIT. The pro forma adjustments reflect $20,000 of the Offering proceeds will be used by the Operating Partnership to repay a portion of a loan made to a company indirectly owned by Stephen L. Green, which loan will be transferred to the Operating Partnership in connection with the transfer thereto by Stephen L. Green of his ownership interests, which has been accounted for as a distribution to Stephen L. Green.

2. INVESTMENT IN UNCOMBINED JOINT VENTURES

The SL Green Predecessor's investments in three partnerships and a limited liability company, have been accounted for under the equity method since control is shared with other parties. The investment in partnerships and limited liability company are as follows:

PARTNERSHIPS/LIMITED LIABILITY COMPANY	PROPERTY	GREEN GROUP PERCENTAGE OWNERSHIP	OWNERSHIP TYPE
673 First Realty Company	673 First Avenue	67%	Co-general partner
470 Park South Associates, LP	470 Park Avenue South	65%	Co-general partner
29/35 Realty Associates, LP	29 West 35th Street	21.5%	Co-general partner
Praedium Bar Associates, LLC ("Praedium Bar")	36 West 44th Street	10%(A)	Has veto rights relating to sale and financing

(A) Praedium Bar acquired the first mortgage related to the property in October, 1996 which provides for substantially all the economic interest in the property and has the sole right to purchase the fee interest, (the property deed is in escrow), for a nominal cost; accordingly SL Green Predecessor has accounted for Praedium Bar investment as a ownership interest in the property. On June 30, 1997, the majority owner of SL Green Predecessor purchased the remaining 90% interest in Praedium Bar Associates, LLC for $6.3 million (unaudited).

Condensed combined financial statements of the partnerships and the limited liability company, are as follows:

	JUNE 30, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(UNAUDITED)		
CONDENSED BALANCE SHEETS			
Commercial real estate property, net	$ 57,955	$ 72,958	$ 61,092
Deferred rent receivable	14,881	14,860	14,337
Cash and cash equivalents, including restricted cash of $1,305 (June 1997 (unaudited)) $1,588 (1996) and $1,205 (1995)	2,968	3,811	3,275
Deferred costs and other assets	6,637	7,271	6,196
Total assets	$ 82,441	$ 98,900	$ 84,900
Mortgages and accrued interest payable	$ 80,053	$ 90,245	$ 80,750
Obligations under capital lease	14,374	14,265	14,060
Deferred rent payable	11,996	11,459	10,387
Accounts payable and other liabilities	3,594	4,560	3,475
Owners' deficit			
SL Green Predecessor	(16,831)	(15,570)	(15,457)
Other partners	(10,745)	(6,059)	(8,315)
Total owners' deficit	(27,576)	(21,629)	(23,772)
Total liabilities and owner's deficit	$ 82,441	$ 98,900	$ 84,900

2. INVESTMENT IN UNCOMBINED JOINT VENTURES (CONTINUED)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
CONDENSED STATEMENTS OF OPERATIONS					
Rental revenue and escalations	$ 10,928	$ 8,750	$ 18,874	$ 17,934	$ 18,235
Other revenue	--	--	28	18	129
Total revenues	10,928	8,750	18,902	17,952	18,364
Interest	4,163	3,767	7,743	7,785	7,721
Depreciation and amortization	1,982	1,740	3,580	3,768	3,401
Operating and other expenses	5,822	4,659	10,036	9,552	9,750
Total expenses	11,967	10,166	21,359	21,105	20,872
Loss before outside partner's interest	(1,039)	(1,416)	(2,457)	(3,153)	(2,508)
Elimination of inter-company management fees	180	175	355	335	377
Other partner share of the loss	295	424	694	904	708
Loss allocated to the SL Green Predecessor	$ (564)	$ (817)	$ (1,408)	$ (1,914)	$ (1,423)

There are several business relationships with related parties which involve management, leasing and construction fee revenues and maintenance expense. Transactions relative to the aforementioned condensed combined statements of operations and balance sheets for the equity investees include the following before elimination of intercompany transactions:

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
Management fee expenses	$ 348	$ 293	$ 622	$ 563	$ 624
Leasing commission expenses	293	167	218	48	80
Construction fees	1,186	180	185	376	809
Maintenance expenses	151	122	227	132	164

3. DEFERRED COSTS

Deferred costs consist of the following:

	JUNE 30, 1997	1996	1995
	(UNAUDITED)		
Deferred financing	$ 1,001	$ 982	$ 206
Deferred lease	1,709	1,613	1,365
Deferred offering	214	87	--
	2,924	2,682	1,571
Less accumulated amortization	(1,363)	(1,311)	(1,122)
	$ 1,561	$ 1,371	$ 449

4. MORTGAGE NOTES PAYABLE

The mortgage notes payable collateralized by the respective properties and assignment of leases at June 30, 1997 and December 31, 1996 and 1995 are as follows:

PROPERTY	MORTGAGE NOTES WITH FIXED INTEREST	MORTGAGE PAYABLE JUNE 30, 1997	ACCRUED INTEREST JUNE 30, 1997	MORTGAGE PAYABLE 1996	ACCRUED INTEREST 1996	MORTGAGE PAYABLE 1995
		(UNAUDITED)				
1414 Avenue of the Americas	First mortgage note with interest payable at 7.875%, due June 1, 2006(A)	$ 9,878	$ 109	$ 9,946	$ 90	$ --
	Total Fixed Rate Notes	9,878	109	9,946	90	--
	MORTGAGE NOTES WITH VARIABLE INTEREST					
70 W 36th Street	First mortgage note with interest payable at LIBOR plus 2%, due January 29, 2001	6,568	--	6,664	--	12,700(B)
36 W 44th Street	First mortgage note with interest based on LIBOR plus 3.4%, due September 30, 1998	10,200	--	--	--	--
	Note payable to Lehman Brothers Holdings Inc., with interest based on LIBOR plus 2.75%, due at the close of the Formation Transaction(C)	7,000	--	--	--	--
	Total Variable Rate Notes	23,768	--	6,664	--	12,700
	Total Mortgage Notes Payable	$ 33,646	$ 109	$ 16,610	$ 90	$ 12,700

PROPERTY	ACCRUED INTEREST 1995
1414 Avenue of the Americas	$ --
	--
70 W 36th Street	

				2,894(B)	
36 W 44th Street					
				--	
				--	
				2,894	
				$ 2,894	

- ------------------------------

(A) SL Green Predecessor does not have the right to prepay the principal balance of the mortgage, in whole or in part, prior to May 31, 2004. If the mortgage is prepaid prior to May 31, 2004 a prepayment fee will be required based upon the greater of 1% of the outstanding principal balance of the mortgage or yield maintenance as defined by the mortgage agreement.

(B) In January, 1996, the first mortgage was bifurcated into a first and second mortgage; the second mortgage was acquired by an unrelated entity for no consideration. In December 1996 the holder of the second mortgage on 70 West 36th Street forgave the indebtedness for no consideration; as a result SL Green Predecessor recognized extraordinary income of $8,961.

(C) The Lehman Brothers Holdings Inc. loan is secured by partnership interests in certain Property-owning entities.

4. MORTGAGE NOTES PAYABLE (CONTINUED)

PRINCIPAL MATURITIES

Combined aggregate principal maturities of mortgages and notes payable as of December 31, 1996 are as follows:

1997	$ 330
1998	341
1999	353
2000	367
2001	6,085
Thereafter	9,134
	$ 16,610

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies. 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 the SL Green Predecessor 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 equivalents and variable rate mortgages are carried at amounts which reasonably approximate their fair values.

Estimated fair value is based on anticipated settlements in connection with the REIT formation, interest rates and other related factors currently available to the SL Green Predecessor for issuance of debt with similar terms and remaining maturities. The fair value for each mortgage approximates its carrying amount.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1996. Although management is 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.

6. RENTAL INCOME

The Properties are being leased to tenants under operating leases with expiration dates ranging from 1997 to 2011. 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 the SL Green Predecessor for increases in certain operating costs and real estate taxes above their base year costs.

6. RENTAL INCOME (CONTINUED)
Approximate future minimum rents to be received over the next five years and thereafter for leases in effect at December 31, 1996 are as follows:

1997	$ 5,000
1998	5,000
1999	4,000
2000	4,000
2001	3,000
Thereafter	11,000
	$ 32,000

7. RELATED PARTY TRANSACTIONS

There are several business relationships with related parties, entities owned by Stephen L. Green or relatives of Stephen L. Green exclusive of the uncombined joint ventures (see note 2) which involve management, leasing, and construction fee revenues, rental income and maintenance expenses in the ordinary course of business. Transactions include the following:

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
Management revenues	$ 131	$ 65	$ 180	$ 221	$ 284
Leasing commission revenues	39	27	37	36	64
Construction fees	241	244	25	69	107
Rental income	42	14	33	25	--
Maintenance expense	75	24	93	32	24

Amounts due from related parties consist of:

	JUNE 30	DECEMBER 31,	
	1997	1996	1995
	(UNAUDITED)		
SL Green Properties Inc	$ 924	$ 507	$ 517
First Quality Maintenance	180	160	374
250 PAS, Associates, LP	373	363	--
Officers	181	156	125
	$ 1,658	$ 1,186	$ 1,016

Due to related parties, represents amounts due to SL Green Properties Inc.

8. BENEFIT PLAN

The building employees of the individual partnerships are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to $30,

8. BENEFIT PLAN (CONTINUED)
$7 and $7 in 1996, 1995 and 1994, respectively; and $24 for the six months ended June 30, 1997. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

9. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

On May 23, 1997 SL Green Predecessor entered into an agreement to purchase a mortgage, which is encumbered by the property located at 1372 Broadway, Manhattan New York, for approximately $52 million (with the right to acquire the fee interest for no additional consideration subsequent to December 31, 1997). On May 27, 1997 SL Green Predecessor entered into an agreement to purchase the net lease on the property located at 1140 Avenue of the Americas, Manhattan New York, for approximately $20.9 million. It is anticipated that both transactions will close at the time of the Offering. In June 1997, SL Green Predecessor acquired an option to acquire 50 West 23rd Street at a purchase price of approximately $36.0 million. It is anticipated that SL Green Predecessor will acquire the Property, within thirty days after the closing.

CONTINGENCIES

SL Green Predecessor is party to a variety of legal proceedings relating to the ownership of the properties and it's activities with regard to its construction, management and leasing businesses, arising in the ordinary course of business. SL Green Predecessor's management believes that substantially all of these liabilities are covered by insurance. All of these matters, taken together, are not expected to have a material adverse impact on the SL Green Predecessor's financial position, results of operations or cash flows .

10. ENVIRONMENTAL MATTERS

The management of SL Green Predecessor 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 management believes would have a material adverse impact on SL Green Predecessor's financial position, results of operations or cash flows. Management is unaware of any instances in which it would incur significant environmental cost if any of the properties were sold.

11. SUBSEQUENT EVENTS

Lehman Brothers Holdings Inc. ("LBHI"), an affiliate of Lehman Brothers Inc., entered into a credit agreement with Green Realty LLC, an affiliate of SL Green Predecessor, pursuant to which LBHI agreed to loan to Green Realty LLC up to $35 million (the "LBHI Loan") which will be used to acquire the remaining interests in the investment partnerships (see note 2) and certain acquisition properties, to fund property related operating expenses, to fund organizational expenses of the REIT and to purchase short-term United States Treasury Instruments. The LBHI Loan is secured by certain partnerships interest in SL Green Predecessor, the treasury securities and the stock of SL Green Properties Inc., an affiliate of SL Green Predecessor, and has been guaranteed by SL Green Management Corp. and SL Green Properties, Inc. On June 25, 1997 the LBHI Loan was increased up to $46 million (unaudited).

SL GREEN PREDECESSOR
SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1996
(DOLLARS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	
		INITIAL COST		COST CAPITALIZED SUBSEQUENT TO ACQUISITION	
DESCRIPTION	ENCUMBRANCE	LAND	BUILDING AND IMPROVEMENTS	LAND	BUILDING AND IMPROVEMENTS
70 West 36th St., New York, NY	$ 6,664 (1 mortgage)	$1,517	$ 7,700	$0	$7,063
1414 Avenue of the Americas, New York, NY	10,036 (1 mortgage)	2,948	6,790	0	266
	(1) $16,700	$4,465	$14,490	$0	$7,329

COLUMN A	COLUMN E		
	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	LAND	BUILDING AND IMPROVEMENTS	TOTAL
70 West 36th St., New York, NY	$1,517	$14,763	$16,280
1414 Avenue of the Americas, New York, NY	2,948	7,056	10,004
	$4,465	$21,819	$26,284

COLUMN A	COLUMN F	COLUMN G
DESCRIPTION	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION
70 West 36th St., New York, NY	$5,625	
1414 Avenue of the Americas, New York, NY	96	
	$5,721	

COLUMN A	COLUMN H	COLUMN I
DESCRIPTION	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IS COMPUTED
70 West 36th St., New York, NY	12/19/84	Various
1414 Avenue of the Americas, New York, NY	6/18/96	Various

- ----------
(1) Encumbrance includes accrued interest of $90

SL GREEN PREDECESSOR

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION (CONTINUED)

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

The changes in real estate for the three years ended December 31, 1996 are as follows:

	1996	1995	1994
Balance at beginning of period	$ 15,559	$ 15,190	$ 14,801
Improvements	10,725	369	389
Balance at end of period	$ 26,284	$ 15,559	$ 15,190

The aggregate cost of land, buildings and improvements for Federal income tax purposes at December 31, 1996 was approximately $26,284.

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, and furniture and fixtures, for the three years ended December 31, 1996 are as follows:

	1996	1995	1994
Balance at beginning of period	$ 5,025	$ 4,508	$ 3,930
Depreciation for period	696	517	578
Balance at end of period	$ 5,721	$ 5,025	$ 4,508

REPORT OF INDEPENDENT AUDITORS

The Partners, Members and Stockholders
SL Green Predecessor

We have audited the accompanying combined balance sheets of the uncombined joint ventures of SL Green Predecessor as of December 31, 1996 and 1995 and the related combined statements of operations, owners' deficit and cash flows for each of the three years in the period ended December 31, 1996. We have also audited the financial statement schedule listed on the Index to financial statements included in the Prospectus. These financial statements and financial statement schedule are the responsibility of SL Green Predecessor's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 combined financial statements referred to above present fairly in all material respects, the combined financial position of the uncombined joint ventures of SL Green Predecessor at December 31, 1996 and 1995, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information required to be set forth therein.

/S/ Ernst & Young LLP

New York, New York
April 16, 1997

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR

COMBINED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	JUNE 30, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(UNAUDITED)		
ASSETS			
Commercial real estate properties, at cost (NOTES 2 AND 5):			
Land	$ 3,666	$ 6,366	$ 3,666
Buildings and improvements	64,355	75,307	63,224
Property under capital lease	12,208	12,208	12,208
	80,229	93,881	79,098
Less accumulated depreciation	(22,274)	(20,923)	(18,006)
	57,955	72,958	61,092
Cash and cash equivalents	1,663	2,223	2,070
Restricted cash	1,305	1,588	1,205
Deferred rents receivable	14,881	14,860	14,337
Deferred costs, net (NOTE 3)	4,337	4,812	4,771
Other assets	2,300	2,459	1,425
Total assets	$ 82,441	$ 98,900	$ 84,900
LIABILITIES AND OWNERS' DEFICIT			
Mortgages and note payable (NOTE 2)	$ 63,724	$ 74,827	$ 66,301
Accrued interest payable (NOTE 2)	16,329	15,418	14,449
Obligations under capital lease (NOTE 5)	14,374	14,265	14,060
Deferred rent payable	11,996	11,459	10,387
Accounts payable and accrued expenses	576	1,200	432
Accounts payable to related parties (NOTE 6)	628	688	779
Security deposits	2,390	2,672	2,264
Total liabilities	110,017	120,529	108,672
Commitments, contingencies and other comments (NOTES 5, 7, 8 AND 9)			
Owners' deficit:			
SL Green Predecessor	(16,831)	(15,570)	(15,457)
Other partners	(10,745)	(6,059)	(8,315)
Total owners' deficit	(27,576)	(21,629)	(23,772)
Total liabilities and owners' deficit	$ 82,441	$ 98,900	$ 84,900

See accompanying notes.

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR

COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
Revenues:					
Rental revenue (NOTE 5)	$ 10,203	$ 8,239	$ 17,386	$ 16,519	$ 16,559
Escalation and reimbursement revenues (NOTE 5)	725	511	1,488	1,415	1,676
Other income	--	--	28	18	129
Total revenues	10,928	8,750	18,902	17,952	18,364
Expenses:					
Operating expenses:					
Other	1,949	1,314	3,115	2,931	3,014
Related parties	499	415	849	695	788
Real estate taxes	1,461	1,064	2,316	2,183	2,215
Rent expense (NOTE 5)	1,913	1,866	3,756	3,743	3,733
Interest (NOTE 2)	4,163	3,767	7,743	7,785	7,721
Depreciation and amortization	1,982	1,740	3,580	3,768	3,401
Total expenses	11,967	10,166	21,359	21,105	20,872
Net loss	$ (1,039)	$ (1,416)	$ (2,457)	$ (3,153)	$ (2,508)

See accompanying notes.

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR

COMBINED STATEMENTS OF OWNERS' DEFICIT

(DOLLARS IN THOUSANDS)

	SL GREEN & RELATED ENTITIES	ALL OTHER PARTNERS	
BALANCE AT JANUARY 1, 1994	$(11,649)	$ (7,384)	$ (19,033)
Distributions	--	--	--
Contributions	178	619	797
Net loss for the year ended December 31, 1994	(1,800)	(708)	(2,508)
BALANCE AT DECEMBER 31, 1994	(13,271)	(7,473)	(20,744)
Distributions	--	--	--
Contributions	63	62	125
Net loss for the year ended December 31, 1995	(2,249)	(904)	(3,153)
BALANCE AT DECEMBER 31, 1995	(15,457)	(8,315)	(23,772)
Distributions	--	(1,150)	(1,150)
Contributions	1,650	4,100	5,750
Net loss for the year ended December 31, 1996	(1,763)	(694)	(2,457)
BALANCE AT DECEMBER 31, 1996	(15,570)	(6,059)	(21,629)
Distributions (unaudited)	(86)	(314)	(400)
Other--reclassification of joint venture to combined property	(880)	(4,463)	(5,343)
Contributions (unaudited)	450	385	835
Net loss for the six months ended June 30, 1997 (unaudited)	(745)	(294)	(1,039)
BALANCE AT JUNE 30, 1997 (UNAUDITED)	$(16,831)	$ (10,745)	$ (27,576)

See accompanying notes.

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR

COMBINED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
OPERATING ACTIVITIES					
Net loss	$ (1,039)	$ (1,416)	$ (2,457)	$ (3,153)	$ (2,508)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,982	1,740	3,580	3,768	3,401
Deferred rents receivable	(271)	(217)	(524)	(370)	(985)
Other	93	--	--	--	--
Changes in operating assets and liabilities:					
Restricted cash	(133)	49	(383)	70	90
Deferred costs	(326)	(261)	(705)	(54)	(640)
Other assets	(363)	171	(1,033)	(75)	432
Accounts payable and accrued expenses	(511)	(55)	768	(192)	(757)
Accounts payable to related parties	(60)	(26)	(91)	(124)	(353)
Security deposits	133	104	409	(102)	(315)
Accrued interest on mortgage notes payable	911	702	969	1,781	1,585
Net cash provided by (used in) operating activities	416	791	533	1,549	(50)
INVESTING ACTIVITIES					
Additions to land, buildings and improvements	(969)	(422)	(4,583)	(690)	(1,963)
Net cash used in investing activities	(969)	(422)	(4,583)	(690)	(1,963)
FINANCING ACTIVITIES					
Proceeds from mortgage notes payable	--	--	--	--	11,899
Payments of mortgage notes payable	(903)	(815)	(1,674)	(1,531)	(13,176)
Cash distributions to owners	(400)	(1,150)	(1,150)	--	--
Cash contributions from owners	835	550	5,750	125	797
Capitalized lease obligations	646	636	1,277	1,532	1,628
Net cash provided by (used in) financing activities	178	(779)	4,203	126	1,148
Net increase (decrease) in cash and cash equivalents	(375)	(410)	153	985	(865)
Cash transfer related to Praedium Bar Associates, LLC presented as a combined entity	(185)	--	--	--	--
Cash and cash equivalents at beginning of period	2,223	2,070	2,070	1,085	1,950
Cash and cash equivalents at end of period	$ 1,663	$ 1,660	$ 2,223	$ 2,070	$ 1,085
Supplemental cash flow disclosures					
Interest paid	$ 3,252	$ 3,065	$ 6,774	$ 6,004	$ 6,136
Supplemental schedule of non cash investing and financing activities: (unaudited)					
Assumption of mortgage in connection with property acquisition	--	--	$ 10,200	--	--

On June 30, 1997 the remaining interest of Praedium Bar Associates, LLC ("Praedium Bar") was purchased by an affiliate of Stephen L. Green. In connection with the purchase as of June 30, 1997, the assets and liabilities of Praedium Bar have been excluded from the financial statements of the uncombined joint ventures of SL Green Predecessor and have been presented in the combined financial statements of SL Green Predecessor. The assets, liabilities and owners' equity of Praedium Bar as of June 30, 1997 are as follows:

Commercial real estate property, net	$ 14,383
Total assets	16,174
Mortgage notes payable	10,200
Total liabilities	10,831
Owners' equity	5,343

See accompanying notes.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The uncombined joint ventures of SL Green Predecessor are engaged in the business of owning, managing and leasing, and repositioning Class B office properties in Manhattan, New York.

PROPOSED TRANSACTIONS

Concurrently with the consummation of an initial public offering of SL Green Realty Corp. (the "REIT") Common Stock (the "Offering"), which is expected to be completed in 1997 the REIT and a newly formed limited partnership, SL Green Operating Partnership, L.P. (the "Operating Partnership"), together with the partners and members of the affiliated partnerships of the SL Green Predecessor and other parties which hold ownership interests in the properties (collectively, the "Participants"), will engage in certain formation transactions (the "Formation Transactions"). The Formation Transactions are designed to (i) enable the REIT to raise the necessary capital to acquire the remaining interests in the properties and repay certain mortgage debt relating thereto and pay other indebtedness, (ii) enable the REIT to acquire properties, (iii) fund costs, capital expenditures, and working capital, (iv) provide a vehicle for future acquisitions, (v) enable the REIT to comply with certain requirements under the Federal income tax laws and regulations relating to real estate investment trusts, and (vi) preserve certain tax advantages for certain Participants.

The operations of the REIT will be carried on primarily through the Operating Partnership in order to assist the REIT and the Participants in forming the REIT under the Internal Revenue Code of 1986. The REIT will be the sole general partner in the Operating Partnership. The Operating Partnership will receive a contribution of interests in the real estate properties as well as 95% of the economic interest in the management, leasing and construction companies (the "Service Corporations") which service third party properties, in exchange for units of limited partnership interests in the Operating Partnership and/or cash. The REIT will be fully integrated self-administered and self-managed.

PRINCIPLES OF COMBINATION

The uncombined joint ventures of the SL Green Predecessor is not a legal entity but rather a combination of real estate properties (collectively, the "Properties") and interests in entities that are organized as partnerships and a limited liability company. The operations of the properties are included in the financial statements of the SL Green Predecessor from the date of acquisition and management. All significant intercompany transactions and balances have been eliminated in combination.

Capital contributions, distributions and profits and losses are allocated to the owners in accordance with the terms of the applicable agreements.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The joint ventures included in the accompanying combined financial statements include partnerships and a limited liability company which are managed but not controlled by the SL Green Predecessor, are as follows:

PARTNERSHIPS/LIMITED LIABILITY COMPANY	PROPERTY	SL GREEN PREDECESSOR PERCENTAGE OWNERSHIP	OWNERSHIP TYPE
673 First Realty Company.....	673 First Avenue	67.0%	Co-general partner
29/35 Realty Associates, LP.....	29 West 35th Street	21.5%	Co-general partner
470 Park South Associates, LP.....	470 Park Avenue South	65.0%	Co-general partner
Praedium Bar Associates, LLC..... ("Praedium Bar")	36 West 44th Street	10.0%(A)	Has veto rights relating to sale and financing

(A) Praedium Bar acquired the first mortgage related to the property in October, 1996 which provides for substantially all the economic interest in the property and has the sole right to purchase the fee interest, (the property deed is in escrow), for a nominal cost; accordingly SL Green Predecessor has accounted for Praedium Bar investment as an ownership in the property. On June 30, 1997, the majority owner of SL Green Predecessor purchased the remaining 90% interest in Praedium Bar Associates, LLC for $6.3 million (unaudited).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

REAL ESTATE

Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The SL Green Predecessor adopted SFAS No. 121 in the first quarter of 1996. Through June 30, 1997 (unaudited), December 31, 1996 no indicators of impairment were present and no impairment losses have been recorded in any of the periods presented.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION OF REAL ESTATE PROPERTIES

Depreciation and amortization is computed on the straight-line method as follows:

CATEGORY	TERM
Building	40 years
Property under capital lease	49 years
Building improvements	remaining life of the building
Tenant improvements	remaining life of the lease

Depreciation expense including the amortization of the capital lease amounted to $2,917, $2,999 and $2,869 in 1996, 1995 and 1994 respectively. For the unaudited six months ended June 30, 1997 depreciation expense amounted to $1,594.

CASH AND CASH EQUIVALENTS

The SL Green Predecessor considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED CASH

Restricted cash consists of security deposits.

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 combined balance sheets. Contractually due but unpaid rents are included in other assets on the accompanying combined balance sheets. Certain lease agreements provide for reimbursement of real estate taxes, insurance and certain common area maintenance costs and rental increases tied to increases in certain economic indexes.

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 initial lease term or renewal period as appropriate.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is retired before maturity.

CAPITALIZED INTEREST

Interest for borrowings used to fund development and construction is capitalized to individual property costs.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RENT EXPENSE--LAND

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 underlining lease is included in the deferred lease payable in the accompanying combined balance sheets.

INCOME TAXES

The entities in the SL Green Predecessor are not taxpaying entities for Federal income tax purposes, and, accordingly, no provision or credit has been made in the accompanying financial statements for Federal income taxes. Owners' allocable shares of taxable income or loss are reportable on their income tax returns.

CONCENTRATION OF REVENUE AND CREDIT RISK

Approximately 60% of the SL Green Predecessor's revenue for the three years ended December 31, 1996 were derived from 673 First Avenue. The loss or a material decrease in revenues from this building for any reason may have a material adverse effect on the SL Green Predecessor. In addition approximately 30% of the SL Green Predecessor's revenue for the three years ended December 31, 1996 were derived from three tenants, (Society of NY Hospital, Kallir, Phillips, Ross, Inc. and UNICEF), which lease space in the 673 First Avenue building.

Management of the SL Green Predecessor performs on going credit evaluations of its tenants and requires certain tenants to provide security deposits.

INTERIM UNAUDITED FINANCIAL INFORMATION

The accompanying interim unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with generally accepted accounting principles may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of June 30, 1997 and for the six months ended June 30, 1997 and 1996 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein.

2. MORTGAGE NOTES PAYABLE

The mortgage notes payable collateralized by the respective properties and assignment of leases at December 31, 1996 and 1995 and June 30, 1997 are as follows:

PROPERTY	MORTGAGE NOTES WITH FIXED INTEREST	MORTGAGE PAYABLE JUNE 30, 1997	ACCRUED INTEREST JUNE 30, 1997	MORTGAGE PAYABLE 1996	ACCRUED INTEREST 1996	MORTGAGE PAYABLE 1995	ACCRUED INTEREST 1995
		(UNAUDITED)					
29 W 35th Street	First mortgage note with interest payable at 8.464%, due February 1, 2001	$ 3,008	$ 21	$ 3,040	$ 21	$ 3,096	$ 28
673 First Avenue	First mortgage note with interest payable at 9.0%, due December 13, 2003	18,740	--	19,439	--	20,736	--
470 Park Avenue South	First mortgage note with interest payable at 8.25%, due April 1, 2004	10,985	77	11,132	77	11,407	78
470 Park Avenue South	Second mortgage note with interest payable at 10.0%, due October 31, 1999	1,042	8	1,067	9	1,113	--
(A) 470 Park Avenue South	Third mortgage note with interest payable at 10.98%, due September 30, 2001	13,000	10,618	13,000	10,204	13,000	10,376
	Total Fixed Rate Notes	46,775	10,724	47,678	10,311	49,352	10,482
	MORTGAGE NOTES WITH VARIABLE INTEREST						
36 W 44th Street	First mortgage note with interest based on LIBOR + 3.4%, due September 30, 1998	--	--	10,200	--	--	--
673 First Avenue	Second mortgage note with interest based on adjusted LIBOR rate, as defined by the mortgage agreement, or Prime + 1.0%, due January 1, 2014	15,180	5,107	15,180	4,574	15,180	--
	Total Variable Rate Notes	15,180	5,107	25,380	4,574	15,180	--
	UNSECURED NOTE						
673 First Avenue	Unsecured note with interest based on Prime plus1.0%, due January 1, 2014	1,769	498	1,769	533	1,769	3,967
	Total Unsecured Note	1,769	498	1,769	533	1,769	3,967
	Total Mortgage and Note Payable	$63,724	$16,329	$74,827	$15,418	$66,301	$14,449

2. MORTGAGE NOTES PAYABLE (CONTINUED)
An analysis of the mortgages is as follows:

MORTGAGE TYPE	MORTGAGE PAYABLE JUNE 30 1997	ACCRUED INTEREST JUNE 30 1997	MORTGAGE PAYABLE 1996	ACCRUED INTEREST 1996	MORTGAGE PAYABLE 1995	ACCRUED INTEREST 1995
	(UNAUDITED)					
First mortgages	$32,733	$ 98	$43,811	$ 98	$35,239	$ 106
Second mortgages	16,222	5,115	16,247	4,583	16,293	--
Third mortgage	13,000	10,618	13,000	10,204	13,000	10,376
Unsecured note	1,769	498	1,769	533	1,769	3,967
	$63,724	$16,329	$74,827	$15,418	$66,301	$14,449

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(A) 470 PARK AVENUE SOUTH

The third mortgage requires the monthly payment of minimum interest at 6%. The difference between the minimum interest and the base interest of 10.98% may be deferred until the maturity of the mortgage. The mortgage requires additional interest of 50% of adjusted gross revenue, as defined in the mortgage agreement, of the property for the applicable loan year. If the total loan balance exceeds 90% of the appraised value in lieu of payments of additional interest all of the adjusted gross revenue shall be paid and applied as a reduction of the principal indebtedness until such time as the loan balance is reduced to 90% of the appraised value. Upon payment of the outstanding principal balance at maturity or on another date shared appreciation interest, as defined in the mortgage agreement will be due. The holder of the mortgage is entitled to an annual rate of return on the mortgage of 13%. If the annual rate of return is less than 13%, the share appreciation interest will be increased to the percentage necessary to provide the mortgage holder with such return. Additional interest of $19 and $55 were due in 1996 and 1994 respectively. These amounts were unpaid as of December 31, 1996.

2. MORTGAGE NOTES PAYABLE (CONTINUED)

PRINCIPAL MATURITIES

Combined aggregate principal maturities of mortgages and notes payable as of December 31, 1996 are as follows:

1997	$ 1,841
1998	12,208
1999	2,183
2000	3,216
2001	4,448
Thereafter	50,931
	$ 74,827

3. DEFERRED COSTS

Deferred costs consist of the following:

	JUNE 30, 1997	1996	1995
	(UNAUDITED)		
Deferred financing	$ 3,135	$ 3,372	$ 3,108
Deferred lease	7,465	7,415	7,001
	10,600	10,787	10,109
Less accumulated amortization	(6,263)	(5,975)	(5,338)
	$ 4,337	$ 4,812	$ 4,771

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies. 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 the SL Green Predecessor could realize on disposition of financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents and variable rate mortgages are carried at amounts which reasonably approximate their fair values.

Estimated fair value is based on anticipated settlement in connection with the REIT formation, interest rates and other related factors currently available to the SL Green Predecessor for issuance of debt with similar terms and remaining maturities. The fair value by mortgage type as of December 31, 1996 is as follows:

MORTGAGE TYPE	CARRYING AMOUNT	FAIR VALUE
First Mortgages	$ 43,811	$ 44,369
Second Mortgages	16,247	6,067
Third Mortgages	13,000	12,000
Unsecured Note	1,769	0

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1996. Although management is 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.

5. LEASE AGREEMENTS

OPERATING LEASE

The SL Green Predecessor is the lessor and sub-lessor of commercial buildings under operating leases with expiration dates ranging from 1997 to 2031. 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 the SL Green Predecessor 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 leases in effect at December 31, 1996 are as follows:

1997	$ 18,466
1998	18,463
1999	18,713
2000	18,468
2001	18,188
Thereafter	54,085
	$ 146,383

CAPITAL LEASE

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

Future minimum rental payments under two land operating leases as of December 31, 1996 were as follows:

1997	$ 2,753
1998	2,753
1999	2,753
2000	2,870
2001	3,103
Thereafter	156,820
	$ 171,052

5. LEASE AGREEMENTS (CONTINUED)

Rent expense amounted to approximately $3.7 million for each year ended December 31, 1996, 1995 and 1994, respectively. For the unaudited six months ended June 30, 1997 rent expense amounted to approximately $1,913.

CAPITAL LEASE--BUILDING

Leased property consists of the following:

	JUNE 30, 1997	1996	1995
	(UNAUDITED)		
Building	$ 12,208	$ 12,208	$ 12,208
Less accumulation amortization	2,222	2,035	1,785
Leased property, net	$ 9,986	$ 10,173	$ 10,423

Future minimum payments under the capitalized building lease, including the present value of net minimum lease payments as of December 31, 1996 are as follows:

1997	$ 1,140
1998	1,140
1999	1,140
2000	1,177
2001	1,290
Thereafter	64,176
Total minimum lease payments	70,063
Amount representing interest	(55,798)
Present value of net minimum capital lease payments	$ 14,265

6. RELATED PARTY TRANSACTIONS

There are several business relationships with related parties which involve management, leasing, and construction fee revenues and maintenance expenses in the ordinary course of business. Transactions include the following:

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
Management expenses	$ 348	$ 293	$ 622	$ 563	$ 624
Leasing commission's	293	167	218	48	80
Construction fees	1,186	180	185	376	809
Maintenance expenses	151	122	227	132	164

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts due to related parties consist of:

	JUNE 30, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995
	(UNAUDITED)		
SL Green Management, Corp.	$ 503	$ 512	$ 503
Other partners	125	176	276
	$ 628	$ 688	$ 779

7. BENEFIT PLAN

The building employees of the individual partnerships are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to $42, $30 and $32 in 1996, 1995 and 1994, respectively; and $27 for the six months ended June 30, 1997. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

8. CONTINGENCIES

SL Green Predecessor is party to a variety of legal proceedings relating to the ownership of the properties and SL Green Predecessor activities with regard to its construction, management and leasing businesses respectively, arising in the ordinary course of business. SL Green Predecessor management believes that substantially all of these liabilities are covered by insurance. All of these matters, taken together, are not expected to have a material adverse impact on the uncombined joint venture of SL Green Predecessor's, financial position, results of operations or cash flows.

9. ENVIRONMENTAL MATTERS

The management of SL Green Predecessor 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 management believes would have a material adverse impact on SL Green Predecessor's financial position, results of operations or cash flows. Management is unaware of any instances in which it would incur significant environmental cost if any of the properties were sold.

THE UNCOMBINED JOINT VENTURES OF

SL GREEN PREDECESSOR

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION (CONTINUED)

DECEMBER 31, 1996

(DOLLARS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	
		INITIAL COST		COST CAPITALIZED SUBSEQUENT TO ACQUISITION	
DESCRIPTION	ENCUMBRANCE	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
673 First Avenue, New York, NY	$39,193) (2 mortgages	$ 0	$12,208	$0	$28,509
29 West 35th Street New York, New York	3,061) (1 mortgage	216	1,945	0	2,539
470 Park Avenue South New York, New York	35,489) (3 mortgages	3,450	22,184	0	9,015
36 West 44th Street New York, New York	10,200) (1 mortgage	2,700	11,115	0	0
	(1) $87,943	$6,366	$47,452	$0	$40,063

COLUMN A	COLUMN E		
	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL
673 First Avenue, New York, NY	$ 0	$40,717	$40,717
29 West 35th Street New York, New York	216	4,484	4,700
470 Park Avenue South New York, New York	3,450	31,199	34,649
36 West 44th Street New York, New York	2,700	11,115	13,815
	$6,366	$87,515	$93,881

COLUMN A	COLUMN F	COLUMN G
DESCRIPTION	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION
673 First Avenue, New York, NY	$ 9,723	
29 West 35th Street New York, New York	1,765	
470 Park Avenue South New York, New York	9,369	
36 West 44th Street New York, New York	66	
	$20,923	

COLUMN A	COLUMN H	COLUMN I
DESCRIPTION	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IS COMPUTED
673 First Avenue, New York, NY	4/28/88	Various
29 West 35th Street New York, New York	6/21/83	Various

470 Park Avenue South New York, New York	9/15/86	Various
36 West 44th Street New York, New York	10/01/96	Various

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(1) Encumbrance includes accrued interest of $14,885 and excludes principal and interest of an unsecured note of $2,302.

THE UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION (CONTINUED)

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

The changes in real estate for the three years ended December 31, 1996 are as follows:

	1996	1995	1994
Balance at beginning of period	$ 79,098	$ 78,408	$ 76,445
Improvements	14,783	690	1,963
Balance at end of period	$ 93,881	$ 79,098	$ 78,408

The aggregate cost of land, buildings and improvements for Federal income tax purposes at December 31, 1996 was $81,673.

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, and furniture and fixtures, for the three years ended December 31, 1996 are as follows:

	1996	1995	1994
Balance at beginning of period	$ 18,006	$ 15,007	$ 12,138
Depreciation for period	2,917	2,999	2,869
Balance at end of period	$ 20,923	$ 18,006	$ 15,007

REPORT OF INDEPENDENT AUDITORS

To the Partners, Members, and Shareholders of
SL Green Realty Corp.

We have audited the statement of revenues and certain expenses of the property at 1414 Avenue of the Americas as described in Note 1, for the year ended December 31, 1995. The financial statement is the responsibility of management of 1414 Avenue of the Americas. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purposes of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Form S-11 of SL Green Realty Corp. and is not intended to be a complete presentation of 1414 Avenue of the Americas' revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of 1414 Avenue of the Americas, as described in Note 1 for the year ended December 31, 1995 in conformity with generally accepted accounting principles.

/S/ Ernst & Young LLP

New York, New York
May 2, 1997

1414 AVENUE OF THE AMERICAS

STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

NOTE 1

	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
		(UNAUDITED)
Revenues		
Rental revenue	$ 3,325	$ 1,663
Escalations and reimbursement revenue	212	72
Other income	--	299
Total revenues	3,537	2,034
Certain Expenses		
Property taxes	685	339
Cleaning and security	351	159
Utilities	300	101
Payroll and expenses	205	105
Management fees	161	63
Repairs and maintenance	84	86
Other operating expenses	52	29
Total certain expenses	1,838	882
Revenues in excess of certain expenses	$ 1,699	$ 1,152

See accompanying notes.

1414 AVENUE OF THE AMERICAS

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1995

1. BASIS OF PRESENTATION

Presented herein is the statement of revenues and certain expenses related to the operations of 1414 Avenue of the Americas, (the "Property"), located in the borough of Manhattan in New York City.

The accompanying financial statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the SL Green Realty Corp. in the proposed future operations of the aforementioned property. Items excluded consist of interest, ground rent, amortization and depreciation.

On June 23, 1996, the SL Green Predecessor purchased the Property and the underlining land lease.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

The Property is leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $208 and $58 (unaudited) for the year ended December 31, 1995 and the six months ended June 30, 1996, respectively.

4. CONCENTRATION OF REVENUE

Approximately 22% and 23% of 1414 Avenue of the Americas' revenue for the year ended December 31, 1995 and the six months ended June 30, 1996, respectively were derived from two tenants.

5. MANAGEMENT AGREEMENTS

During 1995 and the period ended June 23, 1996 the Property was managed by SL Green Management Corp. as agent. During the period from January 1, 1995 to April 30, 1995 the management fee was based on four percent (4%) of gross collections of which 25% percent of the management fee has been accrued and is payable when the net cash flow of the Property exceeds one million dollars. From May 1, 1995 to June 23, 1996 the management fee was based on three percent (3%) of gross collections from the Property.

6. LEASE AGREEMENTS

The Property is being leased to tenants under operating leases with term expiration dates ranging from 1996 to 2010. The minimum rental amounts due under the leases are generally subject to scheduled fixed increases. The leases generally also require that the tenants reimburse the Property for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum

6. LEASE AGREEMENTS (CONTINUED)
rents to be received over the next five years and thereafter for non-cancelable operating leases as of December 31, 1995 (exclusive of renewal option periods) are as follows:

1996	$ 3,165
1997	3,189
1998	2,923
1999	2,167
2000	1,932
Thereafter	6,972
	$ 20,348

Prior to the acquisition, the Property was the lessee of a triple net ground lease with term expiration date of 2036. The minimum rental amounts due under the ground lease is subject to scheduled fixed increases. The ground lease requires that the tenant is responsible for the payment for all expenses. In connection with the acquisition of the property and underlining land on June 23, 1996, by SL Green Predecessor the ground lease was terminated.

7. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 1996 is unaudited, however, in the opinion of management all adjustments, (consisting solely of normal recurring adjustments), necessary for a fair presentation of the financial statement for the interim period have been included. The results of the interim period is not necessarily indicative of the results to be obtained for a full fiscal year.

REPORT OF INDEPENDENT AUDITORS

To the Partners, Members, and Shareholders of
SL Green Realty Corp.

We have audited the statement of revenues and certain expenses of the property at 36 West 44th Street ("Bar Building") as described in Note 1, for the year ended December 31, 1996. The financial statement is the responsibility of management of the Bar Building. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purposes of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Form S-11 of SL Green Realty Corp. and is not intended to be a complete presentation of the Bar Building's revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Bar Building, as described in Note 1 for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

/S/ Ernst & Young LLP

New York, New York
May 7, 1997

36 WEST 44TH STREET

STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

NOTE 1

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997
		(UNAUDITED)
Revenues		
Rental revenue	$ 3,599	$ 1,547
Escalation and reimbursement revenue	980	471
Other income	53	30
Total revenues	4,632	2,048
Certain Expenses		
Property taxes	872	413
Cleaning and security	838	250
Utilities	358	165
Professional fees	133	42
Payroll and expenses	74	131
Management fees	61	61
Repairs and maintenance	40	46
Ground rent	93	46
Other operating expenses	100	69
Total certain expenses	2,569	1,223
Revenues in excess of certain expenses	$ 2,063	$ 825

See accompanying notes.

36 WEST 44TH STREET

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

1. BASIS OF PRESENTATION

Presented herein is the statement of revenues and certain expenses related to the operations of the Bar Building, (the "Property"), located in the borough of Manhattan in New York City.

The accompanying financial statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the SL Green Realty Corp. in the proposed future operations of the aforementioned Property. Items excluded consist of interest, amortization and depreciation.

On September 30, 1996 Praedium Bar Associates, LLC ("Praedium") acquired the mortgage secured by the property and SL Green Predecessor acquired its interest in Praedium.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

The Property is leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts due over amounts so recognized pursuant to the underlying leases amounted to approximately $60 and $29 (unaudited) for the year ended December 31, 1996 and the six months ended June 30, 1997, respectively.

4. CONCENTRATION OF REVENUE

Approximately 11% and 13% of the Bar Building's revenue for the year ended December 31, 1996 and the six months ended June 30, 1997, respectively, was derived from one tenant.

5. MANAGEMENT AGREEMENTS

There was no management fee incurred for the period January 1, through June 28, 1996. The compensation for management services incurred from June 28, through September 30, 1996 included an initial one time start-up fee of $7,500 and thereafter, a monthly fixed fee of $7,500. For the period of October 1, through December 31, 1996 the management fee was based on three percent (3%) of gross receipts from the Property.

6. LEASE AGREEMENTS

The Property is being leased to tenants under operating leases with term expiration dates ranging from 1997 to 2006. The minimum rental amounts due under the leases are generally subject to scheduled fixed increases. The leases generally also require that the tenants reimburse the Property for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum

6. LEASE AGREEMENTS (CONTINUED)
rents to be received over the next five years and thereafter for non-cancelable operating leases as of December 31, 1996 (exclusive of renewal option periods) are as follows:

1997	$ 2,886
1998	2,335
1999	2,110
2000	1,434
2001	859
Thereafter	1,163
	$ 10,787

The Property is the lessee of a triple net ground lease with term expiration date of 2080. The minimum rental amounts due under the ground lease is subject to scheduled increases, based on 33% of the percentage increase in the Consumer Price Index. The ground lease requires that the tenant is responsible for the payment for all expenses. Approximate future minimum rents to be paid over the next five years and thereafter for the ground lease as of December 31, 1996 are as follows:

1997	$ 93
1998	93
1999	93
2000	93
2001	93
Thereafter	7,347
	$ 7,812

7. RELATED PARTY TRANSACTIONS

There are several business relationships with related parties which involve management, leasing and maintenance expenses. Transactions include the following:

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997
		(UNAUDITED)
Leasing commission's	$ 40	$ 98
Management fees	31	61
Cleaning and security	6	42

8. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 1997 is unaudited, however, in the opinion of management all adjustments, (consisting solely of normal recurring adjustments), necessary for a fair presentation of the financial statement for the interim period have been included. The results of the interim period is not necessarily indicative of the results to be obtained for a full fiscal year.

REPORT OF INDEPENDENT AUDITORS

To the Partners, Members, and Shareholders of
SL Green Realty Corp.

We have audited the statement of revenues and certain expenses of the property at 1372 Broadway, as described in Note 1, for the year ended December 31, 1996. The financial statement is the responsibility of management of 1372 Broadway. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purposes of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Form S-11 of SL Green Realty Corp. and is not intended to be a complete presentation of 1372 Broadways' revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of 1372 Broadway, as described in Note 1 for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

/S/ Ernst & Young LLP

New York, New York
May 2, 1997

1372 BROADWAY

STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

NOTE 1

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997 (UNAUDITED)
Revenues		
Rental revenue (net)	$ 8,580	$ 4,054
Escalations and reimbursement revenue	1,842	562
Other income	690	1,483
Total revenues	11,112	6,099
Certain Expenses		
Property taxes	2,343	1,098
Utilities	1,287	491
Management fees	459	142
Marketing, general, and administrative	335	144
Repairs and maintenance	950	462
Insurance	77	32
Security	149	66
Total certain expenses	5,600	2,435
Revenues in excess of certain expenses	$ 5,512	$ 3,664

See accompanying notes.

1372 BROADWAY

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

1. BASIS OF PRESENTATION

Presented herein is the statement of revenues and certain expenses related to the operations of 1372 Broadway (the "Property"), located in the New York City garment district, which is principally leased by garment, banking, and retail tenants.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the SL Green Realty Corp. in the proposed future operations of the aforementioned property. Items excluded consist of interest, amortization and depreciation.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

The Property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $22 and $(117) (unaudited) for the year ended December 31, 1996 and the six months ended June 30, 1997 respectively.

4. MANAGEMENT AGREEMENTS

The Property, as of July 1, 1997, is managed by Axiom Real Estate Management ("Axiom"), Inc. for a fixed annual amount of $37 plus an allocation of overhead costs which were approximately $354 in 1996. Prior to May 1, 1997, the Property was managed by Winthrop Management for a fee of 5% of gross rental receipts.

5. INSURANCE COSTS

Insurance costs represent 1372 Broadway's portion of an umbrella policy held by Winthrop Management.

6. LEASE AGREEMENTS

The Property is being leased to tenants under operating leases with expiration dates ranging from 1997 to 2010. Most leases contain renewal options at the election of the lessee. The lease agreements generally contain provisions for reimbursements of real estate taxes and operating expenses over base year amounts. Future minimum lease receipts under non-cancelable operating leases as of December 31, 1996 (exclusive of renewal option periods) were as follows:

1997	$ 8,253
1998	8,389
1999	8,421
2000	7,505
2001	7,084
Thereafter	36,787
	$ 76,439

7. CONCENTRATION OF REVENUE

Approximately 42% and 40% of 1372 Broadway's revenue for the year ended December 31, 1996 and for the six months ended June 30, 1997 were derived from three tenants.

8. CONTINGENCY

As of March 12, 1996, 1372 Broadway has been in legal proceedings related to grievances filed by the Service Employees International Union for allegedly violating the terms of their agreement for cleaning services. At this time management can not estimate the loss, if any, associated with this litigation.

9. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 1997 is unaudited, however, in the opinion of management all adjustments, (consisting solely of normal recurring adjustments), necessary for a fair presentation of the financial statement for the interim period have been included. The results of the interim period is not necessarily indicative of the results to be obtained for a full fiscal year.

10. SUBSEQUENT EVENT

On January 31, 1997, a tenant entered into an agreement whereby certain space leased by the tenant was terminated for a fee of $1,350.

REPORT OF INDEPENDENT AUDITORS

To the Partners, Members, and Shareholders of
SL Green Realty Corp.

We have audited the statement of revenues and certain expenses of the property at 1140 Avenue of the Americas, as described in Note 1, for the year ended December 31, 1996. The financial statement is the responsibility of management of 1140 Avenue of the Americas. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purposes of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Form S-11 of S.L. Green Realty Corp. and is not intended to be a complete presentation of 1140 Avenue of the Americas' revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of 1140 Avenue of the Americas, as described in Note 1 for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

/S/ Ernst & Young LLP

New York, New York

May 23, 1997

1140 AVENUE OF THE AMERICAS

STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

NOTE 1

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997
		(UNAUDITED)
Revenues		
Rental revenue	$ 4,265	$ 2,178
Escalations and reimbursement revenue	716	346
Other income	204	48
Total revenues	5,185	2,572
Certain Expenses		
Property taxes	1,007	519
Utilities	720	259
Cleaning and security	551	281
Payroll and expenses	241	137
Management fees	205	102
Repairs and maintenance	180	69
Professional fees	107	61
Interest--capital lease	56	28
Lease expense	14	7
Insurance	53	21
Other operating expenses	50	27
Total certain expenses	3,184	1,511
Revenues in excess of certain expenses	$ 2,001	$ 1,061

See accompanying notes.

1140 AVENUE OF THE AMERICAS

NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

1. BASIS OF PRESENTATION

Presented herein is the statement of revenues and certain expenses related to the operations of 1140 Avenue of the Americas, (the "Property"), located in the borough of Manhattan in New York City.

The accompanying financial statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the SL Green Realty Corp. in the proposed future operations of the aforementioned property. Items excluded consist of non-capital lease interest, amortization and depreciation.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

The Property is leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts due pursuant to the underlying leases over amounts so recognized amounted to approximately $59 and $54 (unaudited) for the year ended December 31, 1996 and the six months ended June 30, 1997, respectively.

4. CONCENTRATION OF REVENUE

Approximately 10% of 1140 Avenue of the Americas' revenue for the year ended December 31, 1996 and the six months ended June 30, 1997, respectively was derived from one tenant.

5. MANAGEMENT AGREEMENTS

During 1996 and the period ended June 30, 1997 the Property was managed by Murray Hill Property Management, Inc. During the period from January 1, 1996 to June 30, 1997 the management and asset management fees were based on three percent (3%) and one percent (1%) of gross collections from the Property, respectively.

6. LEASE AGREEMENTS

The Property is being leased to tenants under operating leases with term expiration dates ranging from 1997 to 2007. The minimum rental amounts due under the leases are generally subject to scheduled fixed increases. The leases generally also require that the tenants reimburse the Property for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum

6. LEASE AGREEMENTS (CONTINUED)
rents to be received over the next five years and thereafter for non-cancelable operating leases as of December 31, 1996 (exclusive of renewal option periods) are as follows:

1997	$ 4,439
1998	4,210
1999	3,813
2000	3,327
2001	2,826
Thereafter	7,638
	$ 26,253

The Property operates under a net ground lease with a term expiration date of 2016, with an option to renew for an additional 50 years. The minimum rental amounts due under the ground lease is subject to increases every 21 years based on four and a half percent (4 1/2%) of the fair and reasonable market value of the unencumbered land. The ground lease requires that the tenant is responsible for the payment for all expenses. The current annual rent for the period commencing January 1, 1997 through December 31, 2016 was in arbitration due to a disagreement relating to the market value of the land and has been recently resolved in the amount of approximately $380 (unaudited).

7. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 1997 is unaudited, however, in the opinion of management all adjustments, (consisting solely of normal recurring adjustments), necessary for a fair presentation of the financial statement for the interim period have been included. The results of the interim period is not necessarily indicative of the results to be obtained for a full fiscal year.

REPORT OF INDEPENDENT AUDITORS

To the Partners, Members, and Shareholders of
SL Green Realty Corp.

We have audited the statement of revenues and certain expenses of the property at 50 West 23rd Street, as described in Note 1, for the year ended December 31, 1996. The financial statement is the responsibility of management of 50 West 23rd Street. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purposes of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Form S-11 of SL Green Realty Corp. and is not intended to be a complete presentation of 50 West 23rd Street's revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of 50 West 23rd Street, as described in Note 1 for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

/S/ ERNST & YOUNG LLP

New York, New York
May 29, 1997

50 WEST 23RD STREET

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

(NOTE 1)

	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED JUNE 30, 1997
		(UNAUDITED)
REVENUES		
Rental revenue	$ 5,357	$ 2,597
Escalations and reimbursement revenue	716	386
Other income	12	1
Total revenues	6,085	2,984
CERTAIN EXPENSES		
Property taxes	1,006	518
Utilities	241	115
Management fees	195	91
Marketing, general, and administrative	129	53
Repairs and maintenance	808	362
Insurance	37	19
Security	101	49
Total certain expenses	2,517	1,207
Revenues in excess of certain expenses	$ 3,568	$ 1,777

See accompanying notes.

50 WEST 23RD STREET

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES

(DOLLARS IN THOUSANDS)

DECEMBER 31, 1996

1. BASIS OF PRESENTATION

Presented herein is the statement of revenues and certain expenses related to the operations of 50 West 23rd Street (the "Property"), located in the borough of Manhattan in New York City, which is principally leased by government, professional, and retail tenants.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the SL Green Realty Corp. in the proposed future operations of the aforementioned property. Items excluded consist of interest, amortization and depreciation.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

The Property is being leased to tenants under operating leases. Minimum rental income is recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $50 and $127 (unaudited) for the year ended December 31, 1996 and the six months ended June 30, 1997 respectively.

4. MANAGEMENT AGREEMENTS

The Property has been managed by Montrose Realty Corp., a related party to the seller, since May 1, 1989 for a fee of 3% of all rent, escalation rent and additional rent, and any other proceeds received from the Property.

5. LEASE AGREEMENTS

The Property is being leased to tenants under operating leases with term expiration dates ranging from 1997 to 2010. Most leases contain renewal options at the election of the lessee. The lease agreements generally contain provisions for reimbursements of real estate taxes and operating expenses over base year amounts. Future minimum lease receipts under non-cancelable operating leases as of December 31, 1996 (exclusive of renewal option periods) were as follows (in thousands):

1997	$ 5,097
1998	5,387
1999	4,735
2000	4,719
2001	3,986
Thereafter	13,845
	$ 37,769

6. CONCENTRATION OF REVENUE

Approximately 53% and 55% of 50 West 23rd Street's revenue for the year ended December 31, 1996 and the six months ended June 30, 1997 was derived from three tenants.

7. RELATED PARTY TRANSACTIONS

Legal fees of $120 were paid to a firm, certain partners of which are affiliated with the general partner of the seller. Of such amount, $76 was included in professional fees for the year ended December 31, 1996.

8. INTERIM UNAUDITED FINANCIAL INFORMATION

The statement of revenues and certain expenses for the six months ended June 30, 1996 is unaudited, however, in the opinion of management all adjustments, (consisting solely of normal recurring adjustments), necessary for a fair presentation of this financial statement for the interim period have been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.


[PHOTOGRAPH OF 70 WEST 36TH STREET WITH CAPTION NOTING THE ADDRESS]


[PHOTOGRAPH OF OFFICE SPACE LOBBY AT 470 PARK AVENUE SOUTH WITH CAPTION NOTING THE ADDRESS]


[PHOTOGRAPH OF 50 WEST 23RD STREET WITH CAPTION NOTING THE ADDRESS AND FOOTNOTE IDENTIFYING THE PROPERTY AS AN ACQUISITION PROPERTY]

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

SUMMARY TABLE OF CONTENTS

UNTIL , 1997 (25 DAYS AFTER THE COMMENCEMENT OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE SECURITIES OFFERED HEREBY, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN addition TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

10,100,000 SHARES

[LOGO]

SL GREEN REALTY CORP.
COMMON STOCK

PROSPECTUS

, 1997

LEHMAN BROTHERS

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

LEGG MASON WOOD WALKER
INCORPORATED
PRUDENTIAL SECURITIES INCORPORATED

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 30. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table itemizes the expenses incurred by the Company in connection with the Offering. All amounts are estimated except for the Registration Fee and the NASD Fee.

Registration Fee	$ 70,394
NASD Fee	23,730
New York Stock Exchange Listing Fee	123,100
Printing and Engraving Expenses	350,000
Legal Fees and Expenses	800,000
Accounting Fees and Expenses	650,000
Blue Sky Fees and Expenses	10,000
Financial Advisory Fee	2,045,000
Environmental and Engineering Expenses	35,000
Miscellaneous	42,776
Total	$4,150,000

ITEM 31. SALES TO SPECIAL PARTIES

See Item 32.

ITEM 32. RECENT SALES OF UNREGISTERED SECURITIES

Upon Formation of the Registrant, Stephen L. Green was issued 1,000 shares of Common Stock for total consideration of $1,000 in cash in order to provide the initial capitalization of the Registrant. These shares will be repurchased by the Registrant at cost upon completion of the Offering. In connection with the Formation Transactions, certain officers of the Registrant were issued an aggregate of 553,616 shares of Common Stock for total consideration of $3,831 in cash. The issuance of securities described in this Item 32 were made in reliance upon the exemption from registration provided by Section 4(2) under the Securities Act of 1933.

ITEM 33. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's officers and directors are and will be indemnified under Maryland and Delaware law, the Charter and Bylaws of the Company and the Partnership Agreement of the Operating Partnership against certain liabilities. The Company's Charter requires the Company to indemnify its directors and officers to the fullest extent permitted from time to time under Maryland law.

The Company's Bylaws require it to indemnify (a) any present or former director or officer who has been successful, on the merits or otherwise, in the defense of a proceeding to which he was made a party by reason of his service in that capacity, against reasonable expenses incurred by him in connection with the proceeding and (b) any present or former director or officer against any claim or liability unless it is established that (i) his act or omission was committed in bad faith or was the result of active or deliberate dishonesty, (ii) he actually received an improper personal benefit in money, property or services or (iii) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful.

In addition, the Company's Bylaws require the Company to pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a present or former director or officer made a party to a proceeding by reason of his service as a director or officer provided that the Company shall have

received (i) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the Company as authorized by the Bylaws and (ii) a written understanding by or on his behalf to repay the amount paid or reimbursed by the Company if it shall ultimately be determined that the standard of conduct was not met. The Bylaws also (i) permit the Company to provide indemnification and advance expenses to a present or former director or officer who served a predecessor of the Company in such capacity, and to any employee or agent of the Company or a predecessor of the Company, (ii) provide that any indemnification or payment or reimbursement of the expenses permitted or reimbursement of expenses under Section 2-418 of the MGCL for directors of Maryland corporations and (iii) permit the Company to provide such other and further indemnification or payment or reimbursement of expenses as may be permitted by Section 2-418 of the MGCL for directors of Maryland corporations.

Under Maryland law, a corporation formed in Maryland is permitted to limit, by provision in its charter, the liability of directors and officers so that no director of officer of the Company shall be liable to the Company or to any stockholder for money damages except to the extent that (i) the director or officer actually received an improper benefit in money, property or services, for the amount of the benefit or profit in money, property or services actually received, or (ii) a judgment or other final adjudication adverse to the director or officer is entered in a proceeding based on a finding in a proceeding that the director's or officer's action was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. The Charter has incorporated the provisions of such law limiting the liability of directors and officers.

The Partnership Agreement also provides for indemnification of the Company and its officers and directors to the same extent indemnification is provided to officers and directors of the Company in its organizational documents, and limits the liability of the Company and its officers and directors to the Operating Partnership and its partners to the same extent liability of officers and directors of the Company to the Company and its stockholders is limited under their organizational documents.

ITEM 34. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED

Not Applicable.

ITEM 35. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements, all of which are included in the Prospectus:

SL GREEN REALTY CORP.
Pro Forma Combined Financial Statements (unaudited)
Pro Forma Combined Balance Sheet as of June 30, 1997
Pro Forma Combined Statement of Income for the Six Months Ended June 30, 1997
Pro Forma Combined Statement of Income for the Year Ended December 31, 1996
Notes to Pro Forma Combined Financial Information

Historical
Report of Independent Auditors
Balance Sheet as of June 12, 1997
Notes to Balance Sheet

THE SL GREEN PREDECESSOR
Combined Financial Statements

Report of Independent Auditors
Combined Balance Sheets as of June 30, 1997 (unaudited) and

50 WEST 23RD STREET
Report of Independent Auditors
Statement of Revenues and Certain Expenses for the Six Months Ended June 30, 1997
(unaudited) and the Year Ended December 31, 1996

Notes to Statement of Revenues and Certain Expenses

(b) Exhibits

1.1	Form of Underwriting Agreement among Lehman Brothers Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Legg Mason Wood Walker, Incorporated and Prudential Securities Incorporated, as representatives of the several Underwriters, the Company and the Operating Partnership*
3.1	Articles of Incorporation of the Company*
3.2	Bylaws of the Company*
4.1	Specimen Share Certificate*
5.1	Opinion of Brown & Wood LLP regarding the validity of the securities being registered
8.1	Opinion of Brown & Wood LLP regarding tax matters
10.1	Form of Agreement of Limited Partnership of the Operating Partnership*
10.2	Form of Articles of Incorporation and Bylaws of the Management Corporation*
10.3	Form of Articles of Incorporation and Bylaws of the Leasing Corporation*
10.4	Form of Articles of Incorporation and Bylaws of the Construction Corporation*
10.5	Form of Employment and Noncompetition Agreement among the Executive Officers and the Company*
10.6	Employment and Noncompetition Agreement between David J. Nettina and the Company*
10.7	Form of Registration Rights Agreement between the Company and the persons named therein*
10.8	1997 Stock Option and Incentive Plan*
10.9	Supplemental Representations and Warranties Agreement among the Company, the Operating Partnership, and certain SL Green entities*
10.10	Omnibus Contribution Agreement*
10.11	Contract of Sale for 29 West 35th Street*
10.12	Contract of Sale for 470 Park Avenue South*
10.13	Option Agreement relating to 17 Battery Place*
10.14	LBHI Loan Agreement*
10.15	Option Agreement relating to 110 East 42nd Street
10.16	Form of Credit Facility documentation between the Company and LBHI
10.17	Form of Loan Agreement documentation between the Company and LBHI
21.1	List of Subsidiaries*
23.1	Consent of Brown & Wood LLP (included as part of Exhibit 5.1)
23.2	Consent of Ernst & Young LLP
23.3	Consent of Rosen Consulting Group
24.1	Power of Attorney (included on the signature page at page II-6 hereof)*
27.1	Financial Data Schedule*
99.1	Consent of Edwin T. Burton, III to be named as a proposed director*
99.2	Consent of John S. Levy to be named as a proposed director*
99.3	Consent of John H. Alschuler, Jr. to be named as a proposed director*
99.4	Rosen Market Study*

- ------------------------

* Previously filed.

ITEM 36. UNDERTAKINGS

The Registrant hereby undertakes:

(1) For purposes of determining any liability under the Securities Act the information omitted from the form of Prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in the form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery of each purchaser.

(4) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable ground to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York on this 11th day of August, 1997.

SL GREEN REALTY CORP.

BY: *

Stephen L. Green
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated as of the 11th day of August, 1997.

SIGNATURE	TITLE	DATE
*	Chief Executive Officer, President and Chairman of the Board of Directors (principal executive officer)	
Stephen L. Green		
*	Executive Vice President, Chief Financial Officer and Chief Operating Officer (principal financial officer and principal accounting officer)	
David J. Nettina		
/s/ BENJAMIN P. FELDMAN	Director	August 11, 1997
Benjamin P. Feldman		
*	Director	
Steven H. Klein		

*By: /s/ BENJAMIN P. FELDMAN — August 11, 1997
Benjamin P. Feldman
ATTORNEY-IN-FACT

Exhibit 5.1

BROWN & WOOD LLP

ONE WORLD TRADE CENTER
NEW YORK, NEW YORK 10048-0557
TELEPHONE: (212) 839-5300
FACSIMILE: (212) 839-5599

August 7, 1997

SL Green Realty Corp.
70 West 36th Street
New York, New York 10018

Ladies and Gentlemen:

This opinion is furnished in connection with the registration, pursuant to the Securities Act of 1933, as amended (the "Securities Act"), of 10,100,000 shares (the "Shares") of Common Stock, par value $.01 per share ("Common Stock"), of SL Green Realty Corp., a Maryland corporation (the "Company").

In connection with rendering this opinion, we have examined the Articles of Incorporation and the Bylaws of the Company; such records of the corporate proceedings of the Company as we deemed appropriate; a registration statement on Form S-11 under the Securities Act relating to the Shares, No. 333-29329, as amended (the "Registration Statement"), and the offering prospectus contained therein (the "Prospectus") and such other certificates, receipts, records and documents as we considered necessary for the purposes of this opinion.

We are attorneys admitted to practice in the States of New York and Maryland. We express no opinion concerning the laws of

any jurisdictions other than the laws of the United States of America, the State of Maryland and the State of New York.

Based upon the foregoing, we are of the opinion that when the Shares have been issued and paid for in accordance with the terms of the Prospectus, the Shares will be legally issued, fully paid and nonassessable shares of the Company's Common Stock.

The foregoing assumes that all requisite steps will be taken to comply with the requirements of the Securities Act and applicable requirements of state laws regulating the offer and sale of securities.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and the reference to our firm under the caption "Legal Matters" in the Prospectus.

Very truly yours,

/s/ Brown & Wood LLP

Exhibit 8.1

BROWN & WOOD LLP

ONE WORLD TRADE CENTER
NEW YORK, NEW YORK 10048-0557
TELEPHONE: (212) 839-5300
FACSIMILE: (212) 839-5599

August 5, 1997

SL Green Realty Corp.
70 West 36t Street
New York, New York 10018

Ladies and Gentlemen:

You have requested our opinion concerning certain of the federal income tax consequences to SL Green Realty Corp. (the "Company") in connection with the proposed transactions described in the prospectus included as part of the Form S-11 Registration Statement (No.333-29329) of the Company initially filed by the Company with the Securities and Exchange Commission on June 16, 1997, as amended through the date hereof (the "Registration Statement").

This opinion is based, in part, upon various assumptions and representations, including representations made by the Company as to factual matters set forth in the discussion of "Material Federal Income Tax Consequences" in the Registration Statement. This opinion is also based upon the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder and existing administrative and judicial interpretations thereof, all as they exist at the date of this letter. All of the foregoing statues, regulations and interpretations are subject to change, in some circumstances with retroactive effect. Any changes to the foregoing authorities might result in modifications of our opinions contained herein. Based on the foregoing, we are of the opinion that:

(1) Commencing with the Company's taxable year ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification as a real estate investment trust (a "REIT") under the Code and the proposed method of operation of the Company will enable the Company to meet the requirements for qualification and taxation as a REIT.

(2) The discussion in the Registration Statement under the caption "Material Federal Income Tax Consequences" summarizes the federal income tax considerations that are likely to be material to a holder of common stock of the Company.

We express no opinion with respect to the transactions described herein and in the Registration Statement other than those expressly set forth herein. Furthermore, the Company's

qualification as a REIT will depend on the Company's making a timely election for REIT status and meeting, in its actual operations, the applicable asset composition, source of income, shareholder diversification, distribution, recordkeeping and other requirements of the Code and Treasury Regulations necessary for a corporation to qualify as a REIT. We will not review these operations and no assurance can be given that the actual operations of the Company and its affiliates will meet these requirements or the representations made to us with respect thereto.

This opinion is furnished to you solely for your use in connection with the Registration Statement. We hereby consent to the filing of this opinion as Exhibit 8.1 to the Registration Statement and to the use of our name under the caption "Material Federal Income Tax Consequences" in the prospectus included therein.

Sincerely,

/s/ Brown & Wood LLP

Exhibit 10.15

110 East 42nd Street

OPTION TO PURCHASE

THIS OPTION TO PURCHASE (the "AGREEMENT") made this 6th day of August, 1997 by and between Green 110E42 Realty LLC, having an address at 70 West 36th Street, New York, New York ("SELLER") and SL Green Operating Partnership, L.P., having an address at 70 West 36th Street, New York, New York ("PURCHASER").

WHEREAS, Purchaser desires to acquire an option to purchase Seller's interest as contract vendee ("SELLER'S INTEREST") of the Property, as defined in the Contract of Sale attached hereto as Exhibit A and made a part hereof (the "AGREEMENT OF SALE"); and

WHEREAS, Seller desires to grant to Purchaser an option to purchase the Seller's Interest;

NOW, THEREFORE, in pursuance of said agreement and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Seller hereby grants to Purchaser an option, upon the terms and conditions hereinafter set forth (the "OPTION"), to acquire the Seller's Interest. The Option may be exercised by Purchaser in the manner hereinafter set forth from the date hereof through and including the tenth (10th) anniversary of the date hereof (the "OPTION PERIOD"). In the event Purchaser elects to exercise the Option, Purchaser shall give written notice thereof to Seller (the "OPTION NOTICE"), which Option Notice must (a) be received by Seller on or before the expiration of the Option Period and (b) be accompanied by Purchaser's unendorsed certified check in an amount equal to Seller's Investment (as defined below) to the order of Seller. In the event that the Option Notice is not delivered to Seller on or prior to the expiration of the Option Period or the Option Notice is not accompanied by Purchaser's unendorsed, certified check in an amount equal to the Seller's Investment, the Option shall be terminated and of no further force and effect and neither party shall have any further rights or liabilities under this paragraph. In the event the Option Notice and the Seller's Investment are delivered to Seller prior to the expiration of the Option Period, Seller shall, assign all of its right title and interest in the Agreement of Sale to Purchaser pursuant to an assignment in the form of EXHIBIT B attached hereto and made a part hereof. As used herein "SELLER'S INVESTMENT" shall mean a sum equal to all funds of whatever nature invested by Seller in

connection with the acquisition of the Property, including, without limitation, (a) all sums paid to 110 East 42nd Street Associates Limited Partnership ("OWNER") pursuant to the Agreement of Sale, (b) sums incurred in connection with any financing of sums paid to Owner or otherwise incurred in connection with the purchase of the Property, including, without limitation, principal and interest and commitment and application fees, (c) all accounting, legal, architectural, and engineering fees and expenses, (d) all other fees and expenses incurred in connection with any of the foregoing and (e) interest on all such sums at a rate equal to 12% from the date each such expense is actually incurred through and including the date the Option is exercised.

2. Seller may not sell or otherwise transfer the Seller's Interest to any party other than Purchaser (a "THIRD PARTY") without giving at least thirty (30) days prior written notice (the "SALE NOTICE") of such sale or transfer to Purchaser, which notice shall be accompanied by a copy of the proposed contract to be executed in connection with such sale or transfer. Upon receipt of the Sale Notice, Purchaser may, by giving notice to Seller within fifteen (15) days, exercise the Option on the terms contained herein and, at the sole and absolute option of Purchaser, either sell the Seller's Interest to the Third Party on the terms and conditions set forth in the aforementioned proposed contract, or such other terms as Purchaser and Third Party shall subsequently agree upon, or retain the option to purchase the Seller's Interest pursuant to the terms hereof. All contracts which Seller may enter into which relate to the sale or transfer of the Seller's Interest after the date hereof shall specifically state that they are subject and subordinate to the rights of Purchaser hereunder. In the event that Purchaser does not exercise the Option on the terms contained herein and a sale or transfer of the Seller's Interest by Seller to a Third Party is consummated, Seller shall pay to Purchaser on the date upon which such sale or transfer is consummated, a sum equal to (a) the gross sales price for the Seller's Interest (including normal and customary closing adjustments) minus (b)(i) Seller's Interest, (ii) all Federal income tax payable by the partners of Seller which results from the sale of the Property and (iii) other normal and customary costs attributable to the sale of the Property, including, without limitation, transfer taxes, brokerage commissions, reasonable legal fees and reasonable accounting fees (the "NET AFTER TAX PROFIT"). Upon the payment of Seller's Net After Tax Profit to Purchaser, this Agreement shall be terminated and of no further force and effect and neither party shall have any further rights or liabilities hereunder.

3. In the event that Seller or a partnership, corporation limited liability company, joint venture or other entity in which Seller owns a legal or beneficial interest acquires the Property and at such time Purchaser has not exercised the Option, at any

time prior to the expiration of the Option Period Seller shall, at the request of Purchaser, enter into an option agreement to sell Seller's interest in the Property to Purchaser for a purchase price equal to Seller's Investment which shall be in form and substance reasonably acceptable to Purchaser and Seller and on such other terms as are commercially reasonable for transactions of such type.

4. Seller represents and warrants that (a) it is the sole owner of, and has good and marketable title to, the Seller's Interest, (b) Seller has not granted an option or right of first refusal to purchase the Seller's Interest to any party other than Purchaser and (c) Seller is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code, as amended, or any regulation promulgated thereunder.

5. Seller covenants that (a) it will not modify the Purchase Agreement or enter into any agreement with respect to the Property which in any way would have a material adverse effect upon the rights of Purchaser hereunder without Purchaser's prior written consent, which consent may be withheld or granted in Purchaser's sole discretion and (b) that it will not purchase the Property or give a Purchaser's Closing Notice (as defined in the Agreement of Sale) without first giving Purchaser 15 days prior written notice and the opportunity to exercise the Option.

6. Seller and Purchaser mutually represent and warrant that neither Seller nor Purchaser know of any broker who has claimed, or may have the right to claim, a commission or any similar finder's fee in connection with the transaction contemplated by this Agreement. Seller and Purchaser shall indemnify and defend each other against any costs, claims or expenses, including reasonable attorneys' fees, arising out of the breach on their respective parts of any representations, warranties or agreements contained in this paragraph. The representations and obligations under this paragraph shall survive the closing of the transactions contemplated in this Agreement (the "CLOSING") or, if the Closing does not occur, the termination of this Agreement.

7. All notices hereunder shall be in writing and may be given either by (a) federal express or other nationally recognized overnight courier or (b) hand delivery, in each case to the Seller or Purchaser, as applicable, at the address first set forth above with a copy in either case to Brown & Wood LLP, One World Trade Center, New York, New York 10045. Attn: David J. Weinberger, Esq. Notices shall be deemed given one day after posting, if given pursuant to (a) above or upon delivery, if given pursuant to (b) above.

8. Time shall be of the essence with regard to all notices given hereunder.

9. All matters relating to the operation, construction or interpretation of this Agreement shall be governed and determined by the internal laws of the State of New York, without giving effect to the principles of conflicts of laws.

10. Unless specifically provided herein, no failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy upon a breach thereof shall constitute a waiver of any such breach of any other covenant, agreement, term or condition set forth herein. Neither this Agreement nor any provision hereof may be waived, modified, amended, discharged or terminated except by an instrument signed by the party against whom the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument. No waiver shall affect or alter the remainder of this Agreement but each and every covenant, agreement, term and condition hereof shall continue in full force and effect with respect to any other then existing or subsequent breach.

11. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings of the parties in connection therewith. No covenant, representation or condition not expressed in this Agreement shall affect, or be effective to interpret, change or restrict, the express provisions of this Agreement.

12. This Agreement may not be assigned, transferred or conveyed by Purchaser to any person(s) or entity without the prior written consent of Seller.

13. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs or successors and permitted assigns.

14. Exercise by Purchaser of the Option shall be subject to the approval of a majority of the Independent Directors. As used herein "Independent Directors" shall mean the directors of SL Green Realty Corp. (the "COMPANY") who are neither officers of the Company nor affiliated with Seller.

15. No provision of this Agreement is intended, nor shall it be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any customer, affiliate, stockholder, partner, director, officer or employee of any party hereto or any other person or entity.

16. If any provision of this Agreement, or the application thereof, is for any reason held to any extent to be invalid or unenforceable, the remainder of this Agreement and application of

such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties hereto further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision and to execute any amendment, consent or agreement deemed necessary or desirable by Purchaser to effect such replacement.

17. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any federal or state court located in New York (as to which the parties agree to submit to jurisdiction for the purposes of such action), this being in addition to any other remedy to which they are entitled under this Agreement or otherwise at law or in equity.

18. The parties hereto each agree to do such other and further acts and things, and to execute and deliver such instruments and documents (not creating any obligations additional to those otherwise imposed by this Agreement) as either may reasonably request from time to time, whether at, before or after the Closing, to confirm or effectuate the provisions of this Agreement.

* * * *

IN WITNESS WHEREOF, Seller and Purchaser have executed this Agreement the day and year first above written.

GREEN 110E42 REALTY LLC, Seller

By: /s/ Benjamin P. Feldman

Benjamin P. Feldman
Manager

SL GREEN OPERATING PARTNERSHIP, L.P.,
Purchaser

By: SL Green Realty Corp.,
its general partner

By: /s/ Benjamin P. Feldman

Benjamin P. Feldman
Executive Vice President

Exhibit B

ASSIGNMENT AND ASSUMPTION OF CONTRACT

Agreement made as of this ___ day of _____, by and between Green 110E42 Realty LLC, a New York limited liability company having an address at 70 West 36th Street, New York, New York ("ASSIGNOR") and SL Green Operating Partnership, L.P., a Delaware limited partnership having an address at 70 West 36th Street, New York, New York ("ASSIGNEE").

RECITALS

Assignor is the contract vendee under that certain agreement of sale between Assignor, as purchaser, and 110 East 42nd Street Associates Limited Partnership, as seller, dated as of August ___, 1997, covering the property and interests more particularly therein (the "CONTRACT").

Pursuant to the Option to Purchase dated as of August ___, 1997 (the "OPTION"), Assignor agreed, INTER ALIA, to assign the Contract, to Assignee and Assignee agreed to assume Assignor's obligations thereunder and with respect thereof.

AGREEMENTS

In consideration of the promises and conditions contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns to Assignee, without warranty, representation or recourse, all of its right, title and interest in, to and under the Contract and to the Earnest Money Deposit (as defined therein).

2. Assignee hereby assumes the Contract and all of Assignor's obligations under the Contract and Assignee agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, damages, liabilities and expenses, including, without limitation, reasonable attorney's fees, imposed upon or incurred by Assignor by reason of Assignee's failure to perform the purchaser's obligations under the Contract arising from and after the date of this Agreement.

3. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors in interest and assigns.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

ASSIGNOR:

GREEN 110E42 REALTY LLC, Seller

By:_____
Stephen L. Green
Member

ASSIGNEE:

SL GREEN OPERATING PARTNERSHIP, L.P.,
Purchaser

By: SL Green Realty Corp.,
its general partner

By:_____
Stephen L. Green
President

EXHIBIT 10.16

LEHMAN BROTHERS HOLDINGS INC.
3 WORLD FINANCIAL CENTER
200 VESEY STREET
NEW YORK, NY 10285

AUGUST __, 1997

MR. DAVID NETTINA, CHIEF FINANCIAL OFFICER,
EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICER
SL GREEN REALTY CORP.
SL GREEN OPERATING PARTNERSHIP, L.P.
70 WEST 36TH STREET
NEW YORK, NY 10018

DEAR DAVID:

LEHMAN BROTHERS HOLDINGS INC. ("LEHMAN") IS PLEASED TO ISSUE THIS COMMITMENT (THE "COMMITMENT") TO SL GREEN REALTY CORP. AND SL GREEN OPERATING PARTNERSHIP, L.P. (COLLECTIVELY, THE "COMPANY") FOR (I) AN INTERIM LINE OF CREDIT FACILITY (THE "INTERIM FACILITY) IN THE MAXIMUM PRINCIPAL AMOUNT OF $49,150,000.00, SUBJECT TO COMPLIANCE WITH THE TERMS AND CONDITIONS CONTAINED HEREIN AND IN THE TERM SHEET ATTACHED AS EXHIBIT III, AND (II) A LINE OF CREDIT FACILITY (THE "FACILITY) IN THE MAXIMUM PRINCIPAL AMOUNT OF $75,000,000 (THE "FACILITY AMOUNT"), SUBJECT TO COMPLIANCE WITH THE TERMS AND CONDITIONS CONTAINED HEREIN AND, IN THE TERM SHEET ATTACHED AS EXHIBIT I AND THE COMPANY'S SATISFACTORY COMPLIANCE WITH THE CLOSING CONDITIONS ATTACHED AS EXHIBIT II. THE DETERMINATION OF THE INITIAL FACILITY AMOUNT FOR BOTH THE INTERIM FACILITY AND THE FACILITY IS CONDITIONED ON THE SATISFACTORY COMPLETION OF LEHMAN'S LEGAL AND COLLATERAL DUE DILIGENCE REVIEW, IT BEING UNDERSTOOD THAT LEHMAN SHALL HAVE ABSOLUTE DISCRETION TO ACCEPT OR REJECT ANY OF THE PROPOSED COLLATERAL (THE "PROPERTIES") IN WHOLE OR IN PART BASED ON ITS ANALYSIS THEREOF. THE PROCEEDS OF THE INTERIM FACILITY SHALL BE USED ONLY IN ACCORDANCE WITH THE TERMS OF EXHIBIT III AND THE PROCEEDS OF THE FACILITY WILL BE USED TO ACQUIRE ADDITIONAL NEW YORK CITY OFFICE PROPERTIES (CLASS B OR BETTER), FINANCE IMPROVEMENT COSTS ON EXISTING ASSETS OF THE COMPANY, AND PROVIDE WORKING CAPITAL.

LEHMAN'S OBLIGATIONS HEREUNDER ARE FURTHER SUBJECT TO EACH OF THE FOLLOWING CONDITIONS:

1. NO MATERIAL ADVERSE CHANGE HAVING OCCURRED OR ANY DEVELOPMENT INVOLVING A PROSPECTIVE MATERIAL ADVERSE CHANGE IN THE BUSINESS, OPERATIONS OR CONDITION (FINANCIAL OR OTHERWISE) OF THE PROPERTIES OR THE COMPANY FROM THOSE KNOWN BY LEHMAN TO EXIST ON THE DATE OF THIS COMMITMENT, WHETHER OR NOT ARISING IN THE ORDINARY COURSE OF BUSINESS.

2. NO CONDITION OCCURRING OR SHALL HAVE OCCURRED THAT COULD BE AN "EVENT OF DEFAULT" UNDER THE LOAN DOCUMENTS, IF THEY WERE IN EFFECT.

3. NO MATERIAL ADVERSE CHANGE HAVING OCCURRED IN GENERAL ECONOMIC, POLITICAL OR FINANCIAL CONDITIONS FROM THOSE THAT EXIST ON THE DATE OF THIS COMMITMENT WHICH, IN THE REASONABLE JUDGMENT OF LEHMAN, MAKE IT INADVISABLE OR IMPRACTICAL TO PROCEED WITH THE FACILITY.

4. THE COMPANY'S AGREEMENT TO RETAIN LEHMAN AS LEAD MANAGING UNDERWRITER OR PLACEMENT AGENT FOR ITS INITIAL EQUITY OFFERING, THE MINIMUM PROCEEDS OF WHICH ARE $100 MILLION.

5. THE PAYMENT OF ALL FEES AND OTHER COSTS AND EXPENSES DUE TO LEHMAN PURSUANT TO THE TERMS THIS COMMITMENT.

6. THE TERM OF THIS COMMITMENT SHALL EXPIRE (I) TEN (10) DAYS FROM THE DATE HEREOF WITH RESPECT TO THE INTERIM FACILITY AND (II) TWO (2) MONTHS FROM THE DATE HEREOF WITH RESPECT TO THE FACILITY BY WHICH TIME THE INTERIM FACILITY AND THE FACILITY, RESPECTIVELY, MUST HAVE CLOSED OR THIS COMMITMENT SHALL BE OF NO FURTHER FORCE OR EFFECT, PROVIDED HOWEVER THAT THE PROVISIONS OF PARAGRAPHS 8 - - 19 HEREOF SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS COMMITMENT.

7. THE COMPANY:

(A) WILL NOT CONTACT, INITIATE DISCUSSIONS OR PURSUE NEGOTIATIONS WITH ANY PROSPECTIVE PARTIES FOR A FINANCING OF ANY OF THE PROPERTIES DURING THE TERM OF THIS COMMITMENT AND WILL REFER ALL INQUIRIES WITH RESPECT TO ANY SUCH FINANCING TO LEHMAN,

(B) SHALL MAKE AVAILABLE TO LEHMAN ALL INFORMATION CONCERNING THE BUSINESS, ASSETS, OPERATIONS AND FINANCIAL CONDITION OF THE COMPANY AND THE PROPERTIES WHICH LEHMAN REASONABLY REQUESTS IN CONNECTION WITH THE INTERIM FACILITY AND THE FACILITY AND ALL SUCH INFORMATION PROVIDED BY THE COMPANY TO LEHMAN, SHALL BE COMPLETE AND ACCURATE AND NOT MATERIALLY MISLEADING AND LEHMAN MAY RELY UPON THE COMPLETENESS AND ACCURACY OF ALL SUCH INFORMATION WITHOUT INDEPENDENT VERIFICATION;

(C) REPRESENTS AND WARRANTS TO LEHMAN THAT, AS OF THE DATE HEREOF, (I) THE COMPANY HOLDS TITLE TO THE PROPERTIES OR HAS ENTERED INTO A BINDING CONTRACT TO PURCHASE THE PROPERTIES, (II) THE EXISTING MORTGAGES AFFECTING THE PROPERTIES CAN BE PREPAID WITH THE PROCEEDS FROM THE FACILITY OR THE INITIAL EQUITY OFFERING OR PURCHASED WITH THE PROCEEDS OF THE INTERIM FACILITY AND (III) THERE ARE NO OPTIONS OR RIGHTS TO PURCHASE THE PROPERTIES.

8. AS COMPENSATION FOR THIS COMMITMENT, THE COMPANY SHALL PAY LEHMAN AS FOLLOWS:

(A) A FEE (THE "COMMITMENT FEE") OF 0.50% OF THE FACILITY AMOUNT, ONE-HALF OF WHICH SHALL BE DUE UPON CLOSING OF THE INTERIM FACILITY OR, IF THE INTERIM FACILITY DOES NOT CLOSE, ON THE CLOSING OF THE FACILITY, AND THE REMAINING ONE-HALF OF WHICH SHALL BE DUE AND PAYABLE ON THE FIRST ANNIVERSARY OF THE CLOSING OF THE FACILITY; ANY COMMITMENT FEE PAID IN CONNECTION WITH THE CLOSING OF THE INTERIM FACILITY SHALL BE CREDITED TOWARDS THE PAYMENT OF THE COMMITMENT FEE DUE IN CONNECTION WITH THE FACILITY.

(I) IF THIS COMMITMENT IS TERMINATED PURSUANT TO PARAGRAPH 6 ABOVE, OR UPON THE CANCELLATION OF THIS COMMITMENT, THE COMPANY WILL IMMEDIATELY REIMBURSE LEHMAN FOR ANY OUT-OF-

POCKET EXPENSES INCURRED THROUGH SUCH DATE (AS OUTLINED IN PARAGRAPH 9 HEREOF).

9. IN ADDITION TO ANY FEES THAT MAY BE PAYABLE HEREUNDER, AND WHETHER OR NOT THE INTERIM FACILITY OR THE FACILITY IS CLOSED, THE COMPANY SHALL REIMBURSE LEHMAN FOR ITS REASONABLE OUT-OF-POCKET EXPENSES INCURRED WITH RESPECT TO ITS COMMITMENT HEREUNDER FOR FEES AND DISBURSEMENTS OF LEGAL COUNSEL. THE COMPANY SHALL ALSO REIMBURSE LEHMAN FOR ITS REASONABLE OUT-OF-POCKET EXPENSES INCURRED WITH RESPECT TO ITS COMMITMENT HEREUNDER FOR (A) SURVEYORS, ENGINEERS, CONSULTANTS, APPRAISERS, ACCOUNTANTS, AND OTHER PROFESSIONALS CONTRACTED BY LEHMAN. THE COMPANY SHALL PAY LEHMAN'S EXPENSES AS SET FORTH THEREIN PROMPTLY UPON OF PRESENTATION OF LEHMAN'S STATEMENT DETAILING THE AMOUNT AND THE PURPOSE FOR EACH EXPENSE, AND IN ANY EVENT, PRIOR TO CLOSING OF THE INTERIM FACILITY OR THE FACILITY. LEHMAN RECOGNIZES THAT THE COMPANY MAY PREFER TO BE RESPONSIBLE FOR THE SELECTION AND ENGAGEMENT OF THIRD PARTIES, INCLUDING THE PROFESSIONALS IDENTIFIED ABOVE (SUCH THIRD PARTIES BEING ACCEPTABLE TO LEHMAN), AND, IF THE COMPANY DOES SO, THE COMPANY SHALL BE RESPONSIBLE FOR PAYING SUCH PERSONS.

10. THE COMPANY SHALL:

(A) INDEMNIFY LEHMAN AND HOLD IT HARMLESS AGAINST ANY AND ALL LOSSES, CLAIMS, DAMAGES OR LIABILITIES TO WHICH LEHMAN MAY BECOME SUBJECT ARISING IN ANY MANNER OUT OF OR IN CONNECTION WITH THE RENDERING OF THE COMMITMENT OR ANY OTHER SERVICES BY LEHMAN HEREUNDER, EXCEPT TO THE EXTENT IT IS DETERMINED THAT SUCH LOSSES, CLAIMS, DAMAGES OR LIABILITIES RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT BY LEHMAN OF ITS OBLIGATIONS HEREUNDER; AND

(B) REIMBURSE LEHMAN PROMPTLY UPON REQUEST FOR ANY LEGAL OR OTHER EXPENSES REASONABLY INCURRED BY IT IN CONNECTION WITH INVESTIGATING, PREPARING TO DEFEND OR DEFENDING, OR PROVIDING EVIDENCE IN OR PREPARING TO SERVE OR SERVING AS A WITNESS WITH RESPECT TO, ANY LAWSUITS, INVESTIGATIONS, CLAIMS OR OTHER PROCEEDINGS WITH RESPECT TO WHICH THE COMPANY IS INDEMNIFYING LEHMAN HEREUNDER. ANY REQUEST FOR REIMBURSEMENT SHALL CONTAIN REASONABLE DETAIL FOR THE COMPANY TO VERIFY THE PROPRIETY OF SUCH REQUEST.

THE COMPANY AGREES THAT THE INDEMNIFICATION AND REIMBURSEMENT COMMITMENTS SET FORTH IN THIS PARAGRAPH 10 SHALL APPLY WHETHER OR NOT LEHMAN IS A FORMAL PARTY TO ANY SUCH LAWSUITS, CLAIMS OR OTHER PROCEEDINGS AND THAT SUCH COMMITMENTS SHALL EXTEND UPON THE TERMS SET FORTH IN THIS PARAGRAPH TO ANY CONTROLLING PERSON, AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF LEHMAN (EACH, WITH LEHMAN, AN "INDEMNIFIED PERSON"). THE COMPANY FURTHER AGREES THAT, WITHOUT LEHMAN'S PRIOR WRITTEN CONSENT, IT WILL NOT ENTER INTO ANY SETTLEMENT OF A LAWSUIT, CLAIM OR OTHER PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED BY THE COMMITMENT. IF INDEMNIFICATION IS TO BE SOUGHT HEREUNDER BY AN INDEMNIFIED PERSON, THEN SUCH INDEMNIFIED PERSON SHALL NOTIFY THE COMPANY OF THE COMMENCEMENT OF ANY ACTION OR PROCEEDING WITH RESPECT THERETO; PROVIDED, HOWEVER, THAT THE FAILURE SO TO NOTIFY THE COMPANY SHALL NOT RELIEVE THE COMPANY FROM ANY LIABILITY THAT IT MAY HAVE TO SUCH INDEMNIFIED PERSON PURSUANT TO THIS PARAGRAPH 10, EXCEPT TO THE EXTENT THAT THE COMPANY HAS BEEN PREJUDICED IN ANY MATERIAL RESPECT BY SUCH FAILURE, OR FROM ANY LIABILITY IT MAY HAVE TO SUCH INDEMNIFIED PERSON OTHER THAN PURSUANT TO THIS PARAGRAPH 10.

11. EXCEPT AS CONTEMPLATED BY THE TERMS HEREOF OR AS REQUIRED BY APPLICABLE LAW OR PURSUANT TO AN ORDER ENTERED OR SUBPOENA ISSUED BY A COURT OF COMPETENT JURISDICTION, LEHMAN SHALL KEEP CONFIDENTIAL ALL MATERIAL NON-PUBLIC INFORMATION PROVIDED TO IT BY THE COMPANY, AND SHALL NOT DISCLOSE

SUCH INFORMATION TO ANY THIRD PARTY, OTHER THAN SUCH OF ITS EMPLOYEES AND ADVISORS AS LEHMAN AND THE COMPANY DETERMINE TO HAVE A NEED TO KNOW IN CONNECTION WITH THE INTERIM FACILITY OR THE FACILITY.

12. EXCEPT AS REQUIRED BY APPLICABLE LAW, AND AS CONTEMPLATED BY THE TERMS HEREOF, WHICH INCLUDES DISCLOSURE TO INVESTMENT ADVISORS, PRINCIPALS OF THE COMPANY AND THE GENERAL PARTNERS OF THE COMPANY, THEIR RESPECTIVE ATTORNEYS AND ACCOUNTANTS, AND EXCEPT AS MAY BE REQUIRED BY PUBLIC STANDARDS OF DISCLOSURE APPLICABLE TO THE COMPANY, ANY TERMS OF THIS COMMITMENT SHALL NOT BE DISCLOSED PUBLICLY OR MADE AVAILABLE TO THIRD PARTIES WITHOUT THE PRIOR APPROVAL OF LEHMAN, ACCORDINGLY SUCH TERMS OF THIS COMMITMENT SHALL NOT BE RELIED UPON BY ANY PERSON OR ENTITY OTHER THAN THE COMPANY.

13. THE COMPANY AGREES THAT LEHMAN HAS THE RIGHT, FOLLOWING THE CLOSE OF THE FACILITY, TO PLACE ADVERTISEMENTS IN FINANCIAL AND OTHER NEWSPAPERS AND JOURNALS AT ITS OWN EXPENSE DESCRIBING ITS SERVICES TO THE COMPANY HEREUNDER, PROVIDED THAT LEHMAN WILL SUBMIT A COPY OF ANY SUCH ADVERTISEMENTS TO THE COMPANY FOR ITS APPROVAL, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD. LEHMAN AGREES THAT THE COMPANY HAS THE RIGHT, FOLLOWING CLOSING OF THE FACILITY, TO PLACE ADVERTISEMENTS IN FINANCIAL AND OTHER NEWSPAPERS AND JOURNALS, AT ITS OWN EXPENSE DESCRIBING THE FACILITY, PROVIDED THAT THE COMPANY WILL SUBMIT A COPY OF ANY SUCH ADVERTISEMENTS TO LEHMAN FOR ITS APPROVAL, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD.

14. NOTHING IN THIS COMMITMENT, EXPRESSED OR IMPLIED, IS INTENDED TO CONFER OR DOES CONFER ON ANY PERSON OR ENTITY OTHER THAN THE PARTIES HERETO OR THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, AND TO THE EXTENT EXPRESSLY SET FORTH HEREIN, THE INDEMNIFIED PERSONS, ANY RIGHTS OR REMEDIES UNDER OR BY REASON OF THIS COMMITMENT OR AS A RESULT OF THE SERVICES TO BE RENDERED BY LEHMAN HEREUNDER.

15. THE INVALIDITY OR ENFORCEABILITY OF ANY PROVISION OF THIS COMMITMENT SHALL NOT AFFECT THE VALIDITY OR ENFORCEABILITY OF ANY OTHER PROVISIONS OF THIS COMMITMENT, AND IF ANY PROVISIONS ARE DETERMINED TO BE INVALID OR UNENFORCEABLE, THE COMMITMENT SHALL BE CONSTRUED WITHOUT SUCH PROVISIONS.

16. THIS COMMITMENT MAY NOT BE AMENDED OR MODIFIED EXCEPT IN WRITING SIGNED BY EACH OF THE PARTIES AND SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LAWSUIT, CLAIM OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS COMMITMENT OR THE SERVICES TO BE RENDERED BY LEHMAN HEREUNDER IS EXPRESSLY AND IRREVOCABLY WAIVED.

17. LEHMAN SHALL NOT ASSIGN ITS INTEREST UNDER THIS COMMITMENT OR DELEGATE ITS DUTIES UNDER THIS COMMITMENT WITHOUT PRIOR WRITTEN CONSENT OF THE COMPANY, WHICH CONSENT MAY BE WITHHELD IN THE EXERCISE OF THE COMPANY'S SOLE AND ABSOLUTE DISCRETION. NOTWITHSTANDING THE FOREGOING, LEHMAN MAY DESIGNATE A WHOLLY-OWNED AFFILIATE TO PERFORM ANY OR ALL OF THE SERVICES HEREUNDER AND TO RECEIVE ANY COMPENSATION DUE FOR THE SAME, WITHOUT PRIOR CONSENT OF THE COMPANY, BUT UPON DELIVERY OF PRIOR WRITTEN NOTICE OF SUCH DESIGNATION TO THE COMPANY. SUCH DESIGNATION SHALL NOT RELIEVE LEHMAN OF ITS DUTIES AND OBLIGATIONS TO THE COMPANY UNDER THIS COMMITMENT.

THE COMPANY SHALL NOT ASSIGN ITS INTEREST UNDER THIS COMMITMENT OR DELEGATE ITS DUTIES UNDER THIS COMMITMENT WITHOUT THE PRIOR WRITTEN OF LEHMAN, WHICH CONSENT MAY BE WITHHELD IN THE EXERCISE OF LEHMAN'S SOLE AND ABSOLUTE DISCRETION.

18. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE COMPANY'S OBLIGATIONS HEREUNDER SHALL BE SATISFIED, IF AT ALL, OUT OF THE ASSETS, PROPERTIES OR FUNDS OF THE COMPANY, AND IN NO EVENT SHALL THE DIRECT OR INDIRECT PARTNERS OF THE COMPANY OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, TRUSTEES, EMPLOYEES, SHAREHOLDERS, OR AGENTS HAVE ANY PERSONAL LIABILITY WHATSOEVER RESPECTING THIS COMMITMENT OR THE OBLIGATIONS TO BE PERFORMED HEREUNDER OTHER THAN FOR FRAUD OR INTENTIONAL MISREPRESENTATION, OR THE EVENT ANY SUCH PARTY IS A "POTENTIALLY RESPONSIBLE PARTY" UNDER CERCLA OR OTHERWISE LIABLE UNDER OTHER ENVIRONMENTAL LAWS.

19. IT IS UNDERSTOOD AND AGREED THAT LEHMAN SHALL BE UNDER NO OBLIGATION FOR PAYMENT OF ANY BROKERAGE COMMISSION OR FEE OF ANY KIND WITH RESPECT TO THIS COMMITMENT AND THAT BY THE COMPANY'S ACCEPTANCE OF THE COMMITMENT, THE COMPANY AGREES TO PAY THE FEE AND COMMISSION OF ANY BROKER AND TO INDEMNIFY, SAVE HARMLESS AND DEFEND LEHMAN FROM AND AGAINST ANY AND ALL CLAIMS FOR BROKERS' OR FINDERS' FEE AND COMMISSIONS IN CONNECTION WITH THE NEGOTIATION, EXECUTION AND CONSUMMATION OF THE FACILITY AND THIS COMMITMENT, SUCH INDEMNITY TO INCLUDE LEHMAN'S COUNSEL FEES.

20. THIS COMMITMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE COMPANY AND LEHMAN AND SETS FORTH ALL TERMS AND CONDITIONS UNDER WHICH THE INITIAL FACILITY AND THE FACILITY BY LEHMAN WILL BE MADE.

ACCEPTANCE

IF THIS COMMITMENT IS ACCEPTABLE, PLEASE SIGN AT THE PLACE BELOW ON THE ENCLOSED DUPLICATE HEREOF AND RETURN THE SAME TO LEHMAN AT ITS ADDRESS SET FORTH ABOVE. UPON LEHMAN'S RECEIPT OF A FULLY EXECUTED COUNTERPART OF THIS COMMITMENT, THIS COMMITMENT WILL BE A BINDING AGREEMENT BETWEEN LEHMAN AND THE COMPANY. IF SUCH ACCEPTANCE IS NOT RECEIVED BY LEHMAN WITHIN TEN (10) DAYS FROM THE DATE HEREOF, THIS COMMITMENT SHALL BE OF NO FURTHER FORCE OR EFFECT.

LEHMAN BROTHERS HOLDINGS INC.

BY:

AGREED TO ON THIS _____ DAY OF AUGUST, 1997:

SL GREEN OPERATING PARTNERSHIP, L.P.
BY: SL GREEN REALTY CORP.

BY: _____
NAME: _____
TITLE: _____

SL GREEN REALTY CORP.

BY: _____
NAME: _____
TITLE: _____

EXHIBIT I

SL GREEN REAL ESTATE
SENIOR SECURED REVOLVING LINE OF CREDIT -
PRELIMINARY TERMS AND CONDITIONS

THIS SUMMARY OF TERMS IS PREPARED BY LEHMAN BROTHERS HOLDINGS INC. AND ITS AFFILIATES ("LEHMAN"). THE TERMS AND CONDITIONS ARE PRELIMINARY AND ARE SUBJECT TO CHANGE. THEY ARE INTENDED FOR DISCUSSION PURPOSES ONLY AND DO NOT REPRESENT A COMMITMENT OR AGREEMENT BY LEHMAN OR ANY OTHER PERSON. FURTHER, THIS IS NOT INTENDED TO DEFINE OR DESCRIBE ALL OF THE TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION DESCRIBED HEREIN. THE PARTIES RECOGNIZE THAT NEITHER PARTY SHALL HAVE ANY LIABILITY OR OBLIGATION TO THE OTHER AS A RESULT OF THIS SUMMARY OF TERMS, IT BEING UNDERSTOOD THAT ONLY SUCH PROVISIONS AS SHALL BE SET FORTH IN THE FINAL DOCUMENTS SHALL HAVE ANY LEGAL EFFECT. EACH PARTY ACKNOWLEDGES THAT CERTAIN INFORMATION PROVIDED IN CONNECTION WITH THE TRANSACTION (INCLUDING THIS INDICATIVE SUMMARY OF TERMS, OTHER INFORMATION ABOUT THE PROGRAM OR LEHMAN BROTHER'S BUSINESS IN GENERAL AND FINANCIAL AND OTHER INFORMATION PROVIDED) IS CONFIDENTIAL. EACH PARTY AGREES THAT IT WILL NOT DISCLOSE SUCH INFORMATION TO ANY OTHER PARTY EXCEPT AS REQUIRED FOR THE COMPLETION OR FUNDING OF THE TRANSACTION OR AS REQUIRED BY LAW, REGULATORY REQUIREMENTS OR COURT ORDER OR DISCOVERY PROCEDURES.

ARRANGER:	Lehman Brothers Holdings Inc. or an affiliate thereof ("Lehman").
BORROWER:	An operating partnership established by the REIT (defined below) which is the fee simple owner of all of the Collateral.
REIT:	SL Green Realty Corp.
LENDERS:	Lehman and a syndication of Lenders mutually acceptable to Borrower and Lehman.
ADMINISTRATIVE AGENT:	TBD. The Administrative Agent shall be mutually acceptable to the Borrower and the Lenders.
FACILITY AMOUNT:	A senior secured revolving credit facility (the "Facility") not to exceed $75 million, subject to the Borrowing Base Covenants (defined below). Except for advances in connection with the re-financing of the Interim Facility, no advances shall be made under the Facility until the Term Loan to be made by Lehman to Borrower in connection with the Borrower's acquisition of 1140 Avenue of the Americas or 50 West 23rd Street has been fully advanced.
USE OF PROCEEDS:	The proceeds available under the Facility determined by the Borrowing Base shall be used by the Borrower for any REIT related use, subject to compliance with all covenants set forth in the Facility documentation, including but not limited to

	equity and/or debt components of new acquisitions of fully operational Class B (or better) New York City office building properties (the "Properties"), expenses of acquiring such Properties, Property renovations, debt refinancing, working capital and acquisitions of OP interests.
COLLATERAL:	As security for the Facility, the Borrower shall grant to the Lender (i) first mortgage liens on and assignments of rents with respect to the Properties included in the Borrowing Base and (ii) perfected security interests in the associated FF&E, management agreements, and other contracts and interests relating to such Properties. All collateral will be cross-collateralized and cross-defaulted. The Borrower shall cause each property manager to enter into a collateral assignment and subordination agreement permitting the Lenders to terminate such property manager, following an Event of Default under the Facility, without payment of any termination fee.
BORROWING BASE COVENANTS:	During the term of the Facility, in the aggregate, (i) the outstanding principal amount under the Facility shall not exceed 65% of the current appraised value at closing as determined by the Lenders of the then existing pool of Properties pledged as Collateral; and (ii) the debt service coverage ratio ("DSCR") shall not be less than 1.40x based on the actual in place revenues and actual trailing twelve month operating expenses (appropriately adjusted for inflation) of the Properties pledged as Collateral LESS minimum management fees, capital expenditure reserves, tenant improvement costs and leasing commissions divided by Facility debt service assuming a Facility constant equal to the then current 10-year US treasury rate + 275 basis points. The minimum Borrowing Base shall be no less than $25 million at all times, with no fewer than three Properties as Collateral.
RECOURSE:	Full recourse to Borrower and the REIT; however, no personal liability or personal deficiency judgment shall be asserted or enforced against the REIT except as a result and to the extent of (i) fraud or intentional misrepresentation by Borrower, the REIT or any of their consolidated subsidiaries, (ii) the misapplication or the misappropriation of rent or other income, insurance proceeds or condemnation awards, or (iii) the occurrence of an Event of Default under ERISA; provided however nothing contained above shall limit, affect or impair any of Lenders' rights or remedies against the REIT under the environmental indemnity. Notwithstanding the foregoing, the agreement of the

Lenders to not assert or enforce personal liability or a personal deficiency judgment against the REIT SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event that there is any breach of (a) the requirement for the REIT to contribute all equity or debt proceeds received promptly to the Borrower, (b) the requirement for the REIT to operate in the same manner and for the REIT to conduct all of its businesses only through the Borrower, (c) the requirement that the REIT may not sell or transfer all or any part of its general partnership interest in the Borrower and that following any merger or other business combination, the REIT shall continue to be the sole general partner of the Borrower, and (d) the requirement that all distributions made by the Borrower to the REIT are promptly (but in no event later than 10 business days) distributed to the shareholders of the REIT.

TERM/MATURITY: 24 months

INTEREST RATE: Subject to the terms and provisions of the Facility Loan Agreement to be entered into between the Borrower, Agent and the Lenders, the Borrower shall have the option to select either the one-, two-, or three-month LIBOR rate (as determined two business days prior to the beginning of each interest period plus the applicable margin as specified below on all portions of the Facility on the first day of each interest period.

Alternatively, for borrowings of less than one month or if otherwise requested, amounts outstanding from time to time under the Facility shall bear interest at the prime rate per annum as published in the Wall Street Journal (the "Prime Rate") plus the applicable margin as specified below, such rate to change when the Prime Rate changes.

TOTAL INDEBTEDNESS RATIO(A) OR LONG-TERM UNSECURED DEBT RATING (B)	LIBOR APPLICABLE MARGIN	PRIME RATE APPLICABLE MARGIN
less than 35%	130 bps	5 bps
35 - 45 %	140 bps	15 bps
greater than 45%	150 bps	25 bps
BBB-/ Baa3	120 bps	0 bps
BBB/ Baa2 or better	110 bps	0 bps

(a) Maximum Borrower total indebtedness ratio calculated as total liabilities determined in accordance with GAAP plus current annual amortized (on a straight-line basis over the related base lease term) tenant improvement costs and leasing commissions divided by gross book value (i.e. before accumulated depreciation) plus [$TBD; amount which

approximates current market value of assets at closing of the Facility] of the Borrower's Properties.

(b) Long-term debt unsecured debt ratings as determined by Standard & Poors or Moody's Investors Service. In the event there is a difference in the reported ratings, the lower of the two ratings will be used to determine the applicable margin.

The Facility agreement will contain customary provisions with regards to the LIBOR rate option, including without limitation, (i) Borrower's obligation to reimburse the Lenders for changes in capital adequacy requirements related to the Facility and for taxes and certain other increased costs related to the LIBOR option, (ii) Borrower's indemnification of the Lenders against breakage costs if Borrower elects to prepay any LIBOR based borrowing on a date other than the last day of the applicable interest period, and (iii) restrictions on the availability of LIBOR options when similar deposits are not available to the Lenders.

INTEREST PAYMENTS: On the first business day of each month or at the end of each applicable interest period.

DEFEASANCE: Borrower shall have the right, from time to time during the term of the Loan, to deposit cash into a Collateral Account to be held by Lender, which cash shall be pledged to Lender and which shall constitute additional security for the Loan. Lender shall invest the sums in the Collateral Account in U.S. Treasury Obligations having maturities mutually acceptable to Borrower and Lender (the cash, the U.S. Treasury Obligations and the proceeds thereof, the "Treasury Collateral"). Lender shall have a first perfected lien and security interest in the Collateral Account and the Treasury Collateral. For so long as the Treasury Collateral is held by Lender in the Collateral Account, the interest rate on a portion of the principal balance of the Loan equal to the fair market value of the Treasury Collateral (the "Defeased Amount") shall be a rate per annum equal to 0.375%. The Defeased Amount shall change as the market value of the Treasury Collateral changes. Provided no default shall have occurred, all earnings paid on the Treasury Collateral shall be applied first to pay the interest due on the Defeased Amount and the balance of the earnings shall be paid to Borrower. Upon request of Borrower, provided no default has occurred, Borrower shall have the right to withdraw the sums in the Collateral Account. Simultaneously with any such withdrawl, the interest rate on the portion of the Loan that had been defeased shall equal the Interest rate set forth in this Term Sheet.

In the event that the Defeasance occurs on a day other than the last day of an Interest Period, Borrower shall also pay all

	breakage costs in connection with any outstanding LIBOR contracts relating to the Defeased Portion. No defeasance hereunder shall in any way reduce the principal balance of the Loan, and Borrower shall not be entitled to any release of any other collateral as a result of such defeasance. The Collateral Account and the Treasury Collateral are additional and not substitute collateral for the Loan. No Non-Use Fee shall be due in connection with any Defeased Portions. It shall be a condition precedent to this option that the title insurance policies insuring the liens of the mortgages contain a mortgage tax endorsement satisfactory to Lender and that they do NOT contain a pending disbursements clause.
COMMITMENT FEE:	0.50% of the Facility Amount, one-half of which shall be paid at closing and the balance of which shall be paid on the first anniversary of the closing (or the termination of the Facility, if earlier) (includes associated syndication fees). All amounts paid on account of the Commitment Fee for the Interim Facility shall be credited to the payment of the Commitment Fee hereunder.
NON-USE FEE:	37.5 basis points per annum of the average daily unborrowed portion of the Facility Amount payable quarterly in arrears five business days after the last day of each calendar quarter.
ADMINISTRATIVE AGENT FEE:	None
MINIMUM FUNDING AMOUNT:	$1 million with additional increments of $100,000 upon three business days prior written notice.
PREPAYMENT:	Amounts outstanding under the Facility may be prepaid in whole or in part without premium or penalty; provided that if prepayment is made on a date other than the expiration of a LIBOR contract, associated LIBOR breakage costs will also be due.
AMORTIZATION:	Interest only during Facility term, subject to maintenance of the Borrowing Base Covenants noted above. Upon expiration of the Facility Term, the then outstanding balance of the Facility shall be due and payable.
UNUSED BORROWING CAPACITY:	In the event that the mortgages encumbering the Bar Building are pledged to Lender as part of the Collateral for the Loan, Borrower shall at all times maintain borrowing capacity under the

Loan, as measured by the then unfunded portion of Facility Amount, equal to the aggregate of all costs that would have to be paid to release the deed to the Bar Building from escrow, record it in the appropriate real estate records, and transfer full fee and leasehold title to the Bar Building to Borrower or Lender, as applicable, including without limitation the costs to purchase an owner's title insurance policy in the amount of the fair market value of the Bar Building and all reasonable legal fees and expenses. All of Borrower's rights, title and interest in the Bar Building, the mortgages encumbering it and the deed held in escrow shall be assigned and pledged to Lender as collateral for the Loan.

RELEASE/SUBSTITUTION/INCREASE IN BORROWING BASE: Borrower may (i) release any Property from a mortgage or (ii) substitute or add other of its unencumbered, fully operational and stabilized office properties in exchange for the release of any of the Properties from the mortgage or to increase the Borrowing Base (subject to a limit of the Facility Amount), provided in each case that immediately following the release, substitution or addition, all covenants, terms and conditions of this Facility are met, including but not limited to the Borrowing Base and Financial Covenants.

SECONDARY FINANCING: Not permitted on the Properties.

FINANCIAL COVENANTS:

- Maximum Borrower total indebtedness ratio at all times of 50%, calculated as total liabilities determined in accordance with GAAP plus current annual amortized (on a straight-line basis over the related base lease term) tenant improvement costs and leasing commissions divided by gross book value (i.e. before accumulated depreciation) plus [$TBD; amount which approximates current market value of assets at closing of the Facility] of the Borrower's Properties.

- Minimum Borrower fixed charge coverage ratio of 2.00x based on actual trailing six month EBITDA (i) LESS gains and/ or losses on asset sales and debt restructurings, (ii) LESS minimum capital expenditure reserves, and (iii) LESS straight-line rent adjustments for all Properties owned by the Borrower ("Adjusted EBITDA") divided by the sum of ACTUAL debt service (principal and interest) PLUS preferred distributions for such period.

- Maximum dividend/distribution payout ratio of each of Borrower and Guarantor of 95% of funds from operations (FFO) during the first year of the Facility and 90% of FFO during the second year of the Facility calculated for each trailing twelve month period (or such

shorter period as applicable) from closing of the Facility, or amount necessary to maintain REIT tax status, whichever is greater.

- Limitation on other guaranteed, recourse or unsecured debt of 5% of total assets per GAAP. This covenant would be eliminated upon obtaining an investment grade rating.

- All business operations of the Guarantor shall be performed only through the Borrower and the Guarantor shall remain the sole general partner of the Borrower (either directly or indirectly).

- Borrower may make the following permitted investments so long as the aggregate amount of such permitted investments does not exceed the lesser of (A) 30% of Borrower net worth per GAAP and (B) 15% of Borrower total assets per GAAP:

1. Investment in Mortgages/ Receivables (other than the Bar Building)	which mortgages/ receivables shall be collateralized only by properties which are consistent in type as those held by the Borrower at the closing date of the Facility.
2. Partnerships (JVs)	which partnership shall be majority owned by the Borrower, Borrower is the sole managing general partner of the properties and the partnership invests only in properties which are consistent in type as those held by the Borrower at the closing date of the Facility.

- No investment in undeveloped land and new construction.

- Tenant concentration limit of 5% for non-investment grade tenants and 10% for investment grade tenants, unless otherwise approved by the Lenders.

EVENTS OF DEFAULT: Customary for this type of Facility, including but not limited to the following:

1. Failure to pay interest, principal and other fees when due;
2. Failure to observe covenants;
3. Material breach of representations and warranties;

4. Final unsatisfied adverse judgment of an aggregate of $500,000 or more against Borrower that has not been stayed, discharged or bonded within 30 days;
5. Default with respect to any indebtedness of Borrower in excess of $500,000;
6. Failure to remediate within the time period permitted by law or governmental order, material environmental problems related to properties;
7. A material adverse change occurs with respect to the business, operations, corporate structure or prospects of the Borrower or the REIT, or the ability of the Borrower or the REIT to meet any of their obligations under the Facility.
8. Other usual defaults, including insolvency, bankruptcy and ERISA violations.

DEFAULT INTEREST: Upon any Event of Default, the rate shall equal the lesser of (i) the then applicable interest rate + 5.00% or (ii) the maximum rate permitted by law.

INDEMNIFICATION: Borrower shall indemnify the Lenders against all losses, liabilities, claims, damages, costs and expenses arising out of, or in any way relating to the Facility, the properties or Borrower's actual or proposed use of proceeds, including legal and settlement costs, except if such losses, liabilities, claims, damages, costs or expenses result from gross negligence or willful misconduct of the party seeking indemnification therefor.

Borrower shall also indemnify the Lenders against losses, liabilities, damages, claims, costs and expenses arising out of, or in any way relating to the presence or alleged presence of hazardous materials on or under the properties, any breach of the environmental representations and warranties, or violation of, non-compliance with, or liability under environmental laws or any governmental laws, orders or requirements. Borrower will also indemnify the Lenders against claims, costs and expenses arising as a result of Borrower's failure to comply with ERISA.

PERIODIC REVIEW: The Borrowing Base Covenants and Financial Covenants are to be continuously maintained throughout the term of the Facility and will be certified periodically by the Borrower.

INSURANCE: All subject to approval of the Agent and the Lenders as to form, deductible, amounts, loss payee, insured and insurance company.

COSTS AND EXPENSES: The Borrower will reimburse Lehman, Agent and the Lenders for all reasonable costs and expenses in connection with the Facility, including, without limitation, the reasonable fees and disbursements of counsel to the Lenders.

SYNDICATIONS:	Borrower agrees to assist Lehman in forming the syndicate and to provide Lehman, promptly upon request, with all information deemed reasonably necessary by it to successfully complete the syndication, including, but not limited to, (i) an information package for delivery to potential syndicate members and participants, and (ii) all information and projections prepared by the Borrower, Guarantor or its advisors relating to the transactions described herein. Lehman agrees that any information delivered to potential syndicate members and participants shall be subject to a confidentiality letter inform and substance reasonably satisfactory to the Borrower. Appropriate officers and representatives of the Borrower and the Guarantor shall be available to participate in informational meetings for potential syndicate members and participants at such times and places as Lehman may reasonably request.
CONDITIONS PRECEDENT:	The Facility will be subject to, among other things, (i) the satisfactory completion of due diligence by Lehman Brothers and receipt of all necessary internal credit approvals, (ii) the execution of all Facility documents and delivery of customary certificates, searches and opinions, all in form and substance satisfactory to Lehman Brothers and its respective counsel, (iii) the receipt of all fees, (iv) the accuracy of the representations and warranties, (v) the completion of the initial public offering (IPO) of the REIT in a minimum amount of $100 million, and (vi) Lehman acting as the lead manager on the IPO.
GOVERNING LAW:	New York.

EXHIBIT II
CLOSING CONDITIONS

In addition to the terms and conditions of the Commitment to which this Exhibit II is attached and the Terms and Conditions attached as Exhibit I, all of the following conditions must be satisfied or evidence thereof delivered to Lehman as conditions precedent to the closing of the Facility:

A. Payment by Borrower to Lehman of all expenses in connection with the Facility contemplated hereby including, but not limited to, the reasonable fees and reasonable disbursements of Lehman's counsel (and, if outside the State of New York, of Lehman's local counsel in the jurisdiction where the Properties are located) including reasonable fees and reasonable disbursements incurred in connection with travel expenses of Lehman's personnel related to the making of the Facility the reasonable cost of Lehman's due diligence review, appraisal fees, engineering fees, environmental consultant fees, accounting fees, title insurance premiums, survey charges, mortgage and documentary stamp taxes, if any, note intangible taxes, if any, recording charges and brokerage fees and commissions. To the extent incurred, the foregoing expenses shall be paid by Borrower whether or not the Facility shall close or be funded.

B. Fully executed Loan Documents including, but not limited to, the following:

1. Revolving Credit Agreement

2. Promissory Note

3. Mortgage and Security Agreements

4. Assignment of Leases and Rents

5. UCC-1 Financing Statements

6. Environmental Indemnity

7. Certificate of Compliance and Indemnification Agreement (ADA Indemnity)

8. Assignment of Agreements, Permits and Contracts

9. Conditional Assignment of Management Agreement

10. Subordination, Non-Disturbance and Attornment Agreements with respect to all leases

11. Subordination and Attornment Agreement executed by Fee Owner

C. Evidence satisfactory to Lehman that the Properties are fully licensed, are open, stabilized and operational as office properties including all necessary permits, approvals, authorizations and certifications.

D. An appraisal (prepared within sixty (60) days prior to delivery and in accordance with the requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as

amended from time to time ("FIRREA") of each Property, prepared by an independent third party appraiser holding an MAI designation, who is state licensed or state certified, if required, under the laws of the state where each Property is located, who meets the requirements of FIRREA and who has at least ten (10) years real estate experience appraising properties of a similar nature and type as the Properties, and who is otherwise satisfactory to Lehman.

E. An opinion of Borrower's counsel (and any general partner's counsel) reasonably satisfactory to Lehman stating, among other things, (i) that the Loan Documents by which each Property will be encumbered have been duly authorized, executed and delivered by Borrower and are valid and enforceable in accordance with their terms, subject to bankruptcy and equitable principles, (ii) that the Borrower is qualified to do business and is in good standing under the laws of the jurisdiction where the Property is located, (iii) that the encumbrance of each Property with the liens of the Loan Documents shall not cause a breach of, or a default under, any document to which Borrower is a party or which it or any of its properties are bound or affected, (iv) Lehman has valid and perfected liens on the collateral, and (v) the Facility does not violate usury or other applicable laws.

F. Title insurance commitments for each Property together with copies of all exceptions listed therein within 30 days of the date hereof; at closing, title insurance policies issued by a title insurance company satisfactory to Lehman insuring the lien of the Mortgages on each Property, in form and substance satisfactory to Lehman and its counsel insuring Lehman that the Mortgages are a valid and enforceable first lien on the good and marketable fee simple title or leasehold interest, as appropriate, of Borrower to each Property, in an amount equal to the amount of the Facility allocated to the respective Property by Lehman, subject only to such exceptions that Lehman and its counsel have approved together with such affirmative insurance and endorsements (including a "tie-in", first loss, and revolving credit endorsement, or if such endorsement is not available in the state where the Property is located, title insurance policies in an amount equal to 125% of the amount of the Facility allocated to the respective Property by Lehman) as are reasonably required by Lehman and which exceptions are otherwise acceptable to Lehman and its counsel.

G. Evidence satisfactory to the Lehman of proper zoning of each of the Properties and compliance with all laws, rules and regulations. Such evidence may include an appropriate zoning endorsement to the title insurance policy, a letter from the applicable municipality or zoning authority or a zoning opinion.

H. A report by an independent licensed engineer or a qualified independent environmental consultant, in either case satisfactory to Lehman, prepared in accordance with Lehman's current guidelines for the preparation of environmental reports, dated no more than 6 months prior to the date of delivery, which states that the Properties do not contain any asbestos or hazardous substances or risk of contamination from off-site hazardous substances and otherwise satisfactory to Lehman.

I. An ALTA/ACSM survey of each of the Properties dated and certified to Lehman, its successor and assigns, no earlier than 60 days prior to closing, prepared by a land surveyor licensed in the state where the applicable Property is located prepared in accordance with the 1992 ALTA/ACSM Minimum Standard Requirements Detail for Land Title Surveys and showing items 2, 3, 4, 6, 7, 8, 9 and 10 on Table A thereof and meeting the requirement of an Urban Survey thereunder, or prepared in accordance with such other equivalent standards satisfactory to Lehman and its counsel, and which survey is otherwise reasonably satisfactory to Lehman.

J. The filing of any UCC financing statements necessary to grant and perfect Lehman's first priority lien on and security interest in the Properties, the personality located thereon and the rents

derived therefrom.

K. A property inspection report dated no more than 6 months prior to the date of delivery prepared by an independent licensed engineer satisfactory to Lehman, prepared in accordance with the Lehman's current guidelines for property inspection reports, stating, among other things, that each Property is in good condition and repair and free of damage or waste, is in compliance with the American with Disabilities Act, and otherwise reasonably satisfactory to Lehman.

L. Annual operating statements and occupancy statements for each Property for the most recent fiscal year (and such prior fiscal years as required by Lehman), as well as current occupancy, year-to-date operating statements and operating and capital budget for the current fiscal year.

M. Original certificates and copies of policies of insurance for each Property as required by Lehman.

N. A certified copy of the organizational documents of Borrower and satisfactory evidence of their due organization, existence and good standing in their respective states of organization and in the states where each Property is located, including, without limitation, copies of the REIT Registration Statement and all amendments thereto and any similar material documents filed with the Securities and Exchange Commission or issued in connection with a public offering of stock by either entity.

O. Certified copies of the standard forms of lease which will be used by the Borrower in leasing space in each Property, which will be subject to Lehman's approval, as well as certified copies of all leases currently in effect with respect to each Property, which leases shall be reasonably satisfactory to Lehman.

P. Executed estoppel letters or certificates (in form and substance satisfactory to Lehman) from the respective tenants, with respect to all leases currently in effect with respect to each Property and Fee Owners, if any.

Q. Such evidence as Lehman deems reasonably necessary to indicate compliance with all requirements of applicable laws that may affect the Properties, including laws requiring notification or disclosure of releases of hazardous substances or other environmental conditions of the Properties to any governmental authority or other person (whether or not in connection with a transfer of title to or interest in the Properties), and such evidence as Lehman may deem necessary or appropriate to evidence the availability of all utilities, including water, sewers, gas and electricity, as may be necessary and to use each Property as an office property.

R. Certified copies of all contracts and agreements relating to the management, leasing and operation of each Property, all of which will be subject to Lehman's approval.

S. Certified copies of all plans and specifications for each Property, if applicable.

T. The most recent quarterly and annual consolidated financial statements of the Borrower.

U. State and County Uniform Commercial Code financing statement searches of the Borrower in the state of its formation and the state where each of the Properties is located.

V. Certified copies of resolution of Borrower approving the Loan Documents and borrowings thereunder, and all documents evidencing other necessary actions or government approvals

as may be required from the Borrower.

W. An original certificate of Borrower's corporate secretary certifying the names, true signatures and titles of officers authorized to request advances under the Loan Documents to be delivered hereunder.

X. Such other opinions of counsel, documents and certificates as Lehman or it's counsel may reasonably require.

EXHIBIT III

SL GREEN REALTY CORP.

INTERIM LINE OF CREDIT FACILITY
PRELIMINARY TERMS AND CONDITIONS

This summary of terms is prepared by Lehman Brothers Holdings Inc. and its affiliates ("Lehman"). The terms and conditions are preliminary and are subject to change. They are intended for discussion purposes only and do not represent a commitment or agreement by Lehman or any other person. Further, this is not intended to define or describe all of the terms and conditions of the proposed transaction described herein. The parties recognize that neither party shall have any liability or obligation to the other as a result of this summary of terms, it being understood that only such provisions as shall be set forth in the final documents shall have any legal effect. Each party acknowledges that certain information provided in connection with the transaction (including this indicative summary of terms, other information about the program or Lehman Brothers' business in general and financial and other information provided) is confidential. Each party agrees that it will not disclose such information to any other party except as required for the completion or funding of the transaction or as required by law, regulatory requirements or court order or discovery procedures.

Lender:	Lehman Brothers Holdings Inc. or an affiliate thereof ("Lehman").
Borrower:	SL Green Operating Limited Partnership, the sole general partner of which is the REIT (defined below), and which is the fee simple owner of all of the Properties (defined below).
REIT:	SL Green Realty Corp.
Facility Amount:	An amount equal to the purchase price of the existing mortgage loans held by unaffiliated third party institutional lenders (the "Existing Loans") encumbering the office properties described below (the "Properties") allocable to the outstanding principal balances of the Existing Loans, but in no event greater than the lesser of (i) $49,150,000.00 or (ii) the face amount of the Existing Loans.
Use of Proceeds:	The proceeds available under the Facility shall be used solely to purchase the Existing Loans.
Collateral:	As security for the Facility, first and second liens on the Properties pursuant to the Existing Loans, as modified by the terms of a Loan Agreement to be entered into between Borrower, the REIT and Lender in accordance with the terms of this Term Sheet, together with U.S. Treasury obligations with a maturity date closest to the maturity date of the Facility having a market value equal to the

Facility Amount, which shall be held in Lender's name and in which Borrower shall grant Lender a first perfected security interest (the "Treasury Collateral"). Borrower shall deposit a portion of the proceeds from the REIT's initial public offering ("IPO") equal to the purchase price for the Treasury Collateral into a cash collateral account held by Lender and Lender shall invest the cash in the Collateral Account in the Treasury Collateral and hold the Treasury Collateral in accordance with the terms of this Term Sheet Addendum. At Lender's election, Borrower shall deposit additional Treasury Collateral in the Collateral Account if, at any time, the market value of the Treasury Collateral is less than the outstanding principal balance of the Loan. All Collateral will be cross-defaulted. The Loan Agreement shall contain such additional terms or conditions as may be required as a result of Lender's review of the Existing Loans and the Properties.

Properties and the Related Existing Loans:

70 West 36th Street, NY, NY;
(i) approximately $6,800,000.00 first mortgage and (ii) approximately $1,050,000.00 second mortgage and a $12,000,000.00 third mortgage spread from 470 Park Avenue South, NY, NY;

1414 Avenue of the Americas, NY, NY;
(i) approximately $9,800,000.00 first mortgage and (ii) approximately a $1,000,000.00 second mortgage spread from 673 First Avenue, NY, NY;

1140 Avenue of the Americas, NY, NY;
approximately $9,500,000.00 first mortgage

50 West 23rd Street, NY, NY;
approximately $9,000,000.00 second mortgage

In the event that Borrower has not closed the purchase of 50 West 23rd Street by the date of the closing of this Facility, neither 1140 Avenue of the Americas nor 50 West 23rd Street shall be included as Properties hereunder, and the Facility Amount shall be adjusted accordingly. However, if, prior to the Maturity Date, Borrower acquires title to 50 West 23rd Street and finances the acquisition thereof with Lehman, Borrower shall have the right to increase the Facility Amount (but in no event to more than $49,150,000.00) and, provided the Borrower deposits the required amount of additional Treasury Collateral pursuant to the terms of this Term Sheet and all other conditions hereunder are met, 1140 Avenue of the Americas and 50 West 23rd Street and their

related Existing Loans shall be added to the Facility.

Recourse: Full recourse to Borrower and the REIT; however, no personal liability or personal deficiency judgment shall be asserted or enforced against the REIT except as a result and to the extent of (i) fraud or intentional misrepresentation by Borrower, the REIT or any of their consolidated subsidiaries, (ii) the misapplication or the misappropriation of rent or other income, insurance proceeds or condemnation awards, or (iii) the occurrence of an Event of Default under ERISA. Notwithstanding the foregoing, the agreement of Lender to not assert or enforce personal liability or a personal deficiency judgment against the REIT SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event that there is any breach of the requirement that the REIT may not sell or transfer all or any part of its general partnership interest in the Borrower and that following any merger or other business combination, the REIT shall continue to be the sole general partner of the Borrower.

Term/Maturity: One (1) month.

Interest Rate: An annual rate of interest equal to the yield on the Treasury Collateral as of the closing date.

Interest Payments: On the Maturity Date.

Commitment Fee: 0.25% of the Facility Amount, payable at closing. Amounts paid hereunder shall be credited towards the payment of the Commitment Fee payable in connection with Facility.

Servicing Fee: 0.02% of the Facility Amount, payable at closing.

Prepayment: Amounts outstanding under the Facility may be prepaid in whole or in part provided that Borrower pays to Lender simultaneously with such prepayment an amount equal to any loss incurred by Lender in connection with the liquidation of the Treasury Collateral, including without limitation any decline in the market value of the Treasury Collateral.

Amortization: Interest only during Facility term. Upon expiration of the Facility Term, the then outstanding balance of the Facility shall be due and payable, together with an amount equal to any loss incurred by Lender in connection with the liquidation of the Treasury Collateral, including without limitation any decline in the market value of the Treasury Collateral.

Secondary Financing:	Not permitted on the Properties or the Collateral.
Events of Default:	Customary for this type of Facility, included but not limited to the following: - Failure to pay interest, principal and other fees when due; - Any event of default under the Existing Loans; - An event of default under the Loan Agreement; - ERISA violations; and - Any sale or encumbrance of the Properties or of interests in the Borrower (including the REIT's interest or general partner of the Borrower).
Default Interest:	Upon any Event of Default, the interest rate shall equal the lesser of (i) the then applicable interest rate plus 4% or (ii) the maximum interest rate permitted by law.
Indemnification:	Borrower shall indemnify the Lenders against all losses, liabilities, claims, damages, costs and expenses arising out of, or in any way relating to the Facility, the properties or Borrower's actual or proposed use of proceeds, including legal and settlement costs, except if such losses, liabilities, claims, damages, costs or expenses result from gross negligence or willful misconduct of the party seeking indemnification therefor. Borrower will also indemnify the Lender or the REIT's against claims, costs and expenses arising as a result of Borrower's failure to comply with ERISA.
Insurance:	All subject to approval of the Lender as to form deductible, amounts, loss payee, insured and insurance company.
Costs and Expenses:	The Borrower will reimburse the Lender for all reasonable costs and expenses in connection with the Facility, including, without limitation, the reasonable fees and disbursements of counsel to the Lender.
Conditions Precedent:	The Facility will be subject to, amount other things, (i) the satisfactory completion of due diligence by Lender on the Existing Loans and the documentation therefor, and receipt of all necessary internal credit approvals, (ii) the execution of all Facility documents and delivery of customary certificates, searches and

opinions, including without limitations, endorsements to the title insurance policies insuring the lien of the Existing Loans insuring the valid assignment of the Existing Loans to Lender, all in form and substance satisfactory to Lehman Brothers and its respective counsel, (iii) the receipt of all fees, (iv) the accuracy of the representations and warranties, (v) the completion of the IPO of the REIT in a minimum amount of $100 million, and (vi) Lehman acting as the lead manager on the IPO.

Additional Conditions Precedent: Among other things, the following will be required as conditions precedent to the closing of the Facility: This list is not exclusive or complete:

- All original notes, mortgages and other loan documents for each Existing Loan, each of which shall be acceptable to Lender.

- The Original lenders' title insurance policies for each existing Loan, which shall be in form and substance reasonably satisfactory to Lender, together with endorsements to each such policy insuring the valid assignment of the Existing Loans to Lender, in each case in form and substance satisfactory to Lender.

- Original pay off letters and instructions as to payment with respect to each of the Existing Loans satisfactory to Lender.

- Original executed assignments of notes, mortgages and other loan documents in recordable form for each of the Existing Loans, in form and substance satisfactory to Lender.

- Current title insurance commitments for each Property together with copies of all exceptions listed therein.

- Evidence reasonably satisfactory to Lehman of proper zoning of each of the Properties and the use thereof and compliance with all applicable zoning, subdivision, and all other applicable federal, state or local laws, rules, regulations and ordinance affecting the Properties, including, but not limited to, current certificates of occupancy.

- A title survey of each of the Properties prepared by a land surveyor licensed in the state where the applicable Property

is located prepared in accordance with standards reasonably satisfactory to Lehman.

- The filing of any UCC financing statements necessary to grant and perfect Lehman's first priority lien on and security interest in the Collateral.

- Original certificates and copies of policies of insurance for each Property as required pursuant to the terms of the Facility Documents and otherwise reasonably satisfactory to Lehman as to form, deductible, amounts, loss payee, insured and insurance Company. Insurance carriers must be fully licensed in the applicable jurisdiction(s) and acceptable to Lehman.

- Certified copies of all leases and all material contracts and agreements relating to the management, leasing and operation of each Property, all of which will be subject to Lehman's reasonable approval.

Governing Law: New York.

SL GREEN OPERATING PARTNERSHIP, L.P.
and
[NEW GREEN REALTY LLC]
(Borrower)

and

SL GREEN REALTY CORP. (REIT)

and

LEHMAN BROTHERS HOLDINGS INC., D/B/A
LEHMAN CAPITAL, A DIVISION OF
LEHMAN BROTHERS HOLDINGS INC.
(Lender)

LOAN AGREEMENT

Dated: As of August __, 1997

THIS LOAN AGREEMENT made as of the ____ day of August, 1997, between SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, having an office at 70 West 36th Street, New York, New York 10018 (hereinafter referred to as the "Partnership"), [New Green Realty LLC] ("LLC"; together with the Partnership, the "Borrower"), S.L. GREEN REALTY CORP. (the "REIT") and LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, having an office at Three World Financial Center, 200 Vesey Street, New York, New York 10285 (hereinafter referred to as "Lender");

RECITALS:

1. Partnership is the fee owner of the premises described in Exhibit A-1 attached hereto (the "Fee Premises");

2. LLC is the owner of a leasehold estate in the premises described in Exhibit A-2 attached hereto (the "Leasehold Premises"; together with the Fee Premises, the "Properties");

3. At the request of Borrower, in connection with the initial public offering of Borrower and the REIT, Lender has purchased those certain notes (collectively, as may be consolidated, amended, increased, modified or supplemented, the "Notes") and mortgages (collectively, as may be consolidated, amended, increased, modified or supplemented, the "Mortgages") and the related loan documents more particularly described on Exhibit B attached hereto (the Notes and the Mortgages, together with the related loan documents, the "Loan Documents") which encumber the Properties. The Loan Documents have been assigned to Lender and Lender is now the owner and holder of the Loan Documents;

4. The assignments of the Loan Documents have been recorded in the Office of the City Register, New York County, New York;

5. There is now owing on the Notes and Mortgages the aggregate unpaid principal sum of $_____ with interest thereon as more particularly set forth as Exhibit B attached hereto; and

6. Borrower and Lender have agreed to modify the time and the manner of payment and the terms and the provisions of the Notes.

In consideration of the foregoing and the payment of $_____ by Lender to the prior holders of the loans evidenced and secured by the Loan Documents (the "Loans") to purchase the Loans, and other good of valuable consideration, the receipt of which is hereby acknowledged the parties hereto agree as follows:

A. DEFINED TERMS. As used in this Agreement, the

following terms shall have the following meanings:

"COLLATERAL ACCOUNT": shall have the meaning set forth in the Collateral Account Agreement (hereinafter defined).

"COLLATERAL ACCOUNT AGREEMENT": shall mean the Collateral Account Agreement dated the date hereof executed by the Borrower in favor of the Lender.

"COLLATERAL": shall mean the Collateral Account and all funds, securities, monies and credit balances from time to time held in the Collateral Account and any other property or assets of the Borrower or any other Person (hereinafter defined) given as security for the Loans, including without limitation, the Properties.

"DEBT": shall mean: (i) the whole of the principal sum of the Notes and Mortgages, (ii) interest, default interest, late charges and other sums, as provided in the Notes, the Mortgages or the other Loan Documents as modified by this Agreement and the Collateral Account Agreement, (iii) all other monies agreed or provided to be paid by Borrower in the Notes, the Mortgagor or the other Loan Documents and this Agreement and the Collateral Account Agreement, (iv) all sums advanced pursuant to the Mortgages to protect and preserve the Properties and the lien and the security interests created thereby, and (v) all sums advanced and costs and expenses incurred by Lender in connection with the Debt or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender (all the sums referred to in (i) through (v) above shall collectively be referred to as the "Debt").

"DEFAULT RATE": shall mean a rate per annum equal to the lesser of (i) the Applicable Interest Rate plus 4% or (ii) the maximum rate permitted by law.

"ERISA": shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA GROUP": shall mean the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with each such Borrower, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

"MATERIAL ADVERSE EFFECT": shall mean any (i) adverse effect whatsoever upon the validity or enforceability of this Agreement or any of the Loan Documents or any of the transactions contemplated hereby or thereby, (ii) material adverse effect upon the properties, business, prospects or condition (financial or otherwise) of the Borrower or (iii) material adverse effect upon the ability of Borrower or any other Person to fulfill any of their obligations under this Agreement or any of the Loan Documents.

"MULTI-EMPLOYER PLAN": shall mean a plan (hereinafter defined) which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"PBGC": shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"PERMITTED LIENS": shall mean only those liens, encumbrances and charges that are shown as exceptions in the title insurance policies insuring the liens of the Mortgages and which have been approved by Lender.

"PERSON": shall mean and include any individual, partnership, joint venture, firm, corporation, association, company, trust or other enterprise or any government or political subdivision or agency, department or instrumentality thereof.

"PLAN": shall mean a plan which is not a multi-employer plan as defined in Section 4001(a)(3) of ERISA.

B. MODIFICATION OF THE NOTES, MORTGAGES AND LOAN DOCUMENTS. The terms, covenants and provisions of the Notes, Mortgages and other Loan Documents are hereby modified and amended so that henceforth the terms, covenants and provisions of this Agreement shall supersede the terms, covenants and provisions of the Notes, Mortgages and other Loan Documents. Except as expressly modified by this Agreement, the Notes, Mortgages and other Loan Documents shall continue in full force and effect. In the event of any ambiguity between the terms, events and provisions of this Agreement and those of the Notes, Mortgages and other Loan Documents, the terms, covenants and provisions of this Agreement shall control. The Notes, Mortgages and other Loan Documents, as herein modified and amended, are hereby ratified and confirmed in all respects by Borrower.

C. PAYMENT TERMS. Notwithstanding anything to the contrary in the Notes, the Mortgages, or the other Loan Documents:

(i) The Borrower and the REIT hereby assume, jointly and severally, subject to Section G hereof, the payment and performance of all obligations under the Notes, the Mortgages and the other Loan Documents, and hereby promise to pay the Debt to Lender as follows:

(a) The Borrower and REIT agree to pay interest on the unpaid principal amount of the Loans from time to time outstanding from and including the date hereof to and including the date on which the Loans are paid in full at a rate per annum equal to the per annum rate of interest payable on the United States Treasury securities held from time to time in the Collateral Account. Interest on the Loans shall be payable, in arrears, on September __, 1997 (the "Maturity Date").

(b) The Borrower and REIT agree to pay to Lender the outstanding

principal amount of the Loans together with all accrued and unpaid interest thereon and all other sums due and payable on the Notes, the Mortgages, the other Loan Documents, this Agreement and the Collateral Account Agreement on or prior to the Maturity Date.

(ii) Interest on the Loans shall be calculated on the basis of a 360-day year and the actual number of days elapsed. In computing the amount of interest payable in respect of any period, the first day and the last day of such period shall be included. Each determination of an interest rate by the Lender shall be conclusive and binding on the Borrower absent manifest error.

D. PREPAYMENT.

Borrower may prepay the Loans in whole or in part provided that Borrower pays to Lender, together with such prepayment, the interest accrued and unpaid on the amount of principal being prepaid and an amount equal to any loss or expense incurred by Lender in connection with the liquidation of the Collateral, including without limitation any decline in the market value of such Collateral. Any prepayment shall be applied pro-rata to the outstanding principal balance under each of the Notes or otherwise as Lender in its sole discretion shall elect.

E. NO SALE/ENCUMBRANCE. Borrower agrees that Borrower shall not, without the prior written consent of Lender, sell, convey, mortgage, grant, bargain, encumber, pledge, assign, or otherwise transfer any of the Properties or any part thereof or permit any of the Properties or any part thereof to be sold, conveyed, mortgaged, granted, bargained, encumbered, pledged, assigned, or otherwise transferred. A sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer within the meaning of this Section E shall be deemed to include, but not limited to, (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (ii) an agreement by Borrower leasing all or a substantial part of any Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any leases or any rents; (iii) if Borrower or any general partner or limited partner of Borrower is a corporation, the voluntary or involuntary sale, conveyance, transfer or pledge of such corporation's stock or the stock of any corporation directly or indirectly controlling such corporation by operation of law or otherwise (other than transfers of shares in the REIT, or the creation or issuance of new stock by which an aggregate of more than 10% of such corporation's stock shall be vested in a party or parties who are not now stockholders; (iv) if Borrower or any general partner or limited partner of Borrower is a limited or general partnership or joint venture, the change, removal or resignation of a general partner, managing partner or limited partner, or the transfer or pledge of the partnership interest of any general partner, managing partner or limited partner or any profits or proceeds relating to such partnership interest whether in one transfer or a series of transfers and (v) if Borrower, or any general or limited partner or member of Borrower, is a limited liability company, the change, removal or resignation of a managing member or the

transfer of the membership interest of any managing member of any profits or proceeds relating to such membership interest or the voluntary or involuntary sale, conveyance, transfer or pledge of membership interests (or the membership interests of any limited liability company directly or indirectly controlling such limited liability company by operation of law or otherwise) or the creation or issuance of new membership interests, by which an aggregate of more than 10% of such membership interests are held by parties who are not currently members. Notwithstanding the foregoing, transfer by devise or descent or by operation of law upon the death of a partner or stockholder of Borrower or any general partner thereof shall not be deemed to be a sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer within the meaning of this Section E.

F. INSURANCE AND CONDEMNATION.

(i) INSURANCE. Notwithstanding anything to the contrary in the Notes, the Mortgages or the other Loan Documents:

(a) Partnership or LLC, as the case may be, will keep the respective Properties insured against loss or damage by fire, flood and such other hazards, risks and matters, including without limitation, business interruption, rental loss, public liability, and boiler damage and liability, as Lender may from time to time require in amounts required by Lender, and shall pay the premiums for such insurance (the "Insurance Premiums") as the same become due and payable. All policies of insurance (the "Policies") shall be issued by insurers acceptable to Lender and shall contain the standard New York mortgagee non-contribution clause naming Lender as the person to which all payments made by such insurance company shall be paid. Partnership and LLC will assign and deliver the respective Policies to Lender. Not later than fifteen (15) days prior to the expiration date of each of the Policies, Partnership and LLC will deliver evidence satisfactory to Lender of the renewal of each of the Policies.

(b) If any Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice thereof to Lender. Sums paid to Lender by any insurer may be retained and applied by Lender, after deduction of Lender's reasonable costs and expenses of collection, toward payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper or, at the discretion of Lender, either in whole or in part, to Borrower for such purposes as Lender shall designate. In the event of any conflict, inconsistency or ambiguity between the provisions of this paragraph F(i)(b) and the provisions of subsection 4 of Section 254 of the Real Property Law of New York covering the insurance of buildings against loss by fire, the provisions of this paragraph F shall control.

(ii) CONDEMNATION. Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Notwithstanding any taking by any public or quasi-public authority through

eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for this Agreement and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein. Lender may apply any such award or payment to the reduction or discharge of the Debt whether or not then due and payable. If any Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of such award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive said award or payment, or a portion thereof sufficient to pay the Debt.

G. RECOURSE.

The Loan and each obligation of Borrower contained in the Notes, the Mortgages and the other Loan Documents shall be fully recourse to Borrower; however, no personal liability or personal deficiency judgment shall be asserted or enforced against the REIT except as a result and to the extent of (i) fraud or intentional misrepresentation by Borrower the REIT; (ii) Borrower's or the REIT's misapplication or misappropriation of rent or other income derived from the Properties; (iii) the misapplication or the misappropriation of insurance proceeds or condemnation awards; or (iv) the occurrence of an Event of Default under Section J(g) or (h) of this Agreement. Notwithstanding the foregoing, the agreement of Lender to not assert or enforce personal liability or a personal deficiency judgment against the REIT SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event that there is any breach of Section E or of Sections J(j) or (k) of this Agreement.

H. COMMITMENT FEE. Simultaneously with the execution and delivery of this Agreement, the Borrower and the REIT shall pay to Lender a commitment fee equal to 0.50% of the Loan amount.

I. SERVICING FEE. Simultaneously with the execution and delivery of this Agreement, Borrower and the REIT shall pay to Lender a servicing fee in connection with the administration of the Collateral Account equal to 0.02% of the Loan Amount.

J. EVENTS OF DEFAULT. Each of the following events shall constitute an "Event of Default":

(a) Borrower shall fail to pay (i) any principal of or interest on the Loans when due (whether at stated maturity or by prepayment or otherwise) in accordance with the terms hereof, (ii) any other amount payable under the Collateral Agreement when due or (iii) any other amount payable hereunder or under any Loan Document within three (3) business days of when such payment is due in accordance with the terms hereof or thereof;

(b) Any representation or warranty made or deemed made by the Borrower in this Agreement, the Notes, the Mortgages, the other Loan Documents or the Collateral Agreement or in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement, shall prove to have been incorrect in any material respect on or as of the date made or deemed made or shall be breached;

(c) The Borrower violates or does not comply with any other provisions of Section E of this Agreement;

(d) If any default occurs under the Notes or Mortgages or other Loan Documents (as the same may have been modified by this Agreement) beyond the expiration of any applicable notice or cure period;

(e) Borrower or the REIT shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor or liquidator of itself or of all or a substantial part of such Person's assets, (ii) file a voluntary petition in bankruptcy, admit in writing that such Person is unable to pay such Person's debts as they become due, or generally not pay such Person's debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy or insolvency laws, (v) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against such Person in any bankruptcy, reorganization or insolvency proceeding, or (vi) take corporate action for the purpose of effecting any of the foregoing;

(f) An involuntary petition or complaint shall be filed against Borrower or the REIT seeking bankruptcy relief or reorganization or the appointment of a receiver, custodian, trustee, intervenor or liquidator of such Person, or all or substantially all of such Person's assets and such petition or complaint shall not have been dismissed within sixty (60) days of the filing thereof, or an order, order for relief, judgment or decree is entered by any court of competent jurisdiction or other competent authority approving or ordering any of the foregoing;

(g) Both the following events shall occur: (i) either (x) proceedings shall have been instituted to terminate, or notice of termination shall have been filed with respect to, any Plan by the Borrower, the PBGC or any representative of any thereof, or any such Plan shall be terminated, in each case under Section 4041 or 4042 of ERISA, or (y) a Reportable Event, the occurrence of which would cause the imposition of a lien under Section 4069 of ERISA, shall have occurred with respect to any Plan and be continuing for a period of sixty (60) days; and (ii) the sum of the estimated liability to the PBGC under Section 4062 of ERISA and the currently payable obligations of the Borrower to fund liabilities (in excess of amounts required to be paid to satisfy the minimum funding standard of Section 412 of the Code) under the Plan or Plans subject to such event shall exceed ten percent (10%) of the Borrower's net worth at such time;

(h) Any or all of the following events shall occur with respect to any Multi-employer Plan to which Borrower contributes or has contributed on behalf of its employees: (i) the Borrower incurs a withdrawal liability under Section 4201 of ERISA; or (ii) any such plan is "in reorganization" as that term is defined in Section 2441 of ERISA; or (iii) any such Plan is terminated under Section 4041A of ERISA, and the Lender determines in good faith that the aggregate liability likely to be incurred by the Borrower thereof, as a result of all or any of the events specified in subparagraphs (i), (ii) and (iii) above occurring, shall have a Material Adverse Effect; or

(i) Lender does not have or ceases to have a valid and perfected first priority security interest in the Collateral, or this Agreement the Notes, the Mortgages, the other Loan Documents or the Collateral Account Agreement shall cease for any reason to be in full force and effect in accordance with their terms or any Person obligated thereunder shall so assert in writing or the Mortgages shall cease to be effective to grant the liens purported to be granted thereby in favor of the Lender or such liens shall cease to be enforceable or superior to and prior to the rights of any other Persons (subject to Permitted Liens); or

(j) The REIT shall cease to own 100% of the issued and outstanding membership interests in the LLC;

(k) The REIT shall cease to be the sole general partner of the Partnership;

(l) Any default shall occur under the Collateral Account Agreement; and

(m) If for more than ten (10) days after notice from Lender, Borrower shall continue to be in default under any other term, covenant or condition of this Agreement.

K. REMEDIES. If any Event of Default shall occur and be continuing, then, and in any such event, (a) if such event is an Event of Default specified in Section J(f) or (g) of this Agreement, the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes, the Mortgages, the other Loan Documents or the Collateral Account Agreement shall immediately become due and payable, and (b) if such event is any other Event of Default, the Lender may, by notice of default to the Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes, the Mortgages, the other Loan Documents or the Collateral Account Agreement to be due and payable forthwith, whereupon the same shall the immediately become due and payable, (c) Borrower will pay, from the date of that Event of Default, interest on the unpaid principal balance of the Notes at the Default Rate and (d) Lender shall have the right to exercise any and all rights and remedies available at law and in equity. Except as expressly provided above in this Section K, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

Lender, upon the occurrence of an Event of Default or in any action to

foreclose the Mortgages or upon the actual or threatened waste to any part of Property, shall be entitled to the appointment of a receiver without notice and without regard to the value of such Property as security for the Debt, or the solvency or insolvency of any person liable for the payment of the Debt.

L. NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Lender, of any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided at law, in equity or otherwise.

M. PAYMENT OF LENDER'S EXPENSES, INDEMNITY, ETC.. Borrower shall:

(a) whether or not the transactions hereby contemplated are consummated, pay all out-of-pocket costs and expenses of the Lender in connection with the purchase of the Loans pursuant to this Agreement;

(b) pay, and hold the Lender harmless from and against, any and all present and future stamp, excise and other similar taxes and hold the Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to the Lender) to pay such taxes; and

(c) indemnify the Lender, its officers, directors, employees, representatives and agents and any persons or entities owned or controlled by, owning or controlling, or under common control or affiliated with Lender (each an "INDEMNITEE") from, and hold each of them harmless against, any and all losses, liabilities, claims, damages, expenses, obligations, penalties, he actions, judgments, suits, costs or disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Indemnitee in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto) that may at any time (including, without limitation, at any time following the payment of the Debt) be imposed on, asserted against or incurred by any Indemnitee as a result of, or arising out of, or in any way related to or by reason of, (i) any of the transactions contemplated under, or the execution, delivery or performance of, this Agreement, the Notes, the Mortgages, the other Loan Documents and the Collateral Account Agreement, (ii) the breach of any of the Borrower's, or the REIT's representations and warranties or of any of their respective agreements or obligations hereunder or under, the Notes, the Mortgages, the other Loan Documents and the Collateral Account Agreement, and (iii) the exercise by the Lender of its rights and remedies (including, without limitation, foreclosure) under this Agreement, the Notes, the Mortgages, the other Loan Documents and the Collateral Account Agreement, (but excluding, as to any Indemnitee, any such losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs

or disbursements to the extent incurred solely by reason of the gross negligence or willful misconduct of such Indemnitee as finally determined by a court of competent jurisdiction). Borrower's obligations under this subsection shall survive the termination of this Agreement and the payment of the Debt.

N. NOTICES.

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: SL GREEN OPERATING PARTNERSHIP, L.P.
70 West 36th Street
New York, New York 10018
Attention: _____
Facsimile No. _____

With a copy to: _____
_____
_____
Attention: _____
Facsimile No. _____

If to Lender: Lehman Brothers Holdings Inc.
d/b/a Lehman Capital, a division of
Lehman Brothers Holdings Inc.
Three World Financial Center, 12th Floor
New York, New York 10285
Attention: Ms. Allyson Bailey
Telephone: (212) 526-5849
Facsimile No. (212) 526-5484

with a copy to: Hatfield Philips
Suite 2300 Marquis Two Tower
285 Peachtree Center Avenue
Atlanta, Georgia 30303
Attention: Mr. Greg Winchester
Telephone: (404) 420-5600
Facsimile: (404) 420-5610

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

For purposes of this Subsection, "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

O. THIS AGREEMENT.

(i) Borrower shall promptly cause this Agreement to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice and fully to protect the lien of the Mortgages upon, and the interest of Lender in, the Properties. Borrower will pay all filing, registration and recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Agreement, and all Federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the filing, registration, recording, execution and delivery of this Agreement and Borrower shall hold harmless and indemnify Lender against any liability incurred by reason of the imposition of any tax on the issuance, making, filing, registration or recording of this Agreement, the Collateral Account Agreement or the Mortgages.

(ii) Borrower shall, and shall cause each of its affiliates to, make, execute, or endorse, and acknowledge and deliver or file or cause the same to be done, all such notices, certificates and additional agreements, undertakings, conveyances, transfers, assignments or other assurances, and take any and all such other action, as Lender may, from time to time, deem reasonably necessary or proper in connection with this Agreement, any of the Loan Documents or the Collateral Account Agreement or the obligations of Borrower or its affiliates hereunder or thereunder.

(iii) Borrower represents, warrants and covenants that there are no offsets, counterclaims or defenses against the Debt, this Agreement, the Notes, the Mortgages or the other Loan Documents, or the Collateral Account Agreement that Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Agreement and to keep and observe all of the terms of this Agreement on Borrower's part to be observed or performed, and that this Agreement, the Notes, the Mortgages, the other Loan Documents, and the Collateral Account Agreement constitute valid and binding obligations of Borrower.

(iv) Borrower represents and warrants that there is now due and owing on the Notes, Mortgages and the other Loan Documents the aggregate unpaid principal sum of $_____ or more particularly set forth in Exhibit C hereto;

(v) Borrower hereby waives, to the extent permitted by law, the benefit of all appraisement, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of one or more of the Properties or the Collateral or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of any Mortgage on behalf of Borrower, and on behalf of each and every person acquiring any interest in or title to any Property subsequent to the date of the related Mortgage and on behalf of all persons to the extent permitted by applicable law.

(vi) This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom the enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

(vii) This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns.

(viii) This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. The Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

(ix) If any term, covenant or condition of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

(x) This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the applicable laws of the United States of America.

(xi) Except as otherwise provided to the contrary herein, all defined terms shall have the meaning given to such terms in the above body of this Agreement and all references to the "Notes," the Mortgages, or any other Loan Document shall refer to the Notes, Mortgages and other Loan Documents as modified and amended pursuant to the provisions of this Agreement.

(xii) Except as expressly modified pursuant to this Agreement, all of the terms, covenants and provisions of the Notes, the Mortgages and the other Loan Documents shall continue in full force and effect. In the event of any conflict or ambiguity between the terms, covenants and provisions of this Agreement and those of the Notes, the

Mortgages and the other Loan Document, the terms, covenants and provisions of this Agreement shall control.

P. WAIVER OF JURY TRIAL EACH OF THE PARTIES TO THIS AGREEMENT IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING TO THIS AGREEMENT, THE NOTES, THE MORTGAGES, THE OTHER LOAN DOCUMENTS AND THE COLLATERAL ACCOUNT AGREEMENT.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, THIS AGREEMENT has been executed by Borrower on Lender the day and year first above written.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

[NEW GREEN REALTY LLC]

By: _____
Name:
Title:

LEHMAN BROTHERS HOLDINGS INC., D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation

By: _____
Name:
Title:

EXHIBIT A-1 (Fee Premises)

(Description of Land)

ALL of that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being

EXHIBIT A-2 (Leasehold Premises)

EXHIBIT B

Notices and Mortgages

COLLATERAL ACCOUNT AGREEMENT

COLLATERAL ACCOUNT AGREEMENT, dated as of August __, 1997, between S.L. GREEN OPERATING LIMITED PARTNERSHIP, (the "Partnership") [NEW GREEN REALTY LLC,] (the "LLC," together with the Partnership, the "BORROWER"), S.L. GREEN REALTY CORP. (the "REIT") and LEHMAN BROTHERS HOLDINGS INC., D/B/A LEHMAN CAPITAL, a division of LEHMAN BROTHERS HOLDINGS INC. (the "LENDER") under the Loan Agreement, dated as of the date hereof, (as amended, restated, supplemented, modified or extended from time to time, the "LOAN AGREEMENT"), between the Borrower (the "REIT") and the Lender.

W I T N E S S E T H:

WHEREAS, pursuant to the Loan Agreement, the Lender has agreed to purchase Loans (as more fully described in the Loan Agreement) which encumber the Properties (as defined in the Loan Agreement) owned by the Borrower upon the terms and subject to the conditions set forth therein; and

WHEREAS, it is a condition precedent to the obligation of the Lender to purchase the Loans that the Borrower shall have executed and delivered this Collateral Account Agreement;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Borrower hereby agrees with the Lender, as follows:

SECTION 1. DEFINED TERMS.

(a) Capitalized terms used but not defined herein shall have the meanings provided in the Loan Agreement.

(b) The following terms shall have the following meanings:

"AGREEMENT": shall mean this Collateral Account Agreement, as the same may be amended, restated, supplemented, modified or extended from time to time.

"CODE": shall mean the Uniform Commercial Code from time to time in effect in the State of New York.

"COLLATERAL": shall mean:

(a) the Collateral Account;

(b) all cash, instruments, securities and funds deposited from time to time in the Collateral Account;

(c) all investments of funds in the Collateral Account and all instruments and securities evidencing such investments;

(d) all interest, dividends, cash, instruments, securities and other property received in respect of, or as proceeds of, or in substitution or exchange for, any of the foregoing;

(e) all proceeds and products of the foregoing.

"SECURED OBLIGATIONS": shall mean and include the principal of the Loans, all interest and fees payable on or in respect of the Loans (including interest accruing after the commencement of any action under any applicable bankruptcy or other similar law) and any other amounts that the Borrower may now or hereafter be liable or obligated for in connection with the Loans, including, without limitation, any costs and expenses that the Lender may incur in connection with the collection of such amounts or any enforcement of its rights and remedies hereunder or under the Loan Agreement, the Notes, the Mortgages, or the other Loan Documents (including the reasonable fees and disbursements of any attorneys).

"COLLATERAL ACCOUNT": shall mean account no. established at the office of the Lender at and designated " ."

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section and paragraph references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. GRANT OF SECURITY INTEREST. As security for the prompt and complete payment when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations, the Borrower hereby transfers and assigns to the Lender, and grants to the Lender, a first, exclusive security interest in and lien on, all of the Borrower's right, title and interest in and to the Collateral.

SECTION 3. MAINTENANCE OF THE COLLATERAL ACCOUNT.

(a) The Collateral Account shall be maintained until the Secured Obligations have been paid in full. If the market value of United States Treasury securities

in which the Collateral is invested is, at any time, less than the outstanding principal balance of the Loan, the Borrower shall, within one (1) Business Day after a request by the Lender, deposit additional cash into the Collateral Account in an amount equal to the difference between the market value of the United States Treasury securities and the outstanding principal balance of the Loan.

(b) The Collateral Account and all of the other Collateral shall be subject to the exclusive dominion and control of the Lender, which shall hold the Collateral and administer the Collateral Account subject to the terms and conditions of this Agreement and the Loan Agreement. The Borrower shall have no right of withdrawal from the Collateral Account nor any other right or power with respect to the Collateral, except as expressly provided herein.

SECTION 4. REPRESENTATION AND WARRANTY. The Borrower represents and warrants to the Lender that (i) this Agreement creates in favor of the Lender an exclusive, perfected, first priority security interest in the Collateral; and (ii) this Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles.

SECTION 5. COVENANTS. The Borrower covenants and agrees with the Lender that:

(a) The Borrower will not (i) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral, or (ii) create, incur or permit to exist any lien, right of set-off or option in favor of, or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the security interest created by this Agreement.

(b) The Borrower will maintain the security interest created by this Agreement as an exclusive, first, perfected security interest in favor of the Lender and defend the right, title and interest of the Lender in and to the Collateral against the claims and demands of all Persons whomsoever. At any time and from time to time, upon the request of the Lender, and at the sole expense of the Borrower, the Borrower will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Lender may request for the purposes of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of Financing Statements under the Uniform Commercial Code.

SECTION 6. APPLICATION AND INVESTMENT OF COLLATERAL.

(a) On the date hereof, Borrower shall deposit the sum of $_____

in the Collateral Account, and such sum shall be invested in United States Treasury securities having a term approximately equal to the term of the Loan. Borrower shall make additional deposits as may be required pursuant to Section 3(a) of this Agreement. All investments shall be made in the name of the Lender or a nominee of the Lender and in a manner, determined by the Lender, in its sole discretion, that preserves the Lender's exclusive, perfected, first priority security interest in such investments. The Lender shall use reasonable care in the custody and safekeeping of any such investments.

(b) The Lender shall have no responsibility to the Borrower for any loss or liability arising in respect of any investments of the Collateral (including, without limitation, as a result of the liquidation thereof), except, to the extent that such loss or liability arises from the Lender's gross negligence or willful misconduct.

(c) The Borrower will pay or reimburse the Lender for any and all costs, expenses and liabilities of the Lender incurred in connection with this Agreement, the maintenance and operation of the Collateral Account and the investment of the Collateral, including, without limitation, any investment, brokerage or placement commissions and fees incurred by the Lender in connection with the investment or reinvestment of Collateral, and any investment charges or other fees of the Lender in connection with maintenance of the Collateral Account and any loss or expense incurred by Lender in connection with the liquidation of any investment or reinvestment of the Collateral, including any decline in the market value of the Collateral. All such costs, expenses, charges and fees shall constitute Secured Obligations.

SECTION 7. RELEASE OF COLLATERAL. On the date on which the Secured Obligations shall have been paid in full, the Lender shall release to the Borrower or such other Person as the Borrower may instruct all cash and investments then held by the Lender in the Collateral Account, PROVIDED that if at the time such Collateral is to be released there are any United States Treasury securities comprising any part of the Collateral, the Lender, in its discretion, may elect to purchase such securities from the Borrower at a price equal to the price at which the Lender purchased such securities on the Borrower's behalf. If the Lender elects to purchase such securities, it shall deliver to the Borrower (or such other Person as the Borrower may direct) in lieu of such securities, cash in an amount equal to the purchase price thereof less any applicable fees or other amounts payable by the Borrower pursuant to Section 6(c) of this Agreement.

SECTION 8. REMEDIES.

(a) The Lender may at any time and from time to time after the occurrence and during the continuance of an Event of Default, without notice of any kind, except for notices required law which may not be waived, apply any of the Collateral after deducting all reasonable costs and expenses of every kind incurred in respect thereof or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Lender hereunder, including, without limitation, reasonable attorneys' fees and disbursements of counsel to the Lender, to the payment in whole or in part of the Secured

Obligations, in such order as the Lender in its sole discretion may elect, and only after such application and after the payment by the Lender of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Lender account for the surplus, if any, to the Borrower. In addition to the rights, powers and remedies granted to it under this Agreement and in any other agreement securing, evidencing or relating to the Secured Obligations, the Lender shall have all the rights, powers and remedies available at law, including, without limitation, the rights and remedies of a secured party under the Code. To the extent permitted by law, the Borrower waives presentment, demand, protest and all notices of any kind and all claims, damages and demands it may acquire against the Lender arising out of the exercise by it of any rights hereunder.

(b) The Borrower and the REIT shall remain liable for any deficiency if the proceeds of any sale or other, disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Lender to collect such deficiency.

SECTION 9. LENDER'S APPOINTMENT AS ATTORNEY-IN-FACT.

(a) The Borrower hereby irrevocably constitutes and appoints the Lender and any officer or agent of the Lender, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Borrower and in the name of the Borrower or in the Lender's own name, from time to time in the Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, including, without limitation, any financing statements, endorsements, assignments or other instruments of transfer.

(b) The Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in paragraph 9(a). All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until the Secured Obligations have been paid in full.

SECTION 10. DUTY OF LENDER. The Lender's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession shall be to comply with the specific duties and responsibilities set forth in Section 6(a). The powers conferred on the Lender in this Agreement are solely for the protection of the Lender's interests in the Collateral and do not impose any duty upon the Lender to exercise any such powers. Neither the Lender nor its officers, employees or agents shall be liable for any action lawfully taken or omitted to be taken by any of them under or in connection with the Collateral or this Agreement, except for its or their gross negligence or willful misconduct.

SECTION 11. EXECUTION OF FINANCIAL STATEMENTS. The Borrower authorizes

the Lender to file financing statements with respect to the Collateral without the signature of the Borrower in such form and in such filing offices as the Lender reasonably determines appropriate to perfect the security interests of the Lender under this Agreement. A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

SECTION 12. MISCELLANEOUS.

(a) All notices, requests and demands shall be made in writing in accordance with Section N of the Loan Agreement.

(b) None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Borrower and the Lender.

(c) The Lender shall not by any act (except by a written instrument pursuant to paragraph 13(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Lender would otherwise have on any future occasion.

(d) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

(e) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the
interpretation hereof.

(f) This Agreement shall be binding upon the successors and assigns of the Borrower and shall inure to the benefit of the Lender and its successors and assigns.

(g) This Agreement shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Collateral Account Agreement to be duly executed and delivered as of the date first above written.

[NEW GREEN REALTY LLC]

By: S.L. Green Realty Corp.
its sole member

By: _____
Name:
Title:

S.L. GREEN OPERATING LIMITED PARTNERSHIP

By: S.L. Green Realty Corp.
its general partner

By: _____
Name:
Title:

S.L. GREEN REALTY CORP.

By: _____
Name:
Title:

LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, a division of LEHMAN BROTHERS HOLDINGS INC.

By: _____
Name:
Title:

EXHIBIT 10.17

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SL GREEN OPERATING PARTNERSHIP, L.P.
(Borrower)

and

LEHMAN BROTHERS HOLDINGS INC., D/B/A
LEHMAN CAPITAL, A DIVISION OF
LEHMAN BROTHERS HOLDINGS INC.
(Lender)

LOAN AGREEMENT

Dated: As of August __, 1997

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THIS LOAN AGREEMENT made as of the ____ day of August, 1997, between SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, having an office at 70 West 36th Street, New York, New York 10018 (hereinafter referred to as "Borrower"), and LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, having an office at Three World Financial Center, 200 Vesey Street, New York, New York 10285 (hereinafter referred to as "Lender");

W I T N E S S E T H :

WHEREAS, at the request of Borrower, Lender has agreed to fund to Borrower a loan in the principal amount of $21,000,000, or so much thereof as may be advanced pursuant to the terms and conditions of this Agreement (the "Loan").

WHEREAS, the initial advance of $14,000,000 of the Loan on the date hereof is evidenced by those certain notes made by Borrower in the aggregate outstanding principal amount of $14,000,000, as consolidated, amended and restated by that certain Consolidated, Amended and Restated Promissory Note of even date herewith made between Borrower and Lender (collectively, as may be amended, increased, modified, consolidated or supplemented, the "Note") to be secured by those certain mortgages made by Borrower in the aggregate outstanding amount of $14,000,000, as consolidated, amended, and restated by that certain Agreement of Consolidation and Modification of Mortgage and Security Agreement of even date herewith made between Borrower and Lender (collectively, the "Mortgage") covering the land more fully described in Exhibit A attached hereto and made a part hereof (the "Land");

WHEREAS, at the request of Borrower, Lender has agreed to permit Borrower to release the Property (hereinafter defined) from the lien of the Mortgage upon the substitution of the Substitute Property (hereinafter defined) in accordance with the terms of this Agreement;

NOW, THEREFORE, in consideration of ten dollars ($10) and other good and valuable consideration, the receipt of which is hereby acknowledged, Lender and Borrower hereby covenant and agree as follows:

1. THE NOTE AND THE MORTGAGE. The Loan is: (i) evidenced by the Note, and (ii) secured by the Mortgage made by Borrower covering the fee estate of Borrower in the Land, the Improvements (as such term is defined in the Mortgage) located on the Land and other property, rights and interests of Borrower in the same (the "Property"), and that certain assignment of leases and rents given by Borrower to Lender dated the date hereof and covering the Property (the "Assignment of Rents").

2. LOAN DOCUMENTS. The term "Loan Documents" as used in this Agreement shall collectively mean the Note, the Mortgage, the Assignment of Rents, the Environmental Indemnity Agreement, the Assignment of Management Agreement and Subordination of Management Fee, [SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENTS] each dated the date hereof between Borrower and Lender, this Agreement and all other documents and instruments of any nature whatsoever executed and delivered in connection with the Loan.

3. CONDITIONS TO THE ADDITIONAL ADVANCE OF THE LOAN. Lender shall not be obligated to fund any portion of the Loan in excess of the Initial Advance unless the Substitute Property has been substituted pursuant to Section 4 hereof and Lender has received all of the items, required pursuant to this Agreement, all in form and substance satisfactory to the Lender and its counsel.

4. RELEASE FOR SUBSTITUTE PROPERTY. Provided that no Event of Default (hereinafter defined) has occurred and is continuing, Borrower shall have the right, subject to the Lender's prior consent and prior to [October 15], 1997, to obtain a release of the Property from the lien of the Mortgage and other Loan Documents, provided that Borrower simultaneously substitutes that certain parcel of land situated at 50 West 23rd Street, New York, New York, and more fully described in Exhibit B attached hereto together with all Improvements thereon and other property, rights and interests of Borrower in the same (the "Substitute Property"), and subjects such Substitute Property to the lien of the Mortgage, as amended, modified and spread to cover the Substitute Property (the "Spread Mortgage") and to the lien of the other Loan Documents, each as modified and restated to conform with the Spread Mortgage (collectively, together with any additional Loan Documents executed and delivered in connection with the Substitute Property, the "Amended Loan Documents") as a first lien thereon. Borrower shall have no right to substitute the Substitute Property prior to [October 15], 1997. Lender's consent to such release and spreading shall be conditioned on, among other things, receipt by Lender of the following:

A. Evidence satisfactory to Lender that the Substitute Property is fully licensed, is open, operational and stabilized as a office property, of similar or higher quality than the Property and the Debt Service Coverage Ratio (hereinafter defined) with respect to the Substitute Property is equal to or greater than ____ to 1.

B. Evidence satisfactory to Lender that there has been no material adverse change with respect to any condition of the Substitute Property, including but not limited to, financial, structural, occupancy, compliance with applicable laws, or otherwise, since the date hereof;

C. An opinion of Borrower's counsel reasonably satisfactory to Lender stating (i) that the Substitute Property may be, and has been, lawfully subjected to the lien of the Spread Mortgage and the Amended Loan Documents, (ii) that the Spread Mortgage and the Amended Loan Documents by which the Substitute Property will be

encumbered have been duly authorized, executed and delivered by Borrower and are enforceable in accordance with their terms, subject to bankruptcy and equitable principles, (iii) that the Borrower is qualified to do business and in good standing under the laws of the jurisdiction where the Substitute Property is located, (iv) the encumbrance of the Substitute Property with the lien of the Spread Mortgage and the Amended Loan Documents shall not cause a breach of, or a default under, any document to which Borrower is a party, or to which it or the Substitute Property are bound or affected and (v) that the contemplated release and spreading will not affect the status of the general partner of Borrower as a "qualified real estate investment trust" under Section 856 of the IRS Code (hereinafter defined).

D. A certification by Borrower (i) that the certificates, opinions and other instruments which have been or are therewith delivered to or deposited with Lender in connection with such release and spreading conform to the requirements of this Agreement and the Mortgage, (ii) that all conditions precedent herein relating to such release and spreading have been complied with and (iii) that all conditions precedent to the delivery of the Spread Mortgage and Amended Loan Documents contained in this Agreement have been fulfilled.

E. Evidence reasonably satisfactory to Lender that the Borrower is Solvent (hereinafter defined) and shall not be rendered Insolvent (hereinafter defined) by the release of the Property and the substitution of the Substitute Property.

F. Original executed counterparts of the Spread Mortgage and the Amended Loan Documents encumbering the Substitute Property, including without limitation, financing statements or other documents necessary to grant or perfect Lender's first priority security interest in the fixtures and personalty located thereon and the Rents (as defined in the Mortgage) derived therefrom.

G. A title insurance policy issued by a title insurance company satisfactory to Lender insuring the lien of the Spread Mortgage on the Substitute Property, in form and substance satisfactory to Lender and its counsel insuring Lender that the Spread Mortgage is a valid and enforceable first lien on the good and marketable fee simple title of Borrower to the Substitute Property, in an amount equal to the amount of the Loan. Said title insurance policy shall be subject only to such exceptions that are similar to the exceptions in the title insurance policy insuring the lien of the Mortgage on the Property together with such affirmative insurance and endorsements as is reasonably required by Lender and which exceptions are otherwise acceptable to Lender and its counsel.

H. Evidence reasonably satisfactory to Lender to the effect that the Substitute Property and the use thereof are in substantial compliance with the applicable zoning, subdivision, and all other applicable federal, state or local laws and ordinances affecting the Substitute Property, and that all operating licenses and

permits necessary for the use and occupancy of the Substitute Property as an office property have been obtained and are in full force and effect. Such evidence may include, without limitation, a copy of a final certificate of occupancy and such other evidence of compliance with zoning as shall be reasonably acceptable to Lender.

I. Payment of all expenses applicable to the release of the Property and the substitution of the Substitute Property and all expenses incurred by Lender including due diligence review costs and reasonable counsel fees and disbursements in connection with securing the Loan with the Substitute Property (including, without limitation, title insurance premiums, appraisal fees, inspection fees, etc.); Borrower shall pay all such expenses whether or not the Substitute Property ultimately secures the Loan.

J. Such other opinions of counsel, certificates, documents and instructions relating to the substitution as Lender or its counsel may reasonably require and all corporate and other proceedings and other documents, (including, without limitation, all documents referred to herein and not appearing as exhibits hereto) and all legal matters in connection with the substitution shall be satisfactory in form and substance to Lender.

K. A survey of the Substitute Property dated and certified to Lender, its successor and assigns within six (6) days of the closing to secure the Loan with the Substitute Property prepared by a land surveyor licensed in the state where the Substitute Property is located and reasonably satisfactory to Lender and showing thereon the location of the perimeter of the Substitute Property by courses and distances, the lines of the streets abutting the Substitute Property and the width thereof, the on site improvements to the extent constructed and the relation of the on site improvements by distance to the perimeter of the Substitute Property, and the established building lines and the street lines, all encroachments and the extent thereof upon the Substitute Property and indicating that the on-site improvements to the extent constructed are within the lot and building lines of the Substitute Property, indicating whether the Substitute Property are in a flood plain and otherwise containing such items as are reasonably requested by Lender.

L. Payment of all recording charges, filing fees, taxes, or other expenses, including but not limited to intangibles taxes and documentary stamp taxes in connection with the recording of the Spread Mortgage and the other Amended Loan Documents, as applicable, and the filing of any UCC financing statements necessary to grant and perfect Lender's first priority lien on and security interest in the Substitute Property, the Personal Property (as defined in the Mortgage) located thereon and the Rents derived therefrom.

M. A property inspection report dated within six (6) months of delivery, prepared by an independent licensed engineer satisfactory to Lender, prepared in

accordance with the Lender's then current guidelines for property inspection reports, stating, among other things, that the Substitute Property is in good condition and repair and free of damage or waste, is in compliance with the ADA (as such term is defined in the Mortgage), and otherwise reasonably satisfactory to Lender.

N. Annual operating statements and occupancy statements for the Substitute Property for Borrower's most recent fiscal year (and such prior fiscal years as reasonably required by Lender to perform its due diligence) together with a year-to-date operating statement, current occupancy statements and a budget for the current fiscal year, each certified by Borrower, and a certificate of no adverse change since the date thereof executed by a senior executive officer of Borrower, in each case in form and substance satisfactory to Lender.

O. Original certificates and copies of policies of insurance required by the Lender under the terms of the Mortgage for the Substitute Property and, if required by Lender, a report from the Lender's insurance consultant with respect thereto.

P. A certified copy of the organizational documents of Borrower and evidence of their due organization, existence and good standing in the state where the Substitute Property is located and in their respective states of organization.

Q. Certified copies of the standard forms of lease which will be used by the Borrower in leasing space in the Substitute Property, in form and substance satisfactory to Lender.

R. Certified copies of all Leases (as defined in the Mortgage) with respect to the Substitute Property and subordination, non-disturbance and attornment agreements, tenant estoppel certificates for all tenants, as required by Lender and all in form and substance reasonably satisfactory to Lender.

S. Such evidence as Lender deems reasonably necessary to indicate complete compliance with all requirements of Applicable Laws (as defined in the Mortgage), including laws requiring notification or disclosure of Releases of Hazardous Substances (each as defined in the Mortgage) or other environmental conditions of the Substitute Property to any governmental authority or other person, whether or not in connection with a transfer of title or interest in property, and such evidence as the Lender may deem necessary or appropriate to evidence the availability of all utilities, including water, sewers, gas and electricity, as may be necessary and to use the Substitute Property as intended.

T. An assignment of management agreement and subordination of management fee in form and substance identical to the Assignment of Management Agreement and Subordination of Management Fee delivered in connection with the Property, except that its shall relate to the management of the Substitute Property in

all respects.

U. Certified copies of all contracts and agreements relating to the management, leasing and operation of the Substitute Property, each of which shall be in form and substance reasonably satisfactory to Lender.

V. Certified copies of all consents, licenses and approvals, if necessary, required in connection with the substitution of the Substitute Property, which consents, licenses and approvals shall be in full force and effect.

W. A certification by a senior executive officer of Borrower certifying that all of the representations and warranties contained in the Mortgage and any other Loan Documents, after giving effect to the substitution of the Substitute Property, are true and correct and that there is no Default hereunder.

X. State and county UCC searches with respect to the Substitute Property and Borrower in the state of its formation.

Y. A certification by a senior executive officer of Borrower, together with a comfort letter or audit by a nationally recognized independent certified public accounting firm satisfactory to Lender, verifying the NOI (hereinafter defined) of the Substitute Property and Property.

The term "Debt Service Coverage Ratio" as used herein shall mean the ratio of (a) the NOI (hereinafter defined) produced by the operation of the Substitute Property on an annualized basis during the six (6) month period immediately preceding the calculation to (b) the projected principal and interest payments, as the case may be, that would be due under the Substitute Mortgage and the Note, as the same may have been amended pursuant to Section 4 above, for the twelve (12) month period immediately following the calculation.

The term "NOI" as used herein shall mean the gross income derived from the operation of the Substitute Property, less Expenses (hereinafter defined) attributable to the Substitute Property. NOI shall include only Rents (as defined in the Mortgage) actually received from Leases (i) which were in effect during the entire six (6) month period prior to the date of calculation and (ii) under which the tenant was obligated during the entire six (6) months to pay rent and is obligated to pay rent at the time of calculation, and earned in accordance with GAAP (as defined in the Mortgage) and such other income, including any rent loss or business interruption insurance proceeds, laundry, parking, vending or concession income, late fees, forfeited security deposits and other miscellaneous tenant charges and Expenses actually paid or payable on an accrual basis attributable to the Substitute Property on an annualized basis during the six (6) month period ending one month prior to the date on which the NOI is being calculated, as set forth on operating statements satisfactory to Lender. NOI shall be calculated in accordance with customary accounting principles applicable to real estate.

Notwithstanding the foregoing, NOI shall not include (a) condemnation or insurance proceeds (excluding rent or business interruption insurance proceeds); (b) any proceeds from the sale, exchange, transfer, financing or refinancing of all or any portion of the Substitute Property for which it is to be determined, (c) amounts received from tenants as security deposits; (d) income derived from the termination of any Lease; (e) refunds, rebates or credits earned or received in connection with a reduction in real estate taxes or assessments charged against the Substitute Property or (d) any other type of income otherwise includible in NOI but paid directly by any tenant to a person or entity other than Borrower or its agents or representatives.

The term "Expenses" as used herein shall mean for any given period (and shall include the pro rata portion for such period of all such expenses attributable to, but not paid during, such period), all expenses to be paid or payable, as determined in accordance with GAAP, by Borrower during that period in connection with the operation of the Substitute Property, including without limitation:

1. expenses for cleaning, repair, maintenance, decoration and painting of the Substitute Property (including, without limitation, parking lots and roadways), net of any insurance proceeds in respect of any of the foregoing;

2. wages (including overtime payments), benefits, payroll taxes and all other related expenses for Borrower's on-site personnel, up to and including (but not above) the level of the on-site manager, engaged in the repair, operation and maintenance of the Substitute Property and service to tenants and on-site personnel engaged in audit and accounting functions performed by Borrower;

3. management fees pursuant to the Management Agreement (as defined in the Mortgage) provided that such fees do not exceed market and have been approved by Lender. Such fees shall include all fees for management services whether such services are performed at the Substitute Property or off-site;

4. the cost of all electricity, oil, gas, water, steam, heat, ventilation, air conditioning and any other energy, utility or similar item and the cost of building and cleaning supplies;

5. the cost of any leasing commissions and tenant concessions and improvements payable by Borrower pursuant to any Leases which are in effect for the Substitute Property during such period as such amounts are recognized in accordance with GAAP, provided however that in no event less than on a straight line basis during the remaining respective base term (excluding extension, renewal or other option);

6. Insurance Premiums (as defined in the Mortgage);

7. legal, accounting and other professional fees and expenses;

8. the cost of all equipment to be used in the ordinary course of business, which is not capitalized in accordance with GAAP;

9. Taxes and Other Charges (as such terms are defined in the Mortgage);

10. advertising and other marketing costs and expenses;

11. casualty losses to the extent not reimbursed by a third party; and

12. other expenses approved by Lender as set forth in the budget delivered to Lender as provided for in Section 3.11(a)(iii) of the Mortgage.

Notwithstanding the foregoing, Expenses shall not include (i) depreciation or amortization or any other non-cash item of expense unless approved by Lender; (ii) interest, principal, fees, costs and expense reimbursements of Lender in administering the Loan but not in exercising any of its rights under this Agreement or the Loan Documents; or (iii) any expenditure (other than leasing commissions, tenant concessions and improvements and replacement reserves) which is properly treatable as a capital item under GAAP.

The term "IRS Code" as used herein shall mean the Internal Revenue Code of 1986, as amended, and the related Treasury Department regulations, including temporary regulations.

The term "Solvent" as used herein to any Person (hereinafter defined) shall mean that (i) the sum of the assets of such Person, at a fair valuation based upon appraisals or comparable valuation, will exceed its liabilities, including contingent liabilities, (ii) such Person will have sufficient capital with which to conduct its business as presently conducted and as proposed to be conducted and (iii) such Person has not incurred debts, and does not intend to incur debts, beyond its ability to pay such debts as they mature. For purposes of this definition, "DEBT" means any liability on a claim, and "CLAIM" means (x) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (y) a right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. With respect to any such contingent liabilities, such liabilities shall be computed in accordance with GAAP at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

The term "Person" shall mean and include any individual, partnership, joint venture, firm, corporation, association, company, trust or other enterprise or any government or

political subdivision or agency, department or instrumentality thereof.

The term "Insolvent" as used herein shall have the meaning set forth in Section 101(31) of Title 11 of the United States Code, as the same may be amended from time to time.

5. ADDITIONAL PROPERTIES. In the event the Substitute Property is not substituted for the Property in accordance with Section 4 above for any reason whatsoever, Borrower hereby agrees that it shall deliver to Lender as determined by Lender in its sole discretion, all or some of the following parcels of land together with all Improvements thereon and other property, rights and interests of Borrower in each of the same, either as additional security or in substitution of the Property as security for the Loan: (i) 70 West 36th Street; (ii) 1372 Broadway; [(iii) 1414 Avenue of the Americas]; (iv) [36 West 44th Street] and; (v) such other office building properties owned by Borrower as Lender may require, (i)-(iv) above each being located in New York County, New York, and more fully described on Exhibits C, D, E and F attached hereto, respectively (each property above in (i)-(v), an "Additional Property" and collectively, the "Additional Properties").

In the event Lender determines to add one or more of the Additional Properties or substitute one or more of the Additional Properties for the Property as security for the Loan, Borrower shall execute and deliver such documents as may reasonably required by Lender to spread the lien of the Mortgage and the Loan Documents to each Additional Property together with each of the items described above in Section 4A through Y above as the same may relate to the Additional Properties. In addition, should Lender elect not to release the Property from the lien of the Mortgage, Borrower shall exercise its option to extend the term of the Ground Lease (as defined in the Mortgage) in accordance with the terms thereof and deliver evidence satisfactory to Lender of the same.

Should Borrower fail satisfy all of its obligations under this Section 5 or should any of the Additional Properties fail to satisfy the conditions set forth in Section 4A through Y above, such failure shall constitute an Event of Default (hereinafter defined).

6. EVENTS OF DEFAULT. The term "Event of Default" as used in this Agreement shall have the meaning ascribed to it in the Note and the Mortgage.

Upon the occurrence of an Event of Default, Lender (i) may, at its option and in its sole discretion, declare the Debt immediately due and payable, and (ii) may pursue any and all remedies provided for in the Loan Documents, or otherwise available.

7. ADDITIONAL ADVANCE. Provided that no Event of Default has occurred and is continuing and either the Substitute Property or all or some of the Additional Properties have been substituted for the Property as security for the Loan, or all or some of the Additional Properties have been added as security for the Loan in accordance with this

Agreement, Borrower shall have the right within one (1) year from the date hereof, to receive one (1) additional advance of the Loan not to exceed $7,000,000 (the "Additional Advance"), subject to the satisfaction of the following conditions precedent:

(a) The ratio of the then outstanding principal balance of the Note plus the amount of the requested Additional Advance is equal to or less than _____ percent (_____%) of the appraised value of the Substitute Property or any Substitute Property, as the case may be.

(b) The Debt Service Coverage Ratio after giving effect to the requested Additional Advance is equal to or greater than [1.45] to 1.

(c) Borrower shall execute and deliver to Lender original counterparts (except as noted) of each of the following (collectively, the "Advance Loan Documents"):

(i) one (1) promissory note in favor of Lender evidencing an indebtedness equal to the amount of the Additional Advance (the "Advance Note");

(ii) a mortgage and security agreement in favor of Lender securing the Advance Note (the "Advance Mortgage");

(iii) a consolidated, amended and restated promissory note (the "Consolidated Note") in favor of Lender which consolidates, amends and restates the Advance Note, together with the Note, and otherwise in form and substance identical to the Note, except that the Consolidated Note shall (A) evidence an indebtedness equal to the sum of (x) the then outstanding principal balance of the Note, and (y) the Additional Advance ((x) and (y) collectively, the "Consolidated Loan Amount"); (B) have an Applicable Interest Rate (as defined in the Note and as hereby amended, the "Amended Applicable Interest Rate") equal to the weighted average of (x) with respect to the then outstanding principal balance of the Note, the Applicable Interest Rate (as defined in the Note) and (y) with respect to the amount of the Additional Advance, a rate of interest determined by adding (1) with respect to the Substitute Property, 50 basis points to the yield to maturity for the U.S. Treasury bonds having the nearest equivalent maturity of 10 years (rounded up to the nearest one-eighth of one percent) at the time of the Additional Advance or (2) with respect to any Additional Property, 75 basis points to the yield to maturity for the U.S. Treasury bonds having the nearest equivalent maturity of 10 years (rounded up to the nearest one-eighth of one percent) at the time of the Additional Advance; and (C) provide that on the first day of [SEPTEMBER], 2002, and on the first

day of each calendar month thereafter up to and including the first day of [AUGUST], 2007, each Monthly Principal Payment (as defined in the Note) shall be equal to the monthly principal components of an amortization schedule calculated assuming monthly payments of principal and interest sufficient to pay interest on the Consolidated Loan Amount at the Amended Applicable Interest Rate and amortize the then outstanding principal balance of the Consolidated Note over a remaining term of twenty-five years;

(iv) a consolidated, amended and restated mortgage and security agreement in favor of Lender which consolidates, amends and restates the Advance Mortgage, together with the Spread Mortgage, and otherwise in form and substance identical to the Spread Mortgage, except that the amount secured by the Consolidated Mortgage shall be equal to the Consolidated Loan Amount; and

(v) each of the Amended Loan Documents, as a modified, amended and restated, to reflect and secure the Additional Advance.

(c) Borrower shall deliver to Lender each of the items described in Sections 4A through Y (excluding items D and F), as the same may relate to the Additional Advance or any of the Advance Loan Documents.

7. INCORPORATION OF PROVISIONS. The Note, the Mortgage and the Loan Documents are subject to the conditions, stipulations, agreements and covenants contained herein to the same extent and effect as if fully set forth therein until this Agreement is terminated by the payment in full of the Debt.

8. FURTHER ASSURANCES. Borrower shall on demand of Lender do any act or execute any additional documents required by Lender to confirm the lien of the Mortgage.

9. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender as follows:

(a) Borrower is duly qualified to do business in the State of New York.

(b) Borrower (and the undersigned representative, if any, of Borrower) has the full power and authority to execute and deliver this Agreement and the Loan Documents, and the same constitute the binding and enforceable obligations of Borrower in accordance with their terms.

10. CONSTRUCTION OF AGREEMENT. The titles and headings of the paragraphs of this Agreement have been inserted for convenience of reference only and are not intended

to summarize or otherwise describe the subject matter of such paragraphs and shall not be given any consideration in the construction of this Agreement.

11. PARTIES BOUND, ETC. The provisions of this Agreement shall be binding upon and inure to the benefit of Borrower, Lender and their respective heirs, executors, legal representatives, successors and assigns (except as otherwise prohibited by this Agreement).

12. WAIVERS. Lender may at any time and from time to time waive any one or more of the conditions contained herein, but any such waiver shall be deemed to be made in pursuance hereof and not in modification thereof, and any such waiver in any instance or under any particular circumstance shall not be considered a waiver of such condition in any other instance or any other circumstance.

13. GOVERNING LAW. (a) This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York.

(b) Any legal action or proceeding with respect to this Agreement or any other Loan Document and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to Borrower at its address set forth opposite its signatures below. Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Loan Document brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of Lender, to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction.

14. SEVERABILITY. If any term, covenant or provision of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such term, covenant or provision.

15. NOTICES. All notices required to be given under the terms of this Agreement shall be given in accordance with and to the addresses set forth in Section 16.1 of the Mortgage.

16. FEES AND EXPENSES. Borrower shall pay to Lender, upon demand, all expenses incurred by Lender in connection with the collection of the Debt, the enforcement of the Loan Documents, and in curing any defaults under the Loan Documents (including, without limitation, reasonable attorneys' fees), with interest thereon at a rate per annum equal to the rate of interest payable pursuant to the Note, provided that such interest rate shall in no event exceed the maximum interest rate which Borrower may by law pay, from the date of payment by Lender to the date of payment to Lender, which sums and interest shall be secured by the Mortgage.

17. MODIFICATION. This Agreement may not be modified, amended or terminated, except by an agreement in writing executed by the parties hereto.

NO FURTHER TEXT ON THIS PAGE

IN WITNESS WHEREOF, Borrower and Lender have duly executed this Agreement the day and year first above written.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

LEHMAN BROTHERS HOLDINGS INC., D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation

By: _____
Name:
Title:

EXHIBIT A

(Description of Release Premises)

(to be attached)

EXHIBIT B

(Description of Substitute Property)

(to be attached)

[EXHIBITS C-F]

(Descriptions of Additional Properties)

CONSOLIDATED, AMENDED AND RESTATED PROMISSORY NOTE

$14,000,000 New York, New York
[August 15,] 1997

FOR VALUE RECEIVED SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, as maker, having its principal place of business at 70 West 36th Street, New York, New York 10018 ("Borrower"), hereby unconditionally promises to pay to the order of LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC. a Delaware corporation, as payee, having an address at Three World Financial Center, 200 Vesey Street, New York, New York 10285 ("Lender"), or at such other place as the holder hereof may from time to time designate in writing, the principal sum of FOURTEEN MILLION AND 00/100 DOLLARS, in lawful money of the United States of America with interest thereon to be computed from the date of this Note at the Applicable Interest Rate (hereinafter defined), and to be paid in installments as follows:

RECITALS:

WHEREAS, LENDER IS THE OWNER AND HOLDER OF THE SECURITY INSTRUMENT (HEREINAFTER DEFINED) AND ALL MORTGAGES DESCRIBED THEREIN, AND OF THE NOTES, BONDS OR OTHER OBLIGATIONS SECURED THEREBY, AS MORE PARTICULARLY DESCRIBED IN EXHIBIT A ATTACHED HERETO (THE "EXISTING NOTES");

WHEREAS, BORROWER IS THE OBLIGOR UNDER THE EXISTING NOTES; AND

WHEREAS, BORROWER AND LENDER HAVE AGREED IN THE MANNER HEREINAFTER SET FORTH (I) TO COMBINE AND CONSOLIDATE THE EXISTING NOTES TO EVIDENCE ONE UNIFIED INDEBTEDNESS IN THE AGGREGATE PRINCIPAL AMOUNT OF FOURTEEN MILLION AND 00/100 DOLLARS ($14,000,000), (II) TO EXTEND THE MATURITY DATE OF THE DEBT (HEREINAFTER DEFINED) EVIDENCED BY THE EXISTING NOTES TO [AUGUST] 1, 2007, AND (III) TO MODIFY CERTAIN OTHER TERMS AND PROVISIONS OF THE EXISTING NOTES,

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS, WHICH ARE INCORPORATED INTO THE OPERATIVE PROVISIONS OF THIS NOTE (HEREINAFTER DEFINED) BY THIS REFERENCE, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND ADEQUACY OF WHICH ARE HEREBY CONCLUSIVELY ACKNOWLEDGED, BORROWER HEREBY REPRESENTS AND WARRANTS TO AND COVENANTS AND AGREES WITH LENDER AS FOLLOWS:

A. OUTSTANDING INDEBTEDNESS. THE AGGREGATE OUTSTANDING INDEBTEDNESS EVIDENCED BY THE EXISTING NOTES AND SECURED BY THE SECURITY INSTRUMENT IS FOURTEEN MILLION AND 00/100 DOLLARS ($14,000,000), IT BEING UNDERSTOOD THAT NO INTEREST UNDER THE EXISTING NOTES IS ACCRUED AND UNPAID FOR THE PERIOD PRIOR TO THE DATE HEREOF, BUT THAT INTEREST SHALL ACCRUE FROM AND AFTER THE DATE HEREOF AT THE RATE OR RATES HEREIN PROVIDED.

B. CONSOLIDATION OF EXISTING NOTES. THE EXISTING NOTES ARE HEREBY COMBINED AND CONSOLIDATED SO THAT TOGETHER THEY SHALL HEREAFTER CONSTITUTE IN LAW BUT ONE NOTE EVIDENCING THE AGGREGATE PRINCIPAL AMOUNT OF FOURTEEN MILLION AND 00/100 DOLLARS ($14,000,000), TOGETHER WITH INTEREST THEREON AS HEREINAFTER PROVIDED (THE EXISTING NOTES, AS SO COMBINED AND CONSOLIDATED AND AS MODIFIED, AMENDED, RESTATED, RATIFIED AND CONFIRMED PURSUANT TO THE PROVISIONS HEREOF, ARE HEREIN COLLECTIVELY REFERRED TO AS THE "NOTE").

C. AMENDMENT AND RESTATEMENT OF EXISTING NOTES. THE TERMS, COVENANTS AND PROVISIONS OF THE EXISTING NOTES ARE HEREBY MODIFIED, AMENDED AND RESTATED SO THAT HENCEFORTH SUCH TERMS, COVENANTS AND PROVISIONS SHALL BE THOSE SET FORTH HEREIN, AND THE EXISTING NOTES, AS SO MODIFIED, AMENDED AND RESTATED, ARE HEREBY RATIFIED AND CONFIRMED IN ALL RESPECTS BY BORROWER.

D. MAKER'S PROMISE TO PAY. FOR VALUE RECEIVED BORROWER HEREBY UNCONDITIONALLY PROMISES TO PAY TO THE ORDER OF LENDER THE PRINCIPAL SUM OF FOURTEEN MILLION AND 00/100 DOLLARS, OR SO MUCH THEREOF AS MAY HAVE BEEN ADVANCED BY LENDER PURSUANT TO THE BUILDING LOAN AGREEMENT MADE BETWEEN BORROWER AND LENDER OF EVEN DATE HEREWITH (THE "BUILDING LOAN AGREEMENT"), IN LAWFUL MONEY OF THE UNITED STATES OF AMERICA WITH INTEREST THEREON TO BE COMPUTED FROM THE DATE OF THIS NOTE AT THE APPLICABLE INTEREST RATE (HEREINAFTER DEFINED), AND TO BE PAID AS HEREINAFTER PROVIDED.

ARTICLE 1: PAYMENT TERMS

(a) A payment of interest only on the first day of [September], 1997 and on the first day of each calendar month thereafter up to and including the first day of [July], 2007 (each, a "Payment Date"); and

(b) A monthly payment of principal equal to the amounts listed on Exhibit A attached hereto (each, a "Monthly Principal Payment") commencing on the first Payment Date occurring after (i) [October 15, 1997], if the Substitute Property (as defined in the Loan Agreement (hereinafter defined)) has not been substituted for the Initial Property (hereinafter defined) in accordance with Section 4 of the Loan Agreement prior to [October 15, 1997] (the "Substitution Date") or (ii) [August 1, 2002], if the Substitute Property has been substituted pursuant to Section 4 of the Loan Agreement prior to the Substitution Date.

each of the payments to be applied as follows:

(A) first, to the payment of interest computed at the Applicable Interest Rate; and

(B) the balance toward the reduction of the principal sum;

and the balance of the principal sum and all interest thereon shall be due and payable on the first day of [August], 2007 (the "Maturity Date"). Interest on the principal sum of this Note shall be calculated on the basis of a three hundred sixty (360) day year based on the actual number of days elapsed.

ARTICLE 2: INTEREST

The term "Applicable Interest Rate" as used herein shall mean (i) if the Substitute Property has been substituted pursuant to Section 4 of the Loan Agreement prior to the Substitution Date, a rate per annum from the date of this Note through and including the Maturity Date of _____ percent (____%) and (ii) if the Substitute Property has not been substituted pursuant to Section 4 of the Loan Agreement prior to the Substitution Date, a rate per annum equal to (A) ____ percent (____%) from and including the date of this Note through and including [October 14], 1997 and (B) ____ percent (____%) (add 50 bp) from and including [October 15], 1997 from through and including the Maturity Date.

The term "Loan Agreement" as used herein shall mean that certain Loan Agreement dated the date hereof between Borrower and Lender.

The term "Business Day" as used herein shall mean a day on which commercial banks are not authorized or required by law to close in New York City, New York or in London, England.

ARTICLE 3: DEFAULT AND ACCELERATION

(a) The whole of the principal sum of this Note, (b) interest, default interest, late charges and other sums, as provided in this Note, the Security Instrument or the Other Security Documents (defined below), (c) all other monies agreed or provided to be paid by Borrower in this Note, the Security Instrument or the Other Security Documents, (d) all sums advanced pursuant to the Security Instrument to protect and preserve the Property and the lien and the security interest created thereby, and (e) all sums advanced and costs and expenses incurred by Lender in connection with the Debt (defined below) or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender (all the sums referred to in (a) through (e) above shall collectively be

referred to as the "Debt") shall without notice become immediately due and payable at the option of Lender if any payment required in this Note is not paid prior to the fifth (5th) day after the date when due or on the Maturity Date or on the happening of any other default, after the expiration of any applicable notice and grace periods, herein or under the terms of the Security Instrument or any of the Other Security Documents (collectively, an "Event of Default").

ARTICLE 4: DEFAULT INTEREST

Borrower does hereby agree that upon the occurrence of an Event of Default, Lender shall be entitled to receive and Borrower shall pay interest on the entire unpaid principal sum at a rate equal to the lesser of (a) five percent (5%) plus the Applicable Interest Rate and (b) the maximum interest rate which Borrower may by law pay (the "Default Rate"). The Default Rate shall be computed (i) for all Events of Default which can be cured by the payment of a sum of money, from the date upon which such payment was due, and (ii) for all other Events of Default, from the occurrence of the Event of Default until, for all Events of Default, the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full. Interest calculated at the Default Rate shall be added to the Debt, and shall be deemed secured by the Security Instrument. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

ARTICLE 5: DEFEASANCE

Subject to compliance with and satisfaction of the terms and conditions of this Article 5, Borrower may elect on any Payment Date occurring after [the last day of the thirtieth (30th) full calendar month from the date hereof -OR- the earlier of (x) the third (3rd) anniversary of the date hereof or (y) two (2) years from the "startup day" within the meaning of Section 860G(a)(9) of the IRS Code of a REMIC Trust] to release the Property from the lien of the Security Instrument by delivering to Lender, as security for the payment of all interest due and to become due throughout the term of this Note on, and the principal balance of this Note equal to the outstanding principal amount of this Note, Defeasance Collateral with Collateral Value (hereinafter defined) sufficient, without consideration of any reinvestment of interest therefrom, to pay (a) all amounts then due relating to this Note, including accrued interest thereon, (b) the outstanding principal amount of this Note (the "Defeasance Amount") and (c) the portion of the interest that will become due under this Note on any date prior to and including the Maturity Date (all such interest as described in this clause (iii) together with the Defeasance Amount and such amounts described in clause (i) being hereinafter referred to as the "Defeasance Property").

As a condition to any Defeasance, prior to any Defeasance, Borrower shall

have delivered to Lender:

(a) all necessary documents to amend and restate the Note to reflect that the principal balance of the Note has been defeased (the "Defeased Note"). (1) The Defeased Note shall be in a principal amount equal to the Defeasance Amount, (2) be payable to the order of Lender, (3) be dated as of the date hereof, (4) mature on the Maturity Date (the "Defeased Maturity Date") (5) be secured by the Defeasance Collateral delivered in connection with the Defeasance and otherwise contain substantially the same terms as this Note. The Defeased Note shall evidence the Debt and not any new or additional indebtedness of Borrower. The Defeased Note cannot be the subject of any further Defeasance;

(b) an opinion of Borrower's counsel in form reasonably satisfactory to Lender stating (1) that the Defeasance Collateral and the proceeds thereof have been duly and validly assigned and delivered to Lender and that Lender has a valid, perfected, first priority lien and security interest in the Defeasance Collateral delivered by Borrower and the proceeds thereof and all obligations, rights and duties under and to the Defeasance Note and (2) and such other matters as Lender or its counsel may reasonably require;

(c) written confirmation from the Rating Agencies (as defined in the Security Instrument) that such Defeasance will not result in a withdrawal, downgrade or qualification of the then current ratings by the applicable Rating Agencies of the Securities (as defined in the Security Instrument) and otherwise in form and substance reasonably satisfactory to Lender and its counsel. If required by the Rating Agencies, Borrower shall, at Borrower's expense (the cost of which shall be subject to Lender's prior approval, which approval shall not be unreasonably withheld), also deliver or cause to be delivered a non-consolidation opinion with respect to the Defeasance Obligor (hereinafter defined) in form and substance satisfactory to Lender and the Rating Agencies;

(d) a certificate of Borrower's independent certified public accountant certifying that the Defeasance Collateral generates monthly amounts equal to or greater than each monthly installment of principal and interest required to be paid under the Defeased Note through and including the Maturity Date and payments due thereon; and

(e) Borrower shall deliver such other certificates, documents or instruments as Lender may reasonably request or that the Rating Agencies may require in connection with the Defeasance.

In connection with any Defeasance hereunder, Lender shall, or if any Securities have been issued in connection with a securitization, Lender may, at its option, and if it elects not to, [Lehman Brothers Realty Corporation] shall, in each instance at Borrower's expense, establish or designate a successor entity, which shall be a Single Purpose Entity (hereinafter defined) (the "Defeasance Obligor") and Borrower shall transfer and assign all obligations, rights and duties under and to the Defeased Note together with the

pledged Defeasance Collateral to such Defeasance Obligor. Such Defeasance Obligor shall assume the obligations under the Defeased Note and any security agreement executed in connection with the Defeasance or the Defeasance Collateral delivered in connection therewith (the "Defeasance Security Agreement"), and Borrower shall be relieved of its obligations under such documents.

Each of the obligations of the United States of America that is part of the Defeasance Collateral shall be duly endorsed by the holder thereof as directed by Lender or accompanied by a written instrument of transfer in form and substance wholly satisfactory to Lender (including, without limitation, such instruments as may be required by the depository institution holding such securities or by the issuer thereof, as the case may be, to effectuate book-entry transfers and pledges through the book-entry facilities of such institution) in order to perfect upon the delivery of the Defeasance Collateral the first priority security interest therein in favor of the Lender in conformity with all applicable state and federal laws governing the granting of such security interests. Borrower shall authorize and direct that the payments received from such obligations shall be made directly to Lender or Lender's designee and applied to satisfy the obligations of Borrower under the Defeased Note. Borrower shall execute and deliver a Defeasance Security Agreement in form and substance reasonably satisfactory to Lender creating a first priority lien on the Defeasance Collateral delivered in connection with the Defeasance and the Obligations purchased with the Defeasance Collateral.

The Defeasance Collateral shall generate payments on or prior to, but as close as possible to, the Business Day prior to each successive scheduled payment date after the Defeasance Date upon which payments are required under this Note and the Defeased Note, including the amount of accrued interest together with the outstanding principal amount hereunder which would be due on the Maturity Date (the "Scheduled Defeasance Payments").

Notwithstanding any release of the Security Instrument granted pursuant to this Article 5 or any Defeasance hereunder, Borrower shall and hereby agrees to continue to be bound by and obligated under Articles 5, 7, and 15 and Sections 3.1, 7.4, 11.2, 11.10, 13.1, 13.4 and 14.2 of the Security Instrument; provided however that all references therein to "Property" or "Personal Property" shall be deemed to refer only to the Defeasance Collateral delivered to Lender.

All Defeasance Collateral shall be used and applied first to defease a portion of this Note, together with such amount that is necessary for the payment of all interest due and to become due with respect to such portion of this Note. Upon any release of the Security Instrument pursuant to this Section 5, the Defeasance Collateral delivered in connection therewith shall constitute Collateral which shall secure the Obligations.

Any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the creation of the Defeased Note, the modification of this Note, or otherwise required to accomplish the Defeasance shall be paid by Maker

simultaneously with the occurrence of any Defeasance.

The term "Defeasance Collateral" as used herein shall mean non-callable and non-redeemable securities evidencing an obligation to timely pay principal and interest in a full and timely manner that are direct obligations of the United States of America for the payment of which its full faith and credit is pledged.

The term "Collateral Value" as used herein shall mean as of any date with respect to Defeasance Collateral delivered to Lender, the aggregate amount of payments of principal of such Defeasance Collateral and the predetermined and certain income therefrom that will be paid or payable to Lender on or before the Business Day prior to each day on which payments are due on the obligations in respect of which such Defeasance Collateral was delivered, without consideration of any reinvestment of such income, all as certified in writing by a recognized and reputable independent certified public accounting firm or investment banking firm selected by Borrower and reasonably satisfactory to Lender.

The term "Single Purpose Entity" as used herein shall mean a Person (as defined in the Loan Agreement), other than an individual, which at all times since its formation: (i) has been a duly formed and existing limited partnership or corporation, as the case may be; (ii) has been duly qualified in each jurisdiction in which such qualification was at such time necessary for the conduct of its business; (iii) has complied with the provisions of its organizational documents and the laws of its jurisdiction of formation in all respects; (iv) has observed all customary formalities regarding its partnership or corporate existence, as the case may be; (v) has accurately maintained its financial statements, accounting records and other partnership or corporate documents separate from those of any other Person; (vi) has not commingled its assets or funds with those of any other Person; (vii) has accurately maintained its own bank accounts, payroll and books and accounts separate from those of any other Person; (viii) has paid its own liabilities from its own separate assets; (ix) has identified itself in all dealings with the public, under its own name and as a separate and distinct entity; (x) has not identified itself as being a division or a part of any other Person; (xi) has not identified any other Person as being a division or a part of such Person; (xii) has been adequately capitalized in light of its contemplated business operations; (xiii) has not assumed, guaranteed or become obligated for the liabilities of any other Person (except in connection with the endorsement of negotiable instruments in the ordinary course of business) or held out its credit as being available to satisfy the obligations of any other Person; (xiv) has not acquired obligations or securities of any other Person; (xv) has not made loans or advances to any other Person; (xvi) has not entered into and was not a party to any transaction with any Affiliate (as defined in the Security Instrument) of such Person, except in the ordinary course of business and on terms which are no less favorable to such Person than would be obtained in a comparable arm's-length transaction with an unrelated third party; (xvii) has conducted its own business in its own name; (xviii) has paid the salaries of its own employees and maintained a sufficient number of employees in light of its contemplated business operations; (xix) has allocated fairly and reasonably any overhead for shared office space; (xx) has used separate stationery, invoices and checks; (xxi) has not

pledged its assets for the benefit of any other entity or made any loans or advances to any person or entity; (xxii) has not engaged in a non-exempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Internal Revenue Code; (xxiii) has not acquired obligations or securities of its partners or Affiliates; and (xxiv) has corrected any known misunderstanding regarding its separate identity.

ARTICLE 6: PREPAYMENT

The principal balance of this Note may not be prepaid in whole or in part prior to the Maturity Date.

If a Default Prepayment (hereinafter defined) occurs, Borrower shall pay to Lender the entire Debt, including, without limitation, a prepayment consideration (the "Prepayment Consideration") in an amount equal to Yield Maintenance (hereinafter defined).

The term "Default Prepayment" as used herein shall mean a prepayment of the principal amount of this Note made during the continuance of any Event of Default or after an acceleration of the Maturity Date under any circumstances, including, without limitation, a prepayment occurring in connection with reinstatement of the Security Instrument provided by statute under foreclosure proceedings or exercise of a power of sale, any statutory right of redemption exercised by Borrower or any other party having a statutory right to redeem or prevent foreclosure, any sale in foreclosure or under exercise of a power of sale or otherwise.

The term "Yield Maintenance" as used herein shall mean an amount equal to the greater of (A) one percent (1%) of the principal balance of this Note outstanding on the date on which prepayment is to be made (the "Prepayment Date"), and (B) the present value as of the Prepayment Date of the Calculated Payments (hereinafter defined) from the Prepayment Date through the Maturity Date determined by discounting each of such payments from the date of its scheduled payment at the Discount Rate (hereinafter defined).

The term "Calculated Payments as used herein" shall mean monthly payments of interest only which would be due based on the principal amount outstanding on the Prepayment Date and which would be outstanding each month assuming the scheduled amortization, as the case may be, and assuming an interest rate per annum equal to the difference (if such difference is greater than zero) between (i) the Fixed Rate minus (ii) the Treasury Rate. The "Discount Rate" is the rate which, when compounded monthly, is equivalent to the Treasury Rate when compounded semi-annually. The "Treasury Rate" means the yield calculated by the linear interpolation of the yields, as reported in the Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Government Securities/Treasury constant maturities for the week ending prior to the Prepayment Date, of the U.S. Treasury constant maturities with maturity dates (one longer and one shorter) most

nearly approximating the Maturity Date. In the event Release H.15 is no longer published, Lender shall select a comparable publication to determine the Prepayment Treasury Rate. Lender shall notify Borrower of the amount and the basis of determination of the required Prepayment Consideration (including a detailed calculation of the same) which shall be conclusive and binding on Borrower absent manifest error.

Lender shall notify Borrower of the amount and the basis of determination of the required Prepayment Consideration and each component thereof (including a detailed calculation of the same) which shall be conclusive and binding on Borrower absent manifest error.

Notwithstanding anything herein to the contrary, provided no Event of Default exists, no Prepayment Consideration shall be due in connection with (i) a complete or partial prepayment resulting from the application of Net Proceeds (as defined in the Security Instrument) pursuant to Section 4.4 of the Security Instrument (a "Mandatory Prepayment") or (ii) a Defeasance pursuant to Section 5 above. Notwithstanding anything herein to the contrary, if any Mandatory Prepayment occurs on a date that is not a Payment Date, the amount due from Borrower on the date of such Mandatory Prepayment shall include a payment (a "Shortfall Interest Payment") equal to (a) the amount of all accrued and unpaid interest on the outstanding principal balance of this Note as of the date of such Mandatory Prepayment, plus (b) the interest which would have accrued on the amount of the Mandatory Prepayment from the date of such Mandatory Prepayment to the last day preceding the next Payment Date. On the Payment Date following any such Mandatory Prepayment, Borrower shall receive a credit against the payment then due equal to the amount of such Shortfall Interest Payment.

ARTICLE 7: SECURITY

This Note is secured by the Security Instrument and the Other Security Documents. The term "Security Instrument" as used in this Note shall mean (i) Mortgage Consolidation, Mofidication and Spreader Agreement dated the date hereof in the principal sum of $14,000,000 given by Borrower to (or for the benefit of) Lender covering the leasehold estate of Borrower in certain premises located in New York County, State of New York, and other property, as more particularly described therein (collectively, the "Initial Property"; the Initial Property, the Substitute Property and each Additional Property (as defined in the Loan Agreement), as the case may be, shall be referred to herein as the "Property") and intended to be duly recorded in said County and (ii) from and after the substitution of the Substitution Property pursuant to Section 4 of the Loan Agreement or the substitution or addition of the Additional Properties pursuant to Section 5 of the Loan Agreement, the Spread Mortgage (as defined in the Loan Agreement). The term "Other Security Documents" as used in this Note shall mean all and any of the documents other than this Note or the Security Instrument now or hereafter executed by Borrower and/or others and by or in favor of Lender, which wholly or partially secure or guarantee payment of this

Note including, but not limited to, that certain Loan Agreement dated the date hereof between Borrower and Lender. Whenever used, the singular number shall include the plural, the plural number shall include the singular, and the words "Lender" and "Borrower" shall include their respective successors, assigns, heirs, executors and administrators.

All of the terms, covenants and conditions contained in the Security Instrument and the Other Security Documents are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein.

ARTICLE 8: SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

ARTICLE 9: LATE CHARGE

If any sum payable under this Note is not paid prior to the fifth (5th) day after the date on which it is due, Borrower shall pay to Lender upon demand an amount equal to the lesser of five percent (5%) of the unpaid sum or the maximum amount permitted by applicable law to defray the expenses incurred by Lender in handling and processing the delinquent payment and to compensate Lender for the loss of the use of the delinquent payment and the amount shall be secured by the Security Instrument and the Other Security Documents.

ARTICLE 10: NO ORAL CHANGE

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only

by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

ARTICLE 11: JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

ARTICLE 12: WAIVERS

Borrower and all others who may become liable for the payment of all or any part of the Debt do hereby severally waive presentment and demand for payment, notice of dishonor, protest and notice of protest and non-payment and all other notices of any kind. No release of any security for the Debt or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, the Security Instrument or the Other Security Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument or the Other Security Documents. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action without further notice or demand as provided for in this Note, the Security Instrument or the Other Security Documents. If Borrower is a partnership, the agreements herein contained shall remain in force and applicable, notwithstanding any changes in the individuals comprising the partnership, and the term "Borrower," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and their partners shall not thereby be released from any liability. If Borrower is a corporation, the agreements contained herein shall remain in full force and applicable notwithstanding any changes in the shareholders comprising, or the officers and directors relating to, the corporation, and the term "Borrower" as used herein, shall include any alternative or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. (Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in such partnership which may be set forth in the Security Instrument or any Other Security Document.)

ARTICLE 13: TRANSFER

Upon the transfer of this Note, Borrower hereby waiving notice of any such transfer, Lender may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Security Instrument and the Other Security Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to

Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

ARTICLE 14: WAIVER OF TRIAL BY JURY

BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THIS NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THIS NOTE, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

ARTICLE 15: EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument or in the Other Security Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note or the Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the Other Security Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the Other Security Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in Section 11.10 of the Security Instrument, sue for, seek or demand any deficiency judgment against Borrower in any such action or proceeding, under or by reason of or under or in connection with this Note, the Other Security Documents or the Security Instrument. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the Other Security Documents or the Security Instrument; (ii) impair the right of Lender to obtain a deficiency judgment in any action or proceeding in order to preserve its rights and remedies, including, without limitation, foreclosure, non-judicial foreclosure, or the exercise of a power of sale, under the Additional Security Instruments (as defined in the Security Instrument); however, Lender agrees that it shall not enforce such deficiency judgment against any assets of Borrower other than the Additional Properties (as defined in the Security Instrument) or in the exercise of its rights and remedies under the Additional Security Instruments; (iii) impair the right of Lender to name Borrower as a party

defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iv) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with this Note, the Security Instrument, or the Other Security Documents; (v) impair the right of Lender to obtain the appointment of a receiver; (vi) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; or (vii) impair the right of Lender to enforce the provisions of Sections 11.10, 13.2, 13.3 and 13.4 of the Security Instrument.

(b) Notwithstanding the provisions of this Section 14 to the contrary, Borrower shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional misrepresentation by Borrower or any other person or entity in connection with the execution and the delivery of this Note, the Security Instrument or the Other Security Documents; (ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of a Default (as defined in the Security Instrument) or Event of Default; (iii) Borrower's misapplication or misappropriation of tenant security deposits or Rents collected in advance; (iv) the misapplication or the misappropriation of insurance proceeds or condemnation awards; (v) Borrower's failure to pay Taxes (as defined in the Security Instrument), Insurance Premiums (as defined in the Security Instrument), Other Charges (as defined in the Security Instrument) (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument), charges for labor or materials or other charges that can create liens on the Property; (vi) Borrower's failure to maintain, repair or restore the Property in accordance with the Security Instrument and the Other Security Documents; (vii) Borrower's failure to return or to reimburse Lender for all Personal Property (as defined in the Security Instrument) taken from the Property by or on behalf of Borrower and not replaced with Personal Property of the same utility and of the same or greater value; (viii) any act of actual waste or arson by Borrower, any principal, affiliate or general partner thereof or by any Indemnitor or Guarantor; (ix) any fees or commissions paid by Borrower to any principal, affiliate or general partner of Borrower, Indemnitor or Guarantor in violation of the terms of this Note, the Security Instrument or the Other Security Documents; (x) dividends or distributions made by Borrower at any time during the twelve (12) month period prior to a Default or Event of Default; (xi) Borrower's failure to comply with the provisions of Sections 4.2, 7.1, 12.1 and 12.2 of the Security Instrument; or (xii) impair the right of Lender to obtain a deficiency judgment in any action or proceeding in order to preserve its rights and remedies, including, without limitation, an action against Borrower under the Note, a foreclosure, non-judicial foreclosure, or the exercise of a power of sale, under the Additional Security Instruments; however, Lender agrees that it shall not enforce such deficiency judgment against any assets of Borrower other than the Additional Properties or in the exercise of its rights and remedies under the Additional Security Instruments.

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of Borrower's default under Sections 3.11 and

8.1 through 8.4, inclusive of the Security Instrument, or if the Property or any part thereof shall become an asset in (i) a voluntary bankruptcy or insolvency proceeding, or (ii) an involuntary bankruptcy or insolvency proceeding which is not dismissed within ninety (90) days of filing.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Security Instrument or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Note, the Security Instrument and the Other Security Documents.

ARTICLE 16: AUTHORITY

Borrower (and the undersigned representative of Borrower, if any) represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument and the Other Security Documents and that this Note, the Security Instrument and the Other Security Documents constitute valid and binding obligations of Borrower.

ARTICLE 17: APPLICABLE LAW

This Note shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York, provided however, that with respect to the creation, perfection, priority and enforcement of the lien of the Security Instrument, and the determination of deficiency judgments, the laws of the State where the applicable Property is located shall apply.

ARTICLE 18: SERVICE OF PROCESS

(a) (i) Borrower will maintain a place of business or an agent for service of process in New York, New York and give prompt notice to Lender of the address of such place of business and of the name and address of any new agent appointed by it, as appropriate. Borrower further agrees that the failure of its agent for service of process to give it notice of any service of process will not impair or affect the validity of such service or of any judgment based thereon. If, despite the foregoing, there is for any reason no agent for service of process of Borrower available to be served, and if it at that time has no place of business in New York, New York, then Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, to it at its address given in or pursuant to the first paragraph hereof.

(ii) Borrower initially and irrevocably designates _____ _____, with offices on the date hereof at _____ _____, to receive for and on behalf of Borrower service of process in New York, New York with respect to this Note.

(b) Any legal action or proceeding with respect to this Note, the Security Instrument or the Other Security Documents and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to Borrower at its address set forth opposite its signatures below. Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Note, the Security Instrument or the Other Security Documents brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction.

(c) Nothing in this Note will be deemed to preclude Lender from bringing an action or proceeding with respect hereto in any other jurisdiction.

ARTICLE 19: COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

ARTICLE 20: NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail,

postage prepaid, return receipt requested, addressed as follows:

If to Borrower: SL Green Operating Partnership, L.P.
70 West 36th Street
New York, New York 10018
Attention: _____
Facsimile No. _____

With a copy to: _____
_____
_____
Attention: _____
Facsimile No. _____

If to Lender: Lehman Brothers Holdings Inc.
d/b/a Lehman Capital, a division of
Lehman Brothers Holdings Inc.
Three World Financial Center, 7th Floor
New York, New York 10285
Attention: Ms. Allyson Bailey
Telephone: (212) 526-5849
Facsimile No. (212) 526-5484

with a copy to: [GMAC]
_____
_____
_____
Attention:
Telephone:
Facsimile:

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

ARTICLE (a) MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Wherever pursuant to this Note it is provided that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, due diligence costs, legal fees and disbursements of Lender, whether retained firms, the reimbursement for the expenses of in-house staff, or otherwise.

IN WITNESS WHEREOF, Borrower has duly executed this Note [as of] the day and year first above written.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

ENVIRONMENTAL INDEMNITY AGREEMENT

ENVIRONMENTAL INDEMNITY AGREEMENT (the "Agreement") made as of the ____ day of August, 1997 by SL GREEN OPERATING PARTNERSHIP, a Delaware limited partnership, having an office at 70 West 36th Street, New York, New York 10018 ("Indemnitor") and LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, having an office at Three World Financial Center, 200 Vesey Street, New York, New York 10285 ("Indemnitee"), and other Indemnified Parties (defined below).

RECITALS:

A. Borrower is the fee owner of the Property.

B. Indemnitee is prepared to make the Loan to Borrower in the principal amount of $21,000,000, or so much thereof may be advanced pursuant to the terms and conditions that certain Loan Agreement made between Indemnitor and Indemnitee of even date herewith, (i) to be evidenced by those certain promissory notes in the aggregate principal amount of $14,000,000 made by Borrower as consolidated, amended and restated pursuant to that certain Consolidated, Modified and Restated Promissory Note made between Indemnitor and Indemnitee of even date herewith (collectively, as may be amended, increased, modified, consolidated or supplemented, the "Note"), (ii) subject to the terms and conditions of Loan Agreement and (iii) secured by, among other things, those certain mortgage and security agreements in the aggregate principal amount of $14,000,000 given by Indemnitor, as consolidated, amended and restated by that certain Mortgage Consolidation, Modification and Spreader Agreement made between Indemnitor and Indemnitee of even date herewith (the "Security Instrument") which will encumber the Property.

C. As a condition to making the Loan, Indemnitor, agrees to provide the indemnification, representations warranties, and covenants and other matters described in this Agreement for the benefit of Indemnified Parties.

D. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Security Instrument.

AGREEMENT

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Indemnitor, jointly and severally, hereby represents, warrants, covenants and agrees for the benefit of Indemnified Parties as follows:

i. ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES. To the best of Indemnitor's knowledge, after due inquiry, (a) there are no Hazardous Substances (defined below) or underground storage tanks in, on, or under the Property, except those that are both (i) in compliance with all Environmental Laws (defined below) and with permits issued pursuant thereto and (ii) fully disclosed to Indemnitee in writing pursuant to the Environmental Reports delivered to Indemnitee with respect to the Property pursuant to the Loan Agreement and more fully described on Exhibit B attached hereto; (b) there are no past, present or threatened Releases (defined below) of Hazardous Substances in, on, under or from the Property except as described in the Environmental Report; (c) there is no threat of any Release of Hazardous Substances migrating to the Property except as described in the Environmental Report; (d) there is no past or present non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Property, and there are no circumstances that may prevent or interfere with such compliance in the future, except as described in the Environmental Report; (e) Indemnitor does not know of, and has not received any written or oral notice or other communication from any person or entity (including but not limited to a governmental entity) of possible liability relating to Hazardous Substances or Remediation (defined below) of Hazardous Substances in, on or under the Property, from any person or entity pursuant to any Environmental Law, non-compliance with any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing; (f) the Property is not (i) listed or proposed for listing on the National Priorities List, CERCLIS, or any analogous list maintained by any governmental entity of sites that may require investigation or cleanup, (ii) the subject of any investigation or cleanup or is or has been the subject of a CERCLA Section 104(e) notice, or (iii) subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law; (g) Indemnitor has not received any notice of potential liability with respect to any site other than the Properties arising from Hazardous Substances generated, stored, treated, disposed of, or transported at or from the Properties; and (h) Indemnitor has truthfully and fully provided to Indemnitee, in writing, any and all information relating to conditions in, on, under or from the Property that is known to Indemnitor and that is contained in files and records of Indemnitor, including but not limited to any reports relating to Hazardous Substances in, on, under or from the Property and/or to the environmental condition of the Property.

ii. ENVIRONMENTAL COVENANTS. Indemnitor covenants and

agrees that: (a) all uses and operations on or of the Property, whether by Indemnitor or any other person or entity, shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no Releases of Hazardous Substances in, on, under or from the Property except in compliance with all Environmental Laws and permits issued pursuant thereto; (c) there shall be no Hazardous Substances in, on, or under the Property, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto and (ii) fully disclosed to Indemnitee in writing; (d) Indemnitor shall keep the Property free and clear of all liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Indemnitor or any other person or entity (the "Environmental Liens"); (e) Indemnitor shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Subsection 12.3 of the Security Instrument, including but not limited to providing all relevant information and making knowledgeable persons available for interviews; (f) Indemnitor shall, at its sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with the Property, pursuant to any reasonable written request of Indemnitee (including but not limited to sampling, testing and analysis of soil, water, air, building materials, and other materials and substances whether solid, liquid or gas), and share with Indemnitee the reports and other results thereof, and Indemnitee and other Indemnified Parties shall be entitled to rely on such reports and other results thereof; (g) Indemnitor shall, at its sole cost and expense, comply with all reasonable written requests of Indemnitee to (i) reasonably effectuate Remediation of any condition (including but not limited to a Release of a Hazardous Substance) in, on, under or from the Property; (ii) comply with any Environmental Law; (iii) comply with any directive from any governmental authority; and (iv) take any other reasonable action necessary or appropriate for protection of human health or the environment; (h) Indemnitor shall not do or allow any tenant or other user of the Property to do any act that materially increases the dangers to human health or the environment, poses an unreasonable risk of harm to any person or entity (whether on or off the Property), impairs or may impair the value of the Property, is contrary to any requirement of any insurer, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement or easement applicable to the Property; and (i) Indemnitor shall immediately notify Indemnitee in writing of (A) any presence or Releases or threatened Releases of Hazardous Substances in, on, under, from or migrating towards the Property; (B) any non-compliance with any Environmental Laws related in any way to the Property; (C) any actual or potential

Environmental Lien; (D) any required or proposed Remediation of environmental conditions relating to the Property; (E) any listing or proposed listing of the Property on the National Priorities List, CERCLIS, or any analogous list maintained by any governmental entity of sites that may require investigation or cleanup; (F) a CERCLA Section 104(e) notice with respect to the Property; (G) any written or oral notice or other communication of which Indemnitor becomes aware from any source whatsoever (including but not limited to a governmental entity) relating in any way to Hazardous Substances or Remediation thereof, possible liability of any person or entity pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with anything referred to in this Agreement; and (H) any circumstances or conditions that cause or may cause any Environmental Representation and Warranty to be untrue or that results in a breach thereof.

iii. INDEMNIFIED PARTIES' RIGHTS/COOPERATION AND ACCESS. Indemnified Parties and any other person or entity designated by Indemnified Parties (including but not limited to any receiver, any representative of a governmental entity and any environmental consultant), shall have the right but not the obligation to enter upon the Property pursuant to Section 5.27 of the Security Instrument, and, at any time after the occurrence and during the continuance of an Event of Default, at all reasonable times to assess any and all aspects of the environmental condition of the Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lender's sole and absolute discretion) and taking samples of soil, groundwater or other water, air or building materials, and conducting other invasive testing. Borrower shall, or shall cause the other Loan Parties to, cooperate with and provide access to Indemnified Parties and any such person or entity designated by Indemnified Parties.

iv. INDEMNIFICATION. Indemnitor covenants and agrees at its sole cost and expense, to protect, defend, indemnify, release and hold Indemnified Parties harmless from and against any and all Losses (defined below) imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following ("Indemnified Claims"): (a) any presence of any Hazardous Substances in, on, above, or under the Property; (b) any past, present or threatened Release of Hazardous Substances in, on, above, under or from the Property; (c) any activity by Indemnitor, any other Loan Party, any person or entity

affiliated with Indemnitor or any other Loan Party, and any tenant or other user of the Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from the Property of any Hazardous Substances at any time located in, under, on or above the Property; (d) any activity by Indemnitor, any other Loan Party, any person or entity affiliated with Indemnitor or any other Loan Party, and any tenant or other user of the Property in connection with any actual or proposed Remediation of any Hazardous Substances at any time located in, under, on or above the Property , whether or not such Remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (e) any past, present or threatened non-compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with the Property, operations thereon or transfer thereof, including but not limited to any failure by Indemnitor, any other Loan Party, any person or entity affiliated with Indemnitor, and any tenant or other user of the Property to comply with any order of any governmental authority in connection with any Environmental Laws; (f) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering the Property; (g) any administrative processes or proceedings or judicial proceedings in any way connected with any matter addressed in this Agreement; (h) any past, present or threatened injury to, destruction of or loss of natural resources in any way connected with the Property or use thereof, including but not limited to costs to investigate and assess such injury, destruction or loss; (i) any acts of Indemnitor, any other Loan Party, any person or entity affiliated with Indemnitor or any other Loan Party, and any tenant or other user of the Property in arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of Hazardous Substances at any facility or incineration vessel owned or operated by another person or entity; (j) any acts of Indemnitor, any other Loan Party, any person or entity affiliated with Indemnitor or any other Loan Party, and any tenant or other user of the Property in accepting any Hazardous Substances for transport to disposal or treatment facilities, incineration vessels or sites from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for Remediation; (k) any personal injury, wrongful death, or property or other damage arising under any statutory or common law or tort law theory, including but not limited to damages assessed for private or public nuisance or for the conducting of an abnormally dangerous activity on or near the

Property; and (l) any misrepresentation or inaccuracy in any representation or warranty or material breach or failure to perform any covenants or other obligations pursuant to this Agreement, the Loan Agreement or the Security Instrument.

v. DUTY TO DEFEND AND ATTORNEYS AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Indemnitor shall defend same (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties. Notwithstanding the foregoing, any Indemnified Parties may, in their sole and absolute discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of any claim or proceeding. Upon demand, Indemnitor shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

vi. DEFINITIONS.

Capitalized terms used herein and not specifically defined herein shall have the respective meanings ascribed to such terms in the Loan Agreement. As used in this Agreement, the following terms shall have the following meanings:

The term "Hazardous Substances" includes but is not limited to any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives.

The term "Environmental Law" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, and any judicial or administrative interpretations thereof, including any judicial or administrative order, consent decree or judgment, and as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances, relating to liability for or costs of Remediation or prevention of Releases of Hazardous Substances or relating to liability for or costs of other actual or threatened danger to human health, pollution or the environment. The term "Environmental Law" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues:

the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"); the Emergency Planning and Community Right-to-Know Act; the Hazardous Substances Transportation Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act. The term "Environmental Law" also includes, but is not limited to, any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, as well as common law: conditioning transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of the property; requiring notification or disclosure of Releases of Hazardous Substances or other environmental condition of the Property to any governmental authority or other person or entity, whether or not in connection with transfer of title to or interest in property; imposing conditions or requirements in connection with permits or other authorization for lawful activity; relating to nuisance, trespass or other causes of action related to the Property; and relating to wrongful death, personal injury, or property or other damage in connection with any physical condition or use of the Property.

The term "Release" with respect to any Hazardous Substance includes but is not limited to any release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances.

The term "Remediation" includes but is not limited to any response, remedial, removal, or corrective action; any activity to clean up, detoxify, decontaminate, contain or otherwise remediate any Hazardous Substance; any actions to prevent, cure or mitigate any Release of any Hazardous Substance; any action to comply with any Environmental Laws or with any permits issued pursuant thereto; any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or evaluation relating to any Hazardous Substances or to anything referred to herein and in Article 12 of the Security Instrument.

The term "Legal Action" means any claim, action, suit, proceeding or investigation, whether administrative or judicial in nature.

The term "Indemnified Parties" includes Indemnitee, any person or entity who is or will have been involved in the origination of the Loan, any person or entity who is or will have been involved in the servicing of the Loan, any person or entity in whose name the encumbrance created by the Security Instrument is or will have been recorded, persons and entities who may hold or acquire or will have held a full or partial interest in the Loan (including, but not limited to, custodians, trustees and other fiduciaries who hold or have

held a full or partial interest in the Loan for the benefit of third parties) as well as the respective directors, officers, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including but not limited to any other person or entity who holds or acquires or will have held a participation or other full or partial interest in the Loan or the Property, whether during the term of the Loan or as a part of or following a foreclosure of the Loan and including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of Indemnitee's assets and business).

The term "Losses" includes any losses, damages, costs, fees, expenses, claims, suits, judgments, awards, liabilities (including but not limited to strict liabilities), obligations, debts, diminutions in value, fines, penalties, charges, costs of Remediation (whether or not performed voluntarily), amounts paid in settlement, foreseeable and unforeseeable consequential damages, litigation costs, attorneys' fees, engineers' fees, environmental consultants' fees, and investigation costs (including but not limited to costs for sampling, testing and analysis of soil, water, air, building materials, and other materials and substances whether solid, liquid or gas), of whatever kind or nature, and whether or not incurred in connection with any judicial or administrative proceedings, actions, claims, suits, judgments or awards.

vii. UNIMPAIRED LIABILITY. The liability of Indemnitor under this Agreement shall in no way be limited or impaired by, and Indemnitor hereby consents to and agrees to be bound by, any amendment or modification of the provisions of the Note, the Loan Agreement, the Security Instrument or any other Loan Document to or with Indemnitee by [ANY] Indemnitor or any Loan Party or any person who succeeds Indemnitor, any Loan Party or any person as owner of the Property. In addition, the liability of Indemnitor under this Agreement shall in no way be limited or impaired by (i) any extensions of time for performance required by the Note, the Loan Agreement, the Security Instrument or any of the other Loan Documents, (ii) any sale or transfer of all or part of the Property, (iii) except as provided herein, any exculpatory provision in the Note, the Loan Agreement, the Security Instrument, or any of the other Loan Documents limiting Indemnitee's recourse to the Property or to any other security for the Note, or limiting Indemnitee's rights to a personal or a deficiency judgment against Indemnitor, (iv) the accuracy or inaccuracy of the representations and warranties made by Indemnitor under the Note, the Loan Agreement, the Security Instrument or any of the other Loan Documents or herein, (v) the release of Indemnitor or any other person from performance or observance of any of the agreements, covenants, terms or condition contained in any of the other Loan Documents by operation of law, Indemnitee's voluntary act, or otherwise, (vi) the

release or substitution in whole or in part of any security for the Note, the Loan Agreement; or (vii) Indemnitee's failure to record the Security Instrument or file any UCC financing statements (or Indemnitee's improper recording or filing of any thereof) or to otherwise perfect, protect, secure or insure any security interest or lien given as security for the Note or the Loan Agreement; and, in any such case, whether with or without notice to Indemnitor and with or without consideration.

viii. ENFORCEMENT. Indemnified Parties may enforce the obligations of Indemnitor without first resorting to or exhausting any security or collateral or without first having recourse to the Note, the Loan Agreement, the Security Instrument, or any other Loan Documents or any of the Property, through foreclosure proceedings or otherwise, provided, however, that nothing herein shall inhibit or prevent Indemnitee from suing on the Note, foreclosing, or exercising any other rights and remedies under the Loan Agreement and the other Loan Documents. It is not necessary for an Event of Default to have occurred for Indemnified Parties to exercise their rights pursuant to this Agreement. Notwithstanding any provision of the Loan Agreement, the Security Instrument or the other Loan Documents, the obligations pursuant to this Agreement are exceptions to any non-recourse or exculpation provision of the Loan Agreement, the Security Instrument and the other Loan Documents; Indemnitor is fully and personally liable for such obligations, and its liability is not limited to the original or amortized principal balance of the Loan or the value of the Property.

ix. SURVIVAL. The obligations and liabilities of Indemnitor under this Indemnity shall fully survive indefinitely notwithstanding any termination, satisfaction, OR assignment of the Note or Loan Agreement, entry of a judgment of foreclosure, exercise of any power of sale, or delivery of a deed in lieu of foreclosure of the Security Instrument.

x. INTEREST. Any amounts payable to any Indemnified Parties under this Agreement shall become immediately due and payable on demand and, if not paid within thirty (30) days of such demand therefor, shall bear interest at a per annum rate equal to the Default Rate.

xi. WAIVERS. (a) Indemnitor hereby waives (i) any right or claim of right to cause a marshalling of Indemnitor's assets or to cause Indemnitee or other Indemnified Parties to proceed against any of the security for the Loan before proceeding under this Agreement against Indemnitor; (ii) and relinquish all rights and remedies accorded by

applicable law to indemnitors or guarantors, except any rights of subrogation which Indemnitor may have, provided that the indemnity provided for hereunder shall neither be contingent upon the existence of any such rights of subrogation nor subject to any claims or defenses whatsoever which may be asserted in connection with the enforcement or attempted enforcement of such subrogation rights including, without limitation, any claim that such subrogation rights were abrogated by any acts of Indemnitee or other Indemnified Parties; (iii) the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against or by Indemnitee or other Indemnified Parties; (iv) notice of acceptance hereof and of any action taken or omitted in reliance hereon; (v) presentment for payment, demand of payment, protest or notice of nonpayment or failure to perform or observe, or other proof, or notice or demand; and (vi) all homestead exemption rights against the obligations hereunder and the benefits of any statutes of limitations or repose. Notwithstanding anything to the contrary contained herein, Indemnitor hereby agrees to postpone the exercise of any rights of subrogation with respect to any collateral securing the Loan until the Loan shall have been paid in full.

(b) INDEMNITOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THE NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THE NOTE, THE LOAN AGREEMENT, THE SECURITY INSTRUMENT, THIS AGREEMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF ANY INDEMNIFIED PARTIES IN CONNECTION THEREWITH.

xii. SUBROGATION. Indemnitor shall take any and all reasonable actions, including institution of legal action against third-parties, necessary or appropriate to obtain reimbursement, payment or compensation from such persons responsible for the presence of any Hazardous Substances at, in, on, under or near the Property or otherwise obligated by law to bear the cost. Indemnified Parties shall be and hereby are subrogated to all of Indemnitor's rights now or hereafter in such claims.

xiii INDEMNITOR'S REPRESENTATIONS AND WARRANTIES. Indemnitor represents and warrants that:

(a) if Indemnitor is a corporation or partnership, it has the full corporate/partnership power and authority to execute and deliver this Agreement and

to perform its obligations hereunder; the execution, delivery and performance of this Agreement by Indemnitor has been duly and validly authorized; and all requisite corporate/partnership action has been taken by Indemnitor to make this Agreement valid and binding upon Indemnitor, enforceable in accordance with its terms;

(b) if Indemnitor is a corporation or a partnership, its execution of, and compliance with, this Agreement is in the ordinary course of business of that Indemnitor and will not result in the breach of any term or provision of the charter, by-laws, partnership or trust agreement, or other governing instrument of that Indemnitor or result in the breach of any term or provision of, or conflict with or constitute a default under or result in the acceleration of any obligation under any agreement, indenture or loan or credit agreement or other instrument to which the Indemnitor or the Property is subject, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Indemnitor or the Property is subject;

(c) there is no action, suit, proceeding or investigation pending or, to the best of Indemnitor's knowledge, threatened against it which, either in any one instance or in the aggregate, may result in any material adverse change in the business, operations, financial condition, properties or assets of Indemnitor, or in any material impairment of the right or ability of Indemnitor to carry on its business substantially as now conducted, or in any material liability on the part of Indemnitor, or which would draw into question the validity of this Agreement or of any action taken or to be taken in connection with the obligations of Indemnitor contemplated herein, or which would be likely to impair materially the ability of Indemnitor to perform under the terms of this Agreement;

(f) it does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in this Agreement;

(g) no approval, authorization, order, license or consent of, or registration or filing with, any governmental authority or other person, and no approval, authorization or consent of any other party is required in connection with this Agreement; and

(h) this Agreement constitutes a valid, legal and binding obligation of Indemnitor, enforceable against it in accordance with the terms hereof.

xiv. NO WAIVER. No delay by any Indemnified Party in exercising any right, power or privilege under this Agreement shall operate as a waiver of any such privilege, power or right.

xv. NOTICE OF LEGAL ACTIONS. Each party hereto shall, within five (5) business days of receipt thereof, give written notice to the other

party hereto of (i) any notice, advice or other communication from any governmental entity or any source whatsoever with respect to Hazardous Substances on, from or affecting the Property, and (ii) any Legal Action brought against such party or related to the Property, with respect to which Indemnitor may have liability under this Agreement; provided, that failure of the Indemnified Party to provide any such notice to the Indemnitee shall not affect the right of the Indemnified Party to receive the indemnification provided for hereunder, except (and to the extent) that the Indemnitee is materially prejudiced by its failure to receive such notice. Such notice shall comply with the provisions of Section 17 hereof.

xvi. TRANSFER OF LOAN. (a) Indemnitee shall have the right in its sole discretion at any time during the term of the Loan to sell, assign, syndicate, participate or otherwise transfer and/or dispose of all or any portion of its interest in the Loan pursuant to the Loan Agreement.

(b) Upon any transfer or proposed transfer contemplated above and by Section 19.1 of the Security Instrument, at Indemnitee's request, Indemnitor shall provide an estoppel certificate to any Participant or other transferee or any prospective Participant or transferee reaffirming the agreements contained herein, making the representations and warranties herein effective as of the date of such certificate and certifying that there is no default hereunder as of the date of such certificate.

xvii. NOTICES. Except as otherwise by expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile, telex, or cable communication), and shall be deemed to have been duly given or made when delivered by hand, or five (5) days after being deposited in the United States mail, certified or registered, postage prepaid, or, in the case of telex notice, when sent, answerback received, or, in the case of facsimile notice, when sent, answerback received, or, in the case of a nationally recognized overnight courier service, one (1) Business Day after delivery to such courier service, addressed, in the case of Borrower and Agent, at the addresses specified below, or to such other addresses as may be designated by any party in a written notice to the other parties hereto, provided that notices and communications to Agent shall not be effective until received by the party to whom they are addressed.

If to Indemnitor: SL Green Operating Partnership, L.P.
70 West 36th Street
New York, New York 10018
Attention: _____
Facsimile No. _____

With a copy to: _____
_____
_____
Attention: _____
Facsimile No. _____

If to Indemnitee: Lehman Brothers Holdings Inc.
d/b/a Lehman Capital, a division of
Lehman Brothers Holdings Inc.
Three World Financial Center, 7th Floor
New York, New York 10285
Attention: Ms. Allyson Bailey
Telephone: (212) 526-5849
Facsimile No. (212) 526-5484

with a copy to: [GMAC]
_____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

For purposes of this Section, "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

xviii. SUBMISSION TO JURISDICTION. With respect to any claim or action arising hereunder, Indemnitor (a) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York, New York, and appellate courts from any thereof, and (b)

irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

xix. NO THIRD-PARTY BENEFICIARY. The terms of this Agreement are for the sole and exclusive protection and use of Indemnified Parties. No party shall be a third-party beneficiary hereunder, and no provision hereof shall operate or inure to the use and benefit of any such third party. It is agreed that those persons and entities included in the definition of Indemnified Parties are not such excluded third party beneficiaries.

xx. DUPLICATE ORIGINALS; COUNTERPARTS. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

xxi. NO ORAL CHANGE. This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of [ANY] Indemnitor or any Indemnified Party, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

xxii. HEADINGS, ETC. The headings and captions of various paragraphs of this Agreement are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

xxiii. NUMBER AND GENDER/SUCCESSORS AND ASSIGNS. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons referred to may require. Without limiting the effect of specific references in any provision of this Agreement, the term "Indemnitor" shall be deemed to refer to each and every person or entity comprising an Indemnitor from time to time, as the sense of a particular provision may require, and to include the heirs, executors,

administrators, legal representatives, successors and assigns of Indemnitor, all of whom shall be bound by the provisions of this Agreement, provided that no obligation of Indemnitor may be assigned except with the written consent of Indemnitee. Each reference herein to Indemnitee shall be deemed to include its successors and assigns. This Agreement shall inure to the benefit of Indemnified Parties and their respective successors and assigns forever.

xxiv. JOINT AND SEVERAL LIABILITY. If Indemnitor consists of more than one person or entity, the obligations and liabilities of each such person hereunder are joint and several and are fully recourse to Indemnitor.

xxv. RELEASE OF LIABILITY. Any one or more parties liable upon or in respect of this Agreement may be released without affecting the liability of any party not so released.

xxvi. RIGHTS CUMULATIVE. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies which Indemnitee has under the Note, the Loan Agreement, the Security Instrument, or the other Loan Documents or would otherwise have at law or in equity.

xxvii. INAPPLICABLE PROVISIONS. If any term, condition or covenant of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

xxviii. GOVERNING LAW. This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York.

xxix. RECOURSE. The Loan and the Obligations (as defined in the Security Instrument) shall be full recourse to Borrower.

xxx. WAIVER OF DEFENSES. In the event a legal action is brought against Indemnitee by a third party, Indemnitee agrees not to waive any defenses it may have in connection with such legal action without the prior written consent of Indemnitor.

xxxi. MISCELLANEOUS. (a) Wherever pursuant to this Agreement (i) Lender exercises any right given to it to approve or disapprove, (ii) any

arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(i) Wherever pursuant to this Agreement it is provided that Indemnitor pay any costs and expenses, such costs and expenses shall include, but not be limited to, legal fees and disbursements of the Indemnified Parties, whether retained firms, the reimbursement for the expenses of the in-house staff or otherwise.

IN WITNESS WHEREOF, Indemnitor has caused this Agreement to be executed and delivered as of the day and year first above written.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

EXHIBIT A

(Description of the Property)

EXHIBIT B

(Description of Environmental Report)

- ---
- ---

SL GREEN OPERATING PARTNERSHIP, L.P., as assignor
(Borrower)

to

LEHMAN BROTHERS HOLDINGS INC.
D/B/A LEHMAN CAPITAL, A DIVISION OF
LEHMAN BROTHERS HOLDINGS INC., as assignee
(Lender)

_____

ASSIGNMENT OF LEASES AND RENTS

_____

Dated: As of August __, 1997

Location:

Section:
Block:
Lot:
County: New York

PREPARED BY AND UPON
RECORDATION RETURN TO:

THACHER PROFFITT & WOOD
2 WORLD TRADE CENTER
NEW YORK, NEW YORK 10048

Attention: Mitchell G. Williams, Esq.

File No.: 16248-00300

Title No.: _____ issued by First American

Title Company

- ---

- ---

THIS ASSIGNMENT OF LEASES AND RENTS ("Assignment") made as of the _____ day of August, 1997, by SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, as assignor, having its principal place of business at 70 West 36th Street, New York, New York 10018 as mortgagor ("Borrower") to LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, as assignee, having an address at Three World Financial Center, 200 Vesey Street, New York, New York 10285, individually and as Agent for one or more Co-Lenders ("Lender").

RECITALS:

Borrower by its promissory notes in the aggregate outstanding principal amount of $14,000,000 as consolidated, amended and restated by that certain Consolidated, Amended and Restated Promissory Note of even date herewith made between Borrower and Lender is indebted to Lender in the principal sum of $14,000,000 in lawful money of the United States of America (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "Note"), with interest from the date thereof at the rates set forth in the Note, principal and interest to be payable in accordance with the terms and conditions provided in the Note, and otherwise subject to all other terms and conditions contained in the Note.

Borrower desires to secure the payment of the Debt (defined below) and the performance of all of its obligations under the Note and the Other Obligations as defined in Article 2 of the Security Instrument (defined below).

ARTICLE 1-ASSIGNMENT

Section 1.1 PROPERTY ASSIGNED. Borrower hereby absolutely and unconditionally assigns and grants to Lender the following property, rights, interests and estates, now owned, or hereafter acquired by Borrower:

(a) LEASES. [GROUND LEASE DESCRIPTION TO BE ADDED] All existing and future leases affecting the use, enjoyment, or occupancy of all or any part of that certain lot or piece of land, more particularly described in Exhibit A annexed hereto and made a part hereof, together with the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located thereon (collectively, the "Property") and the right, title and interest of Borrower, its successors and assigns, therein and thereunder.

(b) OTHER LEASES AND AGREEMENTS. All other leases and other agreements, whether or not in writing, affecting the use, enjoyment or occupancy of the Property or any portion thereof now or hereafter made, whether made before or after the filing by or against

Borrower of any petition for relief under 11 U.S.C. Section 101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") together with any extension, renewal or replacement of the same, this Assignment of other present and future leases and present and future agreements being effective without further or supplemental assignment. The leases described in Subsection 1.1(a) and the leases and other agreements described in this Subsection 1.1(b), together with all other present and future leases and present and future agreements and any extension or renewal of the same are collectively referred to as the "Leases".

(c) RENTS. All rents, additional rents, revenues, income, issues and profits arising from the Leases and renewals and replacements thereof and any cash or security deposited in connection therewith and together with all rents, revenues, income, issues and profits (including all oil and gas or other mineral royalties and bonuses) from the use, enjoyment and occupancy of the Property or from any award, judgment or payments which may heretofore or hereafter be made with respect to any action or proceeding brought with respect to the Leases whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code (collectively, the "Rents").

(d) BANKRUPTCY CLAIMS. All of Borrower's claims and rights (the "Bankruptcy Claims") to the payment of damages arising from any rejection by a lessee of any Lease under the Bankruptcy Code.

(e) LEASE GUARANTIES. All of Borrower's right, title and interest in and claims under any and all lease guaranties, letters of credit and any other credit support given by any guarantor in connection with any of the Leases (individually, a "Lease Guarantor", collectively, the "Lease Guarantors") to Borrower (individually, a "Lease Guaranty", collectively, the "Lease Guaranties").

(f) PROCEEDS. All proceeds from the sale or other disposition of the Leases, the Rents, the Lease Guaranties and the Bankruptcy Claims.

(g) OTHER. All rights, powers, privileges, options and other benefits of Borrower as lessor under the Leases and beneficiary under the Lease Guaranties, including without limitation the immediate and continuing right to make claim for, receive, collect and receipt for all Rents payable or receivable under the Leases and all sums payable under the Lease Guaranties or pursuant thereto (and to apply the same to the payment of the Debt or the Other Obligations), and to do all other things which Borrower or any lessor is or may become entitled to do under the Leases or the Lease Guaranties.

(h) ENTRY. The right, at Lender's option, upon revocation of the license granted herein, to enter upon the Property in person, by agent or by court-appointed receiver, to collect the Rents.

(i) POWER OF ATTORNEY. Borrower's irrevocable power of attorney, coupled

with an interest, to take any and all of the actions set forth in Section 3.1 of this Assignment and any or all other actions designated by Lender for the proper management and preservation of the Property.

(j) OTHER RIGHTS AND AGREEMENTS. Any and all other rights of Borrower in and to the items set forth in subsections (a) through (i) above, and all amendments, modifications, replacements, renewals and substitutions thereof.

Section 1.2 CONSIDERATION. This Assignment is made in consideration of that certain loan made by Lender to Borrower evidenced by the Note and secured by those certain mortgage and security agreements in the aggregate outstanding principal amount of $14,000,000 as consolidated, amended and restated by that certain Mortgage Consolidation, Modification and Spreader Agreement made between Borrower and Lender dated the date hereof in the principal sum of $14,000,000, covering the Property and intended to be duly recorded (the "Security Instrument"). The principal sum, interest and all other sums due and payable under the Note, the Security Instrument, this Assignment and the Other Security Documents (defined below) are collectively referred to as the "Debt". The documents other than this Assignment, the Note, or the Security Instrument now or hereafter executed by Borrower and/or others and by or in favor of Lender which wholly or partially secure or guarantee payment of the Debt are referred to herein as the "Other Security Documents".

ARTICLE 2 - TERMS OF ASSIGNMENT

Section 2.1 PRESENT ASSIGNMENT AND LICENSE BACK. It is intended by Borrower that this Assignment constitute a present, absolute assignment of the Leases, Rents, Lease Guaranties and Bankruptcy Claims, and not an assignment for additional security only. Nevertheless, subject to the terms of this Section 2.1, Lender grants to Borrower a revocable license to collect and receive the Rents and other sums due under the Lease Guaranties. Borrower shall hold the Rents and all sums received pursuant to any Lease Guaranty, or a portion thereof sufficient to discharge all current sums due on the Debt, in trust for the benefit of Lender for use in the payment of such sums.

Section 2.2 NOTICE TO LESSEES. Borrower hereby agrees to authorize and direct the lessees named in the Leases or any other or future lessees or occupants of the Property and all Lease Guarantors to pay over to Lender or to such other party as Lender directs all Rents and all sums due under any Lease Guaranties upon receipt from Lender of written notice to the effect that Lender is then the holder of the Security Instrument and that a Default (defined below) exists, and to continue so to do until otherwise notified by Lender.

Section 2.3 INCORPORATION BY REFERENCE. All representations, warranties, covenants, conditions and agreements contained in the Security Instrument as same may be modified, renewed, substituted or extended are hereby made a part of this Assignment to the same extent and with the same force as if fully set forth herein.

ARTICLE 3 - REMEDIES

Section 3.1 REMEDIES OF LENDER. Upon or at any time after the occurrence of a default under this Assignment or an Event of Default (as defined in the Security Instrument) (a "Default"), the license granted to Borrower in Section 2.1 of this Assignment shall automatically be revoked, and Lender shall immediately be entitled to possession of all Rents and sums due under any Lease Guaranties, whether or not Lender enters upon or takes control of the Property. In addition, Lender may, at its option, without waiving such Default, without notice and without regard to the adequacy of the security for the Debt, either in person or by agent, nominee or attorney, with or without bringing any action or proceeding, or by a receiver appointed by a court, dispossess Borrower and its agents and servants from the Property, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of the Property and all books, records and accounts relating thereto and have, hold, manage, lease and operate the Property on such terms and for such period of time as Lender may deem proper and either with or without taking possession of the Property in its own name, demand, sue for or otherwise collect and receive all Rents and sums due under all Lease Guaranties, including those past due and unpaid with full power to make from time to time all alterations, renovations, repairs or replacements thereto or thereof as may seem proper to Lender and may apply the Rents and sums received pursuant to any Lease Guaranties to the payment of the following in such order and proportion as Lender in its sole discretion may determine, any law, custom or use to the contrary notwithstanding: (a) all expenses of managing and securing the Property, including, without being limited thereto, the salaries, fees and wages of a managing agent and such other employees or agents as Lender may deem necessary or desirable and all expenses of operating and maintaining the Property, including, without being limited thereto, all taxes, charges, claims, assessments, water charges, sewer rents and any other liens, and premiums for all insurance which Lender may deem necessary or desirable, and the cost of all alterations, renovations, repairs or replacements, and all expenses incident to taking and retaining possession of the Property; and (b) the Debt, together with all costs and reasonable attorneys' fees. In addition, upon the occurrence of a Default, Lender, at its option, may (1) complete any construction on the Property in such manner and form as Lender deems advisable, (2) exercise all rights and powers of Borrower, including, without limitation, the right to negotiate, execute, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents from the Property and all sums due under any Lease Guaranties, (3) either require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupancy of such part of the Property as may be in possession of Borrower or (4) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise.

Section 3.2 OTHER REMEDIES. Nothing contained in this Assignment and no act done or omitted by Lender pursuant to the power and rights granted to Lender hereunder shall be deemed to be a waiver by Lender of its rights and remedies under the

Note, the Security Instrument, or the Other Security Documents and this Assignment is made and accepted without prejudice to any of the rights and remedies possessed by Lender under the terms thereof. The right of Lender to collect the Debt and to enforce any other security therefor held by it may be exercised by Lender either prior to, simultaneously with, or subsequent to any action taken by it hereunder. Borrower hereby absolutely, unconditionally and irrevocably waives any and all rights to assert any setoff, counterclaim or crossclaim of any nature whatsoever with respect to the obligations of Borrower under this Assignment, the Note, the Security Instrument, the Other Security Documents or otherwise with respect to the loan secured hereby in any action or proceeding brought by Lender to collect same, or any portion thereof, or to enforce and realize upon the lien and security interest created by this Assignment, the Note, the Security Instrument, or any of the Other Security Documents (provided, however, that the foregoing shall not be deemed a waiver of Borrower's right to assert any compulsory counterclaim if such counterclaim is compelled under local law or rule of procedure, nor shall the foregoing be deemed a waiver of Borrower's right to assert any claim which would constitute a defense, setoff, counterclaim or crossclaim of any nature whatsoever against Lender in any separate action or proceeding).

Section 3.3 OTHER SECURITY. Lender may take or release other security for the payment of the Debt, may release any party primarily or secondarily liable therefor and may apply any other security held by it to the reduction or satisfaction of the Debt without prejudice to any of its rights under this Assignment.

Section 3.4 NON-WAIVER. The exercise by Lender of the option granted it in Section 3.1 of this Assignment and the collection of the Rents and sums due under the Lease Guaranties and the application thereof as herein provided shall not be considered a waiver of any default by Borrower under the Note, the Security Instrument, the Leases, this Assignment or the Other Security Documents. The failure of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Assignment. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (a) the failure of Lender to comply with any request of Borrower or any other party to take any action to enforce any of the provisions hereof or of the Security Instrument, the Note, or the Other Security Documents, (b) the release regardless of consideration, of the whole or any part of the Property, or (c) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of this Assignment, the Note, the Security Instrument or the Other Security Documents. Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take any action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to enforce its rights under this Assignment. The rights of Lender under this Assignment shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

Section 3.5 BANKRUPTCY. (a) Upon or at any time after the occurrence of a

Default, Lender shall have the right to proceed in its own name or in the name of Borrower in respect of any claim, suit, action or proceeding relating to the rejection of any Lease, including, without limitation, the right to file and prosecute, to the exclusion of Borrower, any proofs of claim, complaints, motions, applications, notices and other documents, in any case in respect of the lessee under such Lease under the Bankruptcy Code.

(b) If there shall be filed by or against Borrower a petition under the Bankruptcy Code, and Borrower, as lessor under any Lease, shall determine to reject such Lease pursuant to Section 365(a) of the Bankruptcy Code, then Borrower shall give Lender not less than ten (10) days' prior notice of the date on which Borrower shall apply to the bankruptcy court for authority to reject the Lease. Lender shall have the right, but not the obligation, to serve upon Borrower within such ten-day period a notice stating that (i) Lender demands that Borrower assume and assign the Lease to Lender pursuant to Section 365 of the Bankruptcy Code and (ii) Lender covenants to cure or provide adequate assurance of future performance under the Lease. If Lender serves upon Borrower the notice described in the preceding sentence, Borrower shall not seek to reject the Lease and shall comply with the demand provided for in clause (i) of the preceding sentence within thirty (30) days after the notice shall have been given, subject to the performance by Lender of the covenant provided for in clause (ii) of the preceding sentence.

ARTICLE 4 - NO LIABILITY, FURTHER ASSURANCES

Section 4.1 NO LIABILITY OF LENDER. This Assignment shall not be construed to bind Lender to the performance of any of the covenants, conditions or provisions contained in any Lease or Lease Guaranty or otherwise impose any obligation upon Lender. Lender shall not be liable for any loss sustained by Borrower resulting from Lender's failure to let the Property after a Default or from any other act or omission of Lender in managing the Property after a Default unless such loss is caused by the willful misconduct and bad faith of Lender. Lender shall not be obligated to perform or discharge any obligation, duty or liability under the Leases or any Lease Guaranties or under or by reason of this Assignment and Borrower shall, and hereby agrees, to indemnify Lender for, and to hold Lender harmless from, any and all liability, loss or damage which may or might be incurred under the Leases, any Lease Guaranties or under or by reason of this Assignment and from any and all claims and demands whatsoever, including the defense of any such claims or demands which may be asserted against Lender by reason of any alleged obligations and undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Leases or any Lease Guaranties. Should Lender incur any such liability, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured by this Assignment and by the Security Instrument, and the Other Security Documents and Borrower shall reimburse Lender therefor immediately upon demand and upon the failure of Borrower so to do Lender may, at its option, declare all sums secured by this Assignment and by the Security Instrument, and the Other Security Documents immediately due and payable. This Assignment shall not operate to place any obligation or liability for the control, care, management or repair of the Property upon Lender, nor for the

carrying out of any of the terms and conditions of the Leases or any Lease Guaranties; nor shall it operate to make Lender responsible or liable for any waste committed on the Property by the tenants or any other parties, or for any dangerous or defective condition of the Property, including without limitation the presence of any Hazardous Substances (as defined in the Security Instrument), or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger.

Section 4.2 NO MORTGAGEE IN POSSESSION. Nothing herein contained shall be construed as constituting Lender a "mortgagee in possession" in the absence of the taking of actual possession of the Property by Lender. In the exercise of the powers herein granted Lender, no liability shall be asserted or enforced against Lender, all such liability being expressly waived and released by Borrower.

Section 4.3 FURTHER ASSURANCES. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, conveyances, assignments, notices of assignments, transfers and assurances as Lender shall, from time to time, require for the better assuring, conveying, assigning, transferring and confirming unto Lender the property and rights hereby assigned or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Assignment or for filing, registering or recording this Assignment and, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower to the extent Lender may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien and security interest hereof in and upon the Leases.

ARTICLE 5 - SECONDARY MARKET

Section 5.1 TRANSFER OF LOAN. The Lender shall have the right in its sole discretion at any time during the term of the Security Instrument to sell, assign, syndicate, participate or otherwise transfer and/or dispose of all or any portion of its interest in the loan evidenced by the Note.

ARTICLE 6 - MISCELLANEOUS PROVISIONS

Section 6.1 CONFLICT OF TERMS. In case of any conflict between the terms of this Assignment and the terms of the Security Instrument, the terms of the Security Instrument shall prevail.

Section 6.2 NO ORAL CHANGE. This Assignment and any provisions hereof may not be modified, amended, waived, extended, changed, discharged or terminated orally, or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom the enforcement of any modification,

amendment, waiver, extension, change, discharge or termination is sought.

Section 6.3 CERTAIN DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Assignment may be used interchangeably in singular or plural form and the word "Borrower " shall mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or interest therein," the word "Lender" shall mean "Lender and any subsequent holder of the Note the word "Note" shall mean "the Note and any other evidence of indebtedness secured by the Security Instrument," the word "person" shall include an individual, corporation, partnership, trust, unincorporated association, government, governmental authority, and any other entity, the word "Property" shall include any portion of the Property and any interest therein, the phrases "attorneys' fees" and "counsel fees" shall include any and all attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder, the word "Debt" shall mean the principal balance of the Note with interest thereon as provided in the Note and all other sums due pursuant to the Note, the Security Instrument, this Assignment and the Other Security Documents whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 6.4 AUTHORITY. Borrower represents and warrants that it has full power and authority to execute and deliver this Assignment and the execution and delivery of this Assignment has been duly authorized and does not conflict with or constitute a default under any law, judicial order or other agreement affecting Borrower or the Property.

Section 6.5 INAPPLICABLE PROVISIONS. If any term, covenant or condition of this Assignment is held to be invalid, illegal or unenforceable in any respect, this Assignment shall be construed without such provision.

Section 6.6 DUPLICATE ORIGINALS; COUNTERPARTS. This Assignment may be executed in any number of duplicate originals and each such duplicate original shall be deemed to be an original. This Assignment may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Assignment. The failure of any party hereto to execute this Assignment, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

SECTION 6.7 CHOICE OF LAW. THIS ASSIGNMENT SHALL BE DEEMED TO BE A CONTRACT ENTERED INTO PURSUANT TO THE LAWS OF THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED, CONSTRUED, APPLIED AND ENFORCED IN ACCORDANCE WITH THE LAWS

OF THE STATE OF NEW YORK, PROVIDED HOWEVER, THAT WITH RESPECT TO THE CREATION, PERFECTION, PRIORITY AND ENFORCEMENT OF THE LIEN OF THIS ASSIGNMENT, THE LAWS OF THE STATE WHERE THE PROPERTY IS LOCATED SHALL APPLY.

Section 6.8 TERMINATION OF ASSIGNMENT. Upon payment in full of the Debt and the delivery and recording of a satisfaction or discharge of the Security Instrument duly executed by Lender, this Assignment shall become and be void and of no effect.

Section 6.9 NOTICES. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day (hereinafter defined) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: SL Green Operating Partnership, L.P.
70 West 36th Street
New York, New York 10018
Attention: _____
Facsimile No. _____

With a copy to: _____
_____
_____
Attention: _____
Facsimile No. _____

If to Lender: Lehman Brothers Holdings Inc.
d/b/a Lehman Capital, a division of
Lehman Brothers Holdings Inc.
Three World Financial Center, 7th Floor
New York, New York 10285
Attention: Ms. Allyson Bailey
Telephone: (212) 526-5849
Facsimile No. (212) 526-5484

with a copy to: [GMAC]

_____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 6.9, the term "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

SECTION 6.10 WAIVER OF TRIAL BY JURY. BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THE NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THE NOTE, THIS ASSIGNMENT, THE SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

Section 6.11 SUBMISSION TO JURISDICTION. With respect to any claim or action arising hereunder, Borrower (a) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York, New York, and appellate courts from any thereof, and (b) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Assignment brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 6.12 LIABILITY. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Assignment shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

Section 6.13 HEADINGS, ETC. The headings and captions of various paragraphs of this Assignment are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Section 6.14 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 6.15 SOLE DISCRETION OF LENDER. Wherever pursuant to this Assignment (a) Lender exercises any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Lender, or (c) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

Section 6.16 COSTS AND EXPENSES OF BORROWER. Wherever pursuant to this Assignment it is provided that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, legal fees and disbursements of Lender, whether retained firms, the reimbursement of the expenses for in-house staff or otherwise.

THIS ASSIGNMENT, together with the covenants and warranties therein contained, shall inure to the benefit of Lender and any subsequent holder of the Security Instrument and shall be binding upon Borrower, its heirs, executors, administrators, successors and assigns and any subsequent owner of the Property.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower has executed this instrument the day and year first above written.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

ACKNOWLEDGEMENT

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On the ____ day of August, 1997, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he/she resides at _____ _____; that he/she is the _____ of SL Green Realty Corp., a Maryland corporation, general partner of SL Green Operating Partnership, L.P., a Delaware limited partnership, the partnership which executed the foregoing instrument; that the execution of the instrument by _____ was duly authorized according to the Articles of Partnership, that _____ signed his/her name to the foregoing instrument in the firm name of SL Green Realty Corp., a Maryland Corporation, as the act and deed of said corporation, and that he/she had the authority to sign same, and that he/she acknowledged that said instrument was executed by said corporation for and on behalf of SL Green Operating Partnership, L.P. and he/she did duly acknowledge to me that he/she executed the same as the act and deed of said SL Green Operating Partnership, L.P. for the uses and purposes mentioned therein.

_____
Notary Public

EXHIBIT A

Legal Description of Property

(to be attached)

ASSIGNMENT OF MANAGEMENT AGREEMENT AND
SUBORDINATION OF MANAGEMENT FEES

THIS CONDITIONAL ASSIGNMENT OF MANAGEMENT AGREEMENT ("Assignment") is made as of the ____ day of August, 1997, by SL GREEN OPERATING PARTNERSHIP, a Delaware limited partnership having its principal place of business at 70 West 36th Street, New York, New York 10018 ("Borrower"), to LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, having an address at Three World Financial Center, 200 Vesey Street, New York, New York 10285 ("Lender"), and is acknowledged and consented to by _____, a _____ having its principal place of business at _____ ("Agent").

RECITALS:

A. Borrower by its promissory notes in the aggregate outstanding principal amount of $14,000,000, as consolidated, amended and restated by that certain Consolidated, Amended and Restated Promissory Note of even date herewith made between Borrower and Lender (the notes together with all extensions, renewals, modifications, substitutions and amendments thereof shall collectively be referred to as the "Note") is indebted to Lender in the principal sum of $14,000,000 in lawful money of the United States of America, with interest from the date thereof at the rates set forth in the Note (the indebtedness evidenced by the Note, together with such interest accrued thereon, shall collectively be referred to as the "Loan"), principal and interest to be payable in accordance with the terms and conditions provided in the Note.

B. The Loan is secured by, among other things, those certain mortgages made by Borrower in the aggregate outstanding principal amount of $14,000,000, as consolidated, amended and restated by that certain Mortgage Consolidation, Modification and Spreader Agreement of even date herewith made between Borrower and Lender (collectively, the "Security Instrument") which grants Lender a first lien on the property encumbered thereby (the "Property"). All and any of the documents other than the Note, the Security Instrument and this Assignment now or hereafter executed by Borrower and/or others and by or in favor of Lender, which wholly or partially secure or guarantee payment of the Note are referred to as the "Other Security Documents."

C. Pursuant to a certain Management Agreement dated _____, 19__ between Borrower and Agent (the "Management Agreement") (a true and correct copy of which Management Agreement is attached hereto as Exhibit A), Borrower employed Agent exclusively to rent, lease, operate and manage the Property and Agent is entitled to certain management fees (the "Management Fees") thereunder.

D. Lender requires as a condition to the making of the Loan that Borrower assign the Management Agreement and subordinate its interest in the Management Fees in lien and payment to the Security Instrument as set forth below.

AGREEMENT:

For good and valuable consideration the parties hereto agree as follows:

1. ASSIGNMENT OF MANAGEMENT AGREEMENT. As additional collateral security for the Loan, Borrower hereby conditionally transfers, sets over and assigns to Lender all of Borrower's right, title and interest in and to the Management Agreement, said transfer and assignment to automatically become a present, unconditional assignment, at Lender's option, in the event of a default by Borrower under the Note, the Loan, the Security Instrument or any of the Other Security Documents, including but not limited to escrow agreements, and the failure of Borrower to cure such default within any applicable grace period.

2. SUBORDINATION OF MANAGEMENT FEES. The Management Fees and all rights and privileges of Agent to the Management Fees are hereby and shall at all times continue to be subject and unconditionally subordinate in all respects in lien and payment to the lien and payment of the Security Instrument, the Note and the Other Security Documents and to any renewals, extensions, modifications, assignments, replacements, or consolidations thereof and the rights, privileges, and powers of Lender thereunder.

3. TERMINATION. At such time as the Loan is paid in full and the Security Instrument is released or assigned of record, this Assignment and all of Lender's right, title and interest hereunder with respect to the Management Agreement shall terminate.

4. ESTOPPEL. Agent represents and warrants that (a) the Management Agreement is in full force and effect and has not been modified, amended or assigned with respect to the Property, (b) neither Agent nor Borrower is in default under any of the terms, covenants or provisions of the Management Agreement with respect to the Property and Agent knows of no event which, but for the passage of time or the giving of notice or both, would constitute an event of default under the Management Agreement with respect to the Property, (c) neither Agent nor Borrower has commenced any action or given or received any notice for the purpose of terminating the Management Agreement with respect to the Property and (d) the Management Fees and all other sums due and payable to the Agent under the Management Agreement have been paid in full with respect to the Property.

5. BORROWER'S COVENANTS. Borrower hereby covenants with Lender that during the term of this Assignment: (a) Borrower shall not transfer the responsibility for the management of the Property from Agent to any other person or entity without prior written notification to Lender and the prior written consent of Lender, which consent may be withheld by Lender in Lender's sole discretion; (b) Borrower shall not terminate or amend any of the terms or provisions of the Management Agreement without the prior written consent of Lender, which consent may be withheld by Lender in Lender's sole discretion; and (c) Borrower shall, in the manner provided for in this Assignment, give notice to Lender of any notice or information that Borrower receives which indicates that Agent is terminating the Management Agreement or that Agent is otherwise discontinuing its management of the Property.

6. AGREEMENT BY BORROWER AND AGENT. Borrower and Agent hereby agree that in the event of a default by Borrower (beyond any applicable grace period) under the Note,

the Security Instrument or any of the Other Security Documents ("Event of Default") during the term of this Assignment, at the option of Lender exercised by written notice to Borrower and Agent: (a) all rents, security deposits, issues, proceeds and profits of the Property collected by Agent, after payment of all costs and expenses of operating the Property (including, without limitation, operating expenses, real estate taxes, insurance premiums and repairs and maintenance, shall be applied in accordance with Lender's written directions to Agent; (b) Agent shall not collect or be entitled to any Managers Fee or other fee or commission due under the Management Agreement; and (c) Lender may exercise its rights under this Assignment and may immediately terminate the Management Agreement and require Agent to transfer its responsibility for the management of the Property to a management company selected by Lender in Lender's sole and absolute discretion.

7. LENDER'S RIGHT TO REPLACE AGENT. In addition to the foregoing, in the event the Agent shall become insolvent, or a Default (as defined in the Security Instrument) or Event of Default shall occur and be continuing, then Lender, at its option, may require Borrower to engage a bona-fide, independent third party management agent approved by Lender in its sole discretion (the "New Agent") to manage the Property. The New Agent shall be engaged by Borrower pursuant to a written management agreement that complies with the terms hereof and is otherwise satisfactory to Lender in all respects.

8. RECEIPT OF MANAGEMENT FEES. Borrower and Agent hereby agree that Agent shall not be entitled to receive any Management Fees or other fee, commission or other amount payable to Agent under the Management Agreement for and during any period of time that any Event of Default has occurred and is continuing; provided, however, that Agent shall not be obligated to return or refund to Lender any Management Fee or other fee, commission or other amount already received by Agent prior to the occurrence of the Event of Default, and to which Agent was entitled under this Assignment.

9. CONSENT AND AGREEMENT BY AGENT. Agent hereby acknowledges and consents to this Assignment and agrees that Agent will act in conformity with the provisions of this Assignment and Lender's rights hereunder or otherwise related to the Management Agreement. In the event that the responsibility for the management of the Property is transferred from Agent in accordance with the provisions hereof, Agent shall, and hereby agrees to, fully cooperate in transferring its responsibility to a new management company and effectuate such transfer no later than thirty (30) days from the date the Management Agreement is terminated. Further, Agent hereby agrees (a) not to contest or impede the exercise by Lender of any right it has under or in connection with this Assignment; and (b) that it shall, in the manner provided for in this Assignment, give at least thirty (30) days prior written notice to Lender of its intention to terminate the Management Agreement or otherwise discontinue its management of the Property.

10. NO SUBCONTRACTING. Notwithstanding anything in the Management Agreement to the contrary, Agent shall not sub-contract any or all of its management responsibilities under the Management Agreement to a third party or an affiliate without the prior written consent of Lender, such consent not to be unreasonably withheld.

11. LENDER'S AGREEMENT. So long as Borrower is not in default (beyond any applicable grace period) under this Assignment, the Note, the Security Instrument or the Other

Security Documents, Lender agrees to permit any sums due to Borrower under the Management Agreement to be paid directly to Borrower.

12. GOVERNING LAW. This Assignment shall be deemed to be a contract entered into pursuant to the laws of the State of New York and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State of New York.

13. NOTICES. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day (hereinafter defined) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: SL Green Operating Partnership, L.P.
70 West 36th Street
New York, New York 10018
Attention: _____
Facsimile No. _____

With a copy to: _____
_____
_____
Attention: _____
Facsimile No. _____

If to Lender: Lehman Brothers Holdings Inc.
d/b/a Lehman Capital, a division of
Lehman Brothers Holdings Inc.
Three World Financial Center, 7th Floor
New York, New York 10285
Attention: Ms. Allyson Bailey
Telephone: (212) 526-5849
Facsimile No. (212) 526-5484

with a copy to: [GMAC]
_____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

If to Agent: _____
_____
_____
Attention: _____
Facsimile No. _____

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 12, the term "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

Any party by notice to the others may designate additional or different addresses for subsequent notices or communications.

14. NO ORAL CHANGE. This Assignment, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

15. LIABILITY. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Assignment shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns forever.

16. INAPPLICABLE PROVISIONS. If any term, covenant or condition of this Assignment is held to be invalid, illegal or unenforceable in any respect, this Assignment shall be construed without such provision.

17. HEADINGS, ETC. The headings and captions of various paragraphs of this Assignment are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

18. DUPLICATE ORIGINALS; COUNTERPARTS. This Assignment may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Assignment may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Assignment. The failure of any party hereto to execute this Assignment, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

19. NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

20. MISCELLANEOUS. (a) Wherever pursuant to this Assignment (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Wherever pursuant to this Assignment it is provided that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, legal fees and disbursements of Lender, whether retained firms, the reimbursement for the expenses of in-house staff or otherwise.

IN WITNESS WHEREOF the undersigned has executed and delivered this Assignment as of the date and year first written above.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation

By:_____
Name:
Title:

AGENT:

_____
a _____

By: _____
Name:
Title:

EXHIBIT A

MANAGEMENT AGREEMENT

SL GREEN OPERATING PARTNERSHIP, L.P., as mortgagor
(Borrower)

and

LEHMAN BROTHERS HOLDINGS INC.,
D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN
BROTHERS HOLDINGS INC., as mortgagee
(Lender)

_____

CONSOLIDATION, MODIFICATION AND SPREADER AGREEMENT

_____

Dated: As of August __, 1997

Location:

Section:
Block:
Lot:
County: New York

PREPARED BY AND UPON
RECORDATION RETURN TO:

Thacher Proffitt & Wood
Two World Trade Center
New York, New York 10048

Attention: Mitchell G. Williams, Esq.

File No.: 16248-00300

Title No.: _____ issued by First American Title Insurance Company

THIS MORTGAGE AND SECURITY AGREEMENT (the "Agreement") is made as of the ____ day of August, 1997, by SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, having an address at 70 West 36th Street, New York, New York 10018 as mortgagor ("Borrower") to LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, having an address at Three World Financial Center, 200 Vesey Street, New York, New York 10285 as mortgagee ("Lender").

RECITALS:

Borrower by its promissory notes as consolidated, amended and restated by that certain Consolidated, Amended and Restated Note made by Borrower in favor of Lender (the "Note Consolidation Agreement") of even date herewith is indebted to Lender in the principal sum of FOURTEEN MILLION AND 00/100 DOLLARS ($14,000,000.00) in lawful money of the United States of America (the note together with all extensions, restatements, renewals, modifications, substitutions and amendments thereof and all instruments from time to time issued in exchange therefor shall collectively be referred to as the "Note"), with interest from the date thereof at the rates set forth in the Note, principal and interest to be payable in accordance with the terms and conditions provided in the Note, and subject to the terms and conditions of that certain Loan Agreement dated the date hereof between Borrower and Lender (the "Loan Agreement").

Lender is the owner and holder of certain mortgages covering the [Leasehold] fee estate of Borrower in the [leasehold description/real property described in Exhibit A attached hereto (the "Land") and the Improvements (defined below) located thereon], which mortgages are more particularly described in Exhibit B attached hereto (hereinafter collectively referred to as the ("Security Instruments").

Borrower and Lender have agreed in the manner hereinafter set forth to (i) spread the Security Instruments and the respective liens thereof over those portions of the Property (as defined in Section 1.1) not already covered thereby and (ii) consolidate and coordinate the respective liens of the Security Instruments.

NOW, THEREFORE, in pursuance of said agreement and in consideration of One Dollar ($1) and other valuable consideration, the parties hereto agree as follows:

A. SPREADING OF MORTGAGE. The Security Instruments and the respective liens thereof are hereby spread to cover those portions of the Property not already covered thereby.

B. CONSOLIDATION OF MORTGAGES. The liens of the Security Instruments as so spread, are hereby consolidated and coordinated so that together they shall hereafter constitute in law but one mortgage, a single lien, covering the Property and securing the principal sum of $14,000,000, together with interest thereon as hereinafter

provided (the Security Instruments, as so spread, consolidated and coordinated and as modified, amended, restated, ratified and confirmed pursuant to the provisions of this Agreement being hereinafter collectively referred to as the "Security Instrument").

C. THIS AGREEMENT.

(1) Borrower shall promptly cause this Agreement to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice and fully to protect the lien of the Security Instrument upon, and the interest of Lender in, the Property. Borrower will pay all filing, registration and recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Agreement, and all Federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the filing, registration, recording, execution and delivery of this Agreement and Borrower shall hold harmless and indemnify Lender against any liability incurred by reason of the imposition of any tax on the issuance, making, filing, registration or recording of this Agreement.

(2) Borrower represents, warrants and covenants that there are no offsets, counterclaims or defenses against the Debt, this Agreement, the Security Instrument or the Note, that Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Agreement and to keep and observe all of the terms of this Agreement on Borrower's part to be observed or performed, and that the Note, the Security Instrument and this Agreement constitute valid and binding obligations of Borrower.

(3) This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom the enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

(4) This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns.

(5) This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. The Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

(6) If any term, covenant or condition of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed

without such provision.

(7) This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the applicable laws of the United States of America.

(8) Except as otherwise provided to the contrary in the following numbered Sections, all defined terms in the following numbered Sections shall have the meaning given to such terms in the above body of this Agreement and all references to the "Note" and the "Security Instrument" shall refer to the Note and Security Instrument as spread, coordinated, combined, consolidated, modified, amended and restated pursuant to the provisions the Note Consolidation Agreement and this Agreement, respectively.

D. MODIFICATION OF MORTGAGE. The terms, covenants and provisions of the Security Instrument are hereby modified, amended and restated so that henceforth the terms, covenants and provisions of this Agreement shall supersede the terms, covenants and provisions of the Security Instrument and the terms, covenants and provisions of the Security Instrument shall read the same as the following Sections of this Agreement. The Security Instrument as herein modified, amended, spread and restated, is hereby ratified and confirmed in all respects by Borrower.

ARTICLE 1 - GRANTS OF SECURITY

Section 1.1 PROPERTY MORTGAGED. Borrower does hereby irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to Lender, grant a security interest to Lender in and to the following property, rights, interests and estates now owned, or hereafter acquired by Borrower (collectively, the "Property"):

(a) LAND. The real property described in Exhibit A attached hereto and made a part hereof (the "Land");

(b) ADDITIONAL LAND. All additional lands, estates and development rights hereafter acquired by Borrower for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument;

(c) IMPROVEMENTS. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (the "Improvements");

(d) EASEMENTS. All easements, rights-of-way or use, rights, strips

and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(e) FIXTURES AND PERSONAL PROPERTY. All machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the "Personal Property"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "Uniform Commercial Code"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above;

(f) LEASES AND RENTS. [LEASEHOLD PROVISIONS TO BE ADDED FOR 1140 AVENUE OF AMERICAS] All leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, whether before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. Section 101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") (the "Leases") and all right, title and interest of Borrower, its successors and assigns therein and thereunder, including, without limitation, cash or securities, if any, and other cash equivalents, if any, and any Lease Guaranties (hereinafter defined) deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, income, additional rents, revenues, issues, profits (including all oil and gas or

other mineral royalties and bonuses), pass-throughs, tenant-required contributions for taxes, costs for major improvements, leasing commissions, capital expenditures and other cash items from the Land and the Improvements whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code and all proceeds from the sale, termination or other disposition of the Leases or from any award, judgment or payment which may heretofore or hereafter be made with respect to any action or proceeding brought with respect to the Leases whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code (collectively, the "Rents") and the right to receive and apply the Rents to the payment of the Debt, and all deposits made by borrower pursuant to this Security Instrument or other agreement with Lender regarding the Property and any accounts in which such deposits are held;

(g) CONDEMNATION AWARDS. All awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(h) INSURANCE PROCEEDS. All proceeds of and any unearned premiums on any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property;

(i) TAX CERTIORARI. All refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction;

(j) CONVERSION. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims;

(k) RIGHTS. The right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Lender in the Property;

(l) AGREEMENTS. All agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto,

respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Borrower therein and thereunder, including, without limitation, the right, upon the happening of any default hereunder, to receive and collect any sums payable to Borrower thereunder;

(m) TRADEMARKS. All tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records, and all other general intangibles relating to or used in connection with the operation of the Property; and

(n) OTHER RIGHTS. Any and all other rights of Borrower in and to the items set forth in Subsections (a) through (m) above and all proceeds and products of any of the foregoing and all rights and privileges pertaining thereto.

Section 1.2 ASSIGNMENT OF RENTS. Borrower hereby absolutely and unconditionally assigns to Lender Borrower's right, title and interest in and to all current and future Leases and Rents; it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of this Section 1.2, Section 3.7 and Section 4.5, Lender grants to Borrower a revocable license to collect and receive the Rents. Borrower shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Debt, for use in the payment of such sums.

Section 1.3 SECURITY AGREEMENT. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. By executing and delivering this Security Instrument, Borrower hereby grants to Lender, as security for the Obligations (defined in Section 2.3), a security interest in the Personal Property to the full extent that the Personal Property may be subject to the Uniform Commercial Code.

Section 1.4 PLEDGE OF MONIES HELD. Borrower hereby pledges to Lender any and all monies now or hereafter held by Lender, including, without limitation, any sums deposited in the Escrow Fund (as defined in Section 3.5), Net Proceeds (as defined in Section 4.4) and condemnation awards or payments described in Section 3.6, as additional security for the Obligations until expended or applied as provided in this Security Instrument.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property with all privileges and appurtenances thereunto belonging unto and to the use and benefit of Lender,

and the heirs, successors and assigns of Lender, forever;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Borrower shall well and truly pay to Lender the Debt at the time and in the manner provided in the Note and this Security Instrument, shall well and truly perform the Other Obligations as set forth in this Security Instrument and shall well and truly abide by and comply with each and every covenant and condition set forth herein and in the Note, these presents and the estate hereby granted shall cease, terminate and be void.

ARTICLE 2 - DEBT AND OBLIGATIONS SECURED

Section 2.1 DEBT. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the following, in such order of priority as Lender may determine in its sole discretion (the "Debt"):

(a) the payment of the indebtedness evidenced by the Note in lawful money of the United States of America;

(b) the payment of interest, default interest, late charges and other sums, as provided in the Note, the Loan Agreement, this Security Instrument or the Other Security Documents (defined below);

(c) Prepayment Consideration (as defined in the Note);

(d) the payment of all other moneys agreed or provided to be paid by Borrower in the Note, the Loan Agreement, this Security Instrument or the Other Security Documents;

(e) the payment of all sums advanced pursuant to this Security Instrument to protect and preserve the Property and the lien and the security interest created hereby; and

(f) the payment of all sums advanced and costs and expenses incurred by Lender in connection with the Debt or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender.

Section 2.2 OTHER OBLIGATIONS. This Security Instrument and the grants, assignments and transfers made in Article 1 are also given for the purpose of securing the following (the "Other Obligations"):

(a) the performance of all other obligations of Borrower contained herein;

(b) the performance of each obligation of Borrower contained in any other agreement given by Borrower to Lender which is for the purpose of further securing the obligations secured hereby, and any amendments, modifications and changes thereto; and

(c) the performance of each obligation of Borrower contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part of the Note, the Loan Agreement, this Security Instrument or the Other Security Documents.

Section 2.3 DEBT AND OTHER OBLIGATIONS. Borrower's obligations for the payment of the Debt and the performance of the Other Obligations shall be referred to collectively below as the "Obligations."

Section 2.4 PAYMENTS. Unless payments are made in the required amount in immediately available funds at the place where the Note is payable, remittances in payment of all or any part of the Debt shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in funds immediately available at the place where the Note is payable (or any other place as Lender, in Lender's sole discretion, may have established by delivery of written notice thereof to Borrower) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default (defined herein).

ARTICLE 3 - BORROWER COVENANTS

Borrower covenants and agrees that:

Section 3.1 PAYMENT OF DEBT. Borrower will pay the Debt at the time and in the manner provided in the Note and in this Security Instrument.

Section 3.2 INCORPORATION BY REFERENCE. All the covenants, conditions and agreements contained in (a) the Loan Agreement, (b) the Note and (c) all and any of the documents other than the Note, the Loan Agreement or this Security Instrument now or hereafter executed by Borrower and/or others and by or in favor of Lender, which wholly or partially secure or guaranty payment of the Note, including without limitation each Loan Document (as defined in the Loan Agreement) (the "Other Security Documents"), are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein.

Section 3.3 INSURANCE.

(a) Borrower shall obtain and maintain, or cause to be maintained, insurance for Borrower and the Property providing at least the following coverages:

(i) comprehensive all risk insurance on the Improvements and the Personal Property, including contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction Endorsements, in each case (A) in an amount equal to 100% of the "Full Replacement Cost," which for purposes of this Security Instrument shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation, but the amount shall in no event be less than the outstanding principal balance of the Note; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions; (C) providing for no deductible in excess of $50,000; and (D) containing an "Ordinance or Law Coverage" or "Enforcement" endorsement if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses. The Full Replacement Cost shall be redetermined from time to time (but not more frequently than once in any twelve (12) calendar months) at the request of Lender by an appraiser or contractor designated and paid by Borrower and approved by Lender, or by an engineer or appraiser in the regular employ of the insurer. After the first appraisal, additional appraisals may be based on construction cost indices customarily employed in the trade. No omission on the part of Lender to request any such ascertainment shall relieve Borrower of any of its obligations under this Subsection. In addition, Borrower shall obtain (y) flood hazard insurance if any portion of the Improvements is currently or at any time in the future located in a federally designated "special flood hazard area", flood hazard insurance in an amount equal to the lesser of (a) the outstanding principal balance of the Note or (b) the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended or such greater amount as Lender shall require; or as otherwise required by Lender, and (z) earthquake insurance in amounts and in form and substance satisfactory to Lender in the event the Property is located in an area with a high degree of seismic activity, or as otherwise required by Lender, provided that the insurance pursuant to clauses (y) and (z) hereof shall be on terms consistent with the comprehensive all risk insurance policy required under this Subsection 3.3(a)(i) except that the deductible on such insurance shall not be in excess of five percent (5%) of the appraised value of the Property;

(ii) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the so-called "occurrence" form with a combined single limit of not less than $1,000,000; (B) to continue at not less than the aforesaid limit until required to be changed by Lender in writing by reason of changed economic conditions making such protection inadequate; and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed

operations on an "if any" basis; (3) independent contractors; (4) blanket contractual liability for all written and oral contracts; and (5) contractual liability covering the indemnities contained in Article 13 hereof to the extent the same is available;

(iii) business income and rent loss insurance (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in Subsection 3.3(a)(i); (C) containing an extended period of indemnity endorsement which provides that after the physical loss to the Improvements and Personal Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of twelve (12) months from the date of the loss, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period; and (D) in an amount equal to 100% of the projected gross income from the Property for a period of twelve (12) months. The amount of such business income insurance shall be determined prior to the date hereof and at least once each year thereafter based on the greatest of: (x) Borrower's reasonable estimate of the gross income from the Property; (y) the estimate of gross income set forth in the annual operating budget delivered pursuant to Subsection 3.11(a)(v); and (z) the highest gross income received during the term of the Note for any full calendar year prior to the date the amount of such insurance is being determined. All insurance proceeds payable to Lender pursuant to this Subsection shall be held by Lender and shall be applied to the obligations secured hereunder from time to time due and payable hereunder and under the Note; provided, however, that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured hereunder on the respective dates of payment provided for in the Note except to the extent such amounts are actually paid out of the proceeds of such business income insurance;

(iv) at all times during which structural construction, repairs or alterations are being made with respect to the Improvements (A) owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy; and (B) the insurance provided for in Subsection 3.3(a)(i) written in a so-called builder's risk completed value form (1) on a non-reporting basis, (2) against all risks insured against pursuant to Subsection 3.3(a)(i), (3) including permission to occupy the Property, and (4) with an agreed amount endorsement waiving co-insurance provisions;

(v) workers' compensation, subject to the statutory limits of the state in which the Property is located, and employer's liability insurance (A) with a limit per accident and per disease per employee, and (B) in an amount for disease aggregate in respect of any work or operations on or about the Property, or in connection with the Property or its operation (if applicable), in each case reasonably required by Lender;

(vi) comprehensive boiler and machinery insurance, if applicable, in amounts as shall be reasonably required by Lender on terms consistent with the

commercial general liability insurance policy required under Subsection 3.3(a)(ii); and

(vii) umbrella liability insurance in an amount not less than $20,000,000 per occurrence on terms consistent with the commercial general liability insurance policy required under Subsection 3.3(a)(ii);

(viii) motor vehicle liability coverage for all owned and non-owned vehicles, including rented and leased vehicles containing minimum limits per occurrence of $5,000,000; and

(iv) such other insurance and in such amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located.

(b) All insurance provided for in Subsection 3.3(a) hereof shall be obtained under valid and enforceable policies (the "Policies" or in the singular, the "Policy"), and shall be subject to the approval of Lender as to insurance companies, amounts, forms, deductibles, loss payees and insurers. The Policies shall be issued by financially sound and responsible insurance companies authorized to do business in the state in which the Property is located and approved by Lender. Each insurance company must have a rating of "A" or better for claims paying ability assigned by Standard & Poor's Rating Group (the "Rating Agency") or, if the Rating Agency does not assign a rating for such insurance company, such insurance company must have a general policy rating of A or better and a financial class of VIII or better by A.M. Best Company, Inc., and if there are any Securities (defined in Section 19.1 below) issued which have been assigned a rating by a credit rating agency approved by Lender (a "Rating Agency"), the insurance company shall have a claims paying ability rating by such Rating Agency equal to or greater than the rating of the highest class of the Securities (each such insurer shall be referred to below as a "Qualified Insurer"). The Policies described in Subsections 3.3(a)(i), (iii), (iv)(B) and (vi) shall designate Lender as loss payee. Not less than thirty (30) days prior to the expiration dates of the Policies theretofore furnished to Lender pursuant to Subsection 3.3(a), certified copies of the Policies marked "premium paid" or accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums"), shall be delivered by Borrower to Lender; provided, however, that in the case of renewal Policies, Borrower may furnish Lender with binders therefor to be followed by the original Policies when issued.

(c) Borrower shall not obtain (i) any umbrella or blanket liability or casualty Policy unless, in each case, such Policy is approved in advance in writing by Lender and Lender's interest is included therein as provided in this Security Instrument and such Policy is issued by a Qualified Insurer, or (ii) separate insurance concurrent in form or contributing in the event of loss with that required in Subsection 3.3(a) to be furnished by, or which may be reasonably required to be furnished by, Borrower. In the event Borrower obtains separate insurance or an umbrella or a blanket Policy, Borrower shall notify Lender

of the same and shall cause certified copies of each Policy to be delivered as required in Subsection 3.3(a). Any blanket insurance Policy shall (a) specifically allocate to the Property the amount of coverage from time to time required hereunder or (b) be written on an occurrence basis for the coverages required hereunder with a limit per occurrence in an amount equal to the amount of coverage required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Subsection 3.3(a).

(d) All Policies of insurance provided for or contemplated by Subsection 3.3(a), except for the Policy referenced in Subsection 3.3(a)(v), shall name Lender and Borrower as the insured or additional insured, as their respective interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a so-called New York standard non-contributing mortgagee clause in favor of Lender providing that the loss thereunder shall be payable to Lender.

(e) All Policies of insurance provided for in Subsection 3.3(a) shall contain clauses or endorsements to the effect that:

(i) no act or negligence of Borrower, or anyone acting for Borrower, or of any tenant under any Lease or other occupant, or failure to comply with the provisions of any Policy which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Lender is concerned;

(ii) the Policy shall not be materially changed (other than to increase the coverage provided thereby) or cancelled without at least 30 days' written notice to Lender and any other party named therein as an insured; and

(iii) each Policy shall provide that the issuers thereof shall give written notice to Lender if the Policy has not been renewed thirty (30) days prior to its expiration; and

(iv) Lender shall not be liable for any Insurance Premiums thereon or subject to any assessments thereunder.

(f) Borrower shall furnish to Lender, on or before thirty (30) days after the close of each of Borrower's fiscal years, a statement certified by Borrower or a duly authorized officer of Borrower of the amounts of insurance maintained in compliance herewith, of the risks covered by such insurance and of the insurance company or companies which carry such insurance and, if requested by Lender, verification of the adequacy of such insurance by an independent insurance broker or appraiser acceptable to Lender.

(g) If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without

notice to Borrower to take such action as Lender deems necessary to protect its interest in the Property, including, without limitation, the obtaining of such insurance coverage as Lender in its sole discretion deems appropriate, and all expenses incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Lender upon demand and until paid shall be secured by this Security Instrument and shall bear interest in accordance with Section 10.3 hereof.

(h) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice of such damage to Lender and shall promptly commence and diligently prosecute the completion of the repair and restoration of the Property as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty, with such alterations as may be approved by Lender (the "Restoration") and otherwise in accordance with Section 4.4 of this Security Instrument. Borrower shall pay all costs of such Restoration whether or not such costs are covered by insurance. Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrower;

(i) In the event of foreclosure of this Security Instrument, or other transfer of title to the Property in extinguishment in whole or in part of the Debt all right, title and interest of Borrower in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon be assigned to and shall vest in the purchaser at such foreclosure or Lender or other transferee in the event of such other transfer of title.

Section 3.4 PAYMENT OF TAXES, ETC. (a) Borrower shall promptly pay all taxes, assessments, water rates, sewer rents, governmental impositions, and other charges, including without limitation vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Land, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Taxes"), all ground rents, maintenance charges and similar charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Other Charges"), and all charges for utility services provided to the Property as same become due and payable. Borrower will deliver to Lender, promptly upon Lender's request, evidence satisfactory to Lender that the Taxes, Other Charges and utility service charges have been so paid or are not then delinquent. Borrower shall not suffer and shall promptly cause to be paid and discharged any lien or charge whatsoever which may be or become a lien or charge against the Property. Except to the extent sums sufficient to pay all Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument, Borrower shall furnish to Lender paid receipts for the payment of the Taxes and Other Charges prior to the date the same shall become delinquent.

(b) After prior written notice to Lender, Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Taxes, provided that (i) no event, act or condition which, with the giving of notice or lapse of time, or both, would constitute an Event of Default (a"Default") or Event of Default

has occurred and is continuing under the Loan Agreement, the Note, this Security Instrument or any of the Other Security Documents, (ii) Borrower is permitted to do so under the provisions of any other mortgage, deed of trust or deed to secure debt affecting the Property, (iii) such proceeding shall suspend the collection of the Taxes from Borrower and from the Property or Borrower shall have paid all of the Taxes under protest, (iv) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrower is subject and shall not constitute a default thereunder, (v) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost, (vi) Borrower shall have deposited with Lender adequate reserves for the payment of the Taxes, together with all interest and penalties thereon, unless Borrower has paid all of the Taxes under protest, and (vii) Borrower shall have furnished the security as may be required in the proceeding, or as may be requested by Lender to insure the payment of any contested Taxes, together with all interest and penalties thereon.

Section 3.5 ESCROW FUND. In addition to the initial deposits with respect to Taxes and Insurance Premiums made by Borrower to Lender on the date hereof to be held by Lender in escrow, Borrower shall pay to Lender on the first day of each calendar month (a) one-twelfth of an amount which would be sufficient to pay the Taxes payable, or estimated by Lender to be payable, during the next ensuing twelve (12) months and (b) one-twelfth of an amount which would be sufficient to pay the Insurance Premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof (the amounts in (a) and (b) above shall be called the "Escrow Fund"). Borrower agrees to notify Lender immediately of any changes to the amounts, schedules and instructions for payment of any Taxes and Insurance Premiums of which it has obtained knowledge and authorizes Lender or its agent to obtain the bills for Taxes and Other Charges directly from the appropriate taxing authority. The Escrow Fund and the payments of interest or principal or both, payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Borrower to Lender. Lender will apply the Escrow Fund to payments of Taxes and Insurance Premiums required to be made by Borrower pursuant to Sections 3.3 and 3.4 hereof. If the amount of the Escrow Fund shall exceed the amounts due for Taxes and Insurance Premiums pursuant to Sections 3.3 and 3.4 hereof, Lender shall, in its discretion, return any excess to Borrower or credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Lender may deal with the person shown on the records of Lender to be the owner of the Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Borrower shall promptly pay to Lender, upon demand, an amount which Lender shall estimate as sufficient to make up the deficiency. The Escrow Fund shall be held in a non-interest bearing account and shall not constitute a trust fund and may be commingled with other monies held by Lender. No earnings or interest on the Escrow Fund shall be payable to Borrower.

Section 3.6 CONDEMNATION. Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Lender copies of any and all papers served in connection with

such proceedings. Lender may participate in any such proceedings, and Borrower shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrower shall, at its expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrower shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 4.4 of this Security Instrument. In the event Lender is not required to disburse Net Proceeds (as defined herein) to Borrower in accordance with Section 4.4 of this Security Instrument, Lender may apply any award or payment to the reduction or discharge of the Debt whether or not then due and payable. The amount of any award or payment so applied in excess of the Debt shall be returned to Borrower. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the award or payment, or a portion thereof sufficient to pay the Debt.

Section 3.7 LEASES AND RENTS. (a) Except as otherwise consented to by Lender, all Leases shall be written on the standard form of lease which shall have been approved by Lender. Upon request, Borrower shall furnish Lender with executed copies of all Leases. No material changes may be made to the Lender-approved standard lease without the prior written consent of Lender. In addition, all renewals of Leases and all proposed leases shall provide for rental rates and terms comparable to existing local market rates and terms and shall be arms-length transactions with bona fide, independent third party tenants. All proposed Leases and renewals of existing Leases shall be subject to the prior approval of Lender and its counsel, at Borrower's expense. All Leases shall provide that they are subordinate to this Security Instrument and that the lessee agrees to attorn to Lender. Borrower (i) shall observe and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Debt; (ii) shall promptly send copies to Lender of all notices of default which Borrower shall send or receive thereunder; (iii) shall enforce all of the terms, covenants and conditions contained in the Leases upon the part of the lessee thereunder to be observed or performed, short of termination thereof; (iv) shall not collect any of the Rents more than one (1) month in advance; (v) shall not execute any other assignment of the lessor's interest in the Leases or the Rents; (vi) shall not alter, modify or change the terms of the Leases without the prior written consent of Lender, or cancel or terminate the Leases or accept a

surrender thereof or convey or transfer or suffer or permit a conveyance or transfer of the Land or of any interest therein so as to effect a merger of the estates and rights of, or a termination or diminution of the obligations of, lessees thereunder; (vii) shall not alter, modify or change the terms of any guaranty, letter of credit or other credit support with respect to the Leases (the "Lease Guaranty") or cancel or terminate such Lease Guaranty without the prior written consent of Lender; and (viii) shall not consent to any assignment of or subletting under the Leases not in accordance with their terms, without the prior written consent of Lender. Borrower agrees that it will give prompt notice to Lender at any time that (A) Leases comprising more than five percent (5%) of the leasable space in the Property, whether individually or in the aggregate, are terminated or have expired and have not been renewed by the related tenant thereunder or (B) tenants under Leases comprising more than five percent (5%) of the leasable space in the Property, whether individually or in the aggregate, have vacated their leased space, ceased operating their business in such space, have subleased such space, commenced any action or proceeding relating to bankruptcy, made an assignment for the benefit of creditors or availed themselves or have been subjected to any similar action or proceeding.

(b) COMMERCIAL PROPERTY. Notwithstanding the provisions of Subsection 3.7(a) above, renewals of existing commercial Leases and proposed Leases for commercial space shall not be subject to the prior approval of Lender provided all of the following conditions are satisfied: (i) the rental income pursuant to the renewal or proposed Lease is not more than ten percent (10%) of the total rental income for the Property, (ii) the renewal or proposed Lease covers less than ten percent (10%) of the Property, in the aggregate, ((i) and (ii), "Minor Leases"), (iii) the renewal or proposed Lease shall provide for rental rates and terms comparable to existing local market rates and terms, (iv) the renewal or proposed Lease shall be an arms-length transaction with a bona fide, independent third party tenant and (vi) the renewal or proposed Lease shall satisfy other criteria as shall be required by Lender in its sole discretion and of which Borrower has been notified by Lender. Borrower shall deliver to Lender copies of all Leases which are entered into pursuant to the preceding sentence together with Borrower's certification that it has satisfied all of the conditions of the preceding sentence within thirty (30) days after the execution of the Lease.

(c) To the extent permitted by law, Borrower shall promptly deposit with Lender any and all monies representing security deposits under the Leases, whether or not Borrower actually received such monies (the "Security Deposits"). Lender shall hold the Security Deposits in accordance with the terms of the respective Lease, and shall only release the Security Deposits in order to return a tenant's Security Deposit to such tenant if such tenant is entitled to the return of the Security Deposit under the terms of the Lease and is not otherwise in default under the Lease. To the extent required by Applicable Laws (defined below), Lender shall hold the Security Deposits in an interest bearing account selected by Lender in its sole discretion. The provisions of this Section 3.7(c) shall be applicable only upon notification by Lender, which notification may take place at any time a Default or Event of Default has occurred and is continuing. If such Security Deposits are held by Borrower, Borrower shall deposit the Security Deposits into a segregated account with a

federally insured institution as approved by Lender.

Section 3.8 MAINTENANCE OF PROPERTY. Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of the Personal Property) without the consent of Lender. Borrower shall promptly repair, replace or rebuild any part of the Property which may be destroyed by any casualty, or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in Section 3.6 hereof and shall complete and pay for any structure at any time in the process of construction or repair on the Land. Borrower shall not initiate, join in, acquiesce in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Property or any part thereof. If under applicable zoning provisions the use of all or any portion of the Property is or shall become a nonconforming use, Borrower will not cause or permit the nonconforming use to be discontinued or abandoned without the express written consent of Lender.

Section 3.9 WASTE. Borrower shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or give cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way impair the value of the Property or the security of this Security Instrument. Borrower will not, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of the Land, regardless of the depth thereof or the method of mining or extraction thereof.

Section 3.10 COMPLIANCE WITH LAWS. (a) Borrower shall promptly comply with all existing and future federal, state and local laws, orders, ordinances, governmental rules and regulations or court orders affecting or which may be interpreted to affect the Property, or the use thereof including, but not limited to, the Americans with Disabilities Act ("ADA") (collectively, the "Applicable Laws").

(b) Borrower shall from time to time, upon Lender's request, provide Lender with evidence satisfactory to Lender that the Property complies with all Applicable Laws or is exempt from compliance with Applicable Laws.

(c) Notwithstanding any provisions set forth herein or in any document regarding Lender's approval of alterations of the Property, Borrower shall not alter the Property in any manner which would increase Borrower's responsibilities for compliance with Applicable Laws without the prior written approval of Lender. Lender's approval of the plans, specifications, or working drawings for alterations of the Property shall create no responsibility or liability on behalf of Lender for their completeness, design, sufficiency or their compliance with Applicable Laws. The foregoing shall apply to tenant improvements

constructed by Borrower or by any of its tenants. Lender may condition any such approval upon receipt of a certificate of compliance with Applicable Laws from an independent architect, engineer, or other person acceptable to Lender.

(d) Borrower shall give prompt notice to Lender of the receipt by Borrower of any notice related to a violation of any Applicable Laws and of the commencement of any proceedings or investigations which relate to compliance with Applicable Laws.

(e) Borrower will take appropriate measures to prevent and will not engage in or knowingly permit any illegal activities at the Property.

Section 3.11 BOOKS AND RECORDS. (a) Borrower shall keep adequate books and records of account in accordance with generally accepted accounting principles ("GAAP"), or in accordance with other methods acceptable to Lender in its sole discretion, consistently applied and furnish to Lender:

(i) quarterly operating statements of the Property, prepared and certified by Borrower in the form required by Lender, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for that quarter and containing appropriate year to date information, and containing a comparison for such quarter and year-to-date information with the annual budget delivered pursuant to Subsection 3.11(a)(v), within forty-five (45) days after the end of each fiscal quarter;

(ii) quarterly certified rent rolls signed and dated by Borrower, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the base rent and any other charges payable under each Lease and the term of each Lease, including the expiration date, and any other information as is reasonably required by Lender, within forty-five (45) days after the end of each fiscal quarter;

(iii) an annual operating statement of the Property detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow, and containing a comparison for such period with the annual budget delivered pursuant to Subsection 3.11(a)(v), to be prepared and certified by Borrower in the form required by Lender, or if required by Lender, an audited annual operating statement prepared and certified by an independent certified public accountant acceptable to Lender, within ninety (90) days after the close of each fiscal year of Borrower;

(iv) quarterly financial statements of Borrower in the form required by Lender, prepared and certified by the respective Borrower, within forty-five (45) days after the end of each fiscal quarter;

(v) an annual balance sheet and profit and loss statement of Borrower in the form required by Lender, prepared and certified by the respective Borrower, or if required by Lender, audited financial statements prepared by an independent certified public accountant acceptable to Lender, within ninety (90) days after the close of each fiscal year of Borrower, as the case may be;

(vi) an annual operating and capital budget presented on a monthly basis consistent with the quarterly and annual operating statements described above for the Property, including cash flow projections for the upcoming year, and all proposed capital replacements and improvements at least fifteen (15) days prior to the start of each calendar year; and

(vii) copies of all of Borrower's quarterly and annual filings with the Securities and Exchange Commission and all shareholder reports and letters to the Borrower's shareholders and all other publicly released information promptly after their filing or mailing.

(b) Upon request from Lender, Borrower, its affiliates, shall furnish to Lender:

(i) a property management report for the Property, showing the number of inquiries made and/or rental applications received from tenants or prospective tenants and deposits received from tenants and any other information requested by Lender, in reasonable detail and certified by Borrower (or an officer, general partner or principal of Borrower if Borrower is not an individual) under penalty of perjury to be true and complete, but no more frequently than quarterly; and

(ii) an accounting of all Security Deposits and other Lease Guaranties held in connection with any Lease of any part of the Property, including, with respect to Security Deposits, the name and identification number of the accounts in which such Security Deposits are held, the name and address of the financial institutions in which such Security Deposits are held and the name of the person to contact at such financial institution, along with any authority or release necessary for Lender to obtain information regarding such accounts directly from such financial institutions.

(c) Borrower, its affiliates, shall furnish Lender with such other additional financial or management information as may, from time to time, be required by Lender in form and substance satisfactory to Lender.

(d) Borrower, its affiliates, shall furnish to Lender and its agents convenient facilities for the examination, copying and audit of any such books and records. Within a reasonable time after request by Lender, Borrower, its affiliates, shall provide any other information with respect to the Property and the financial condition of Borrower, its affiliates, as Lender may from time to time request.

Section 3.12 PAYMENT FOR LABOR AND MATERIALS. Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred in connection with the Property and never permit to exist beyond the due date thereof in respect of the Property or any part thereof any lien or security interest, even though inferior to the liens and the security interests hereof, and in any event never permit to be created or exist in respect of the Property or any part thereof any other or additional lien or security interest other than the liens or security interests hereof, except for the Permitted Exceptions (defined below).

Section 3.13 MANAGEMENT AGREEMENTS. (a) If the Improvements are operated under the terms and conditions of that certain management agreement dated _____ between Borrower and _____ (the "Manager"), (hereinafter, together with any renewals or replacements thereof, being referred to as the "Management Agreement"), which Management Agreement has been approved by Lender. Borrower shall (i) diligently perform and observe all of the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed and observed to the end that all things shall be done which are necessary to keep unimpaired the rights of Borrower under the Management Agreement and (ii) promptly notify Lender of the giving of any notice to Borrower of any default by Borrower in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Borrower to be performed and observed and deliver to Lender a true copy of each such notice. Borrower shall not surrender the Management Agreement, consent to the assignment by the Manager of its interest under the Management Agreement, or terminate or cancel the Management Agreement or modify, change, supplement, alter or amend the Management Agreement, in any respect, either orally or in writing, and Borrower hereby assigns to Lender as further security for the payment of the Debt and for the performance and observance of the terms, covenants and conditions of this Security Instrument, all the rights, privileges and prerogatives of Borrower to surrender the Management Agreement or to terminate, cancel, modify, change, supplement, alter or amend the Management Agreement in any respect, and any such surrender of the Management Agreement or termination, cancellation, modification, change, supplement, alteration or amendment of the Management Agreement without the prior consent of Lender shall be void and of no force and effect. If Borrower shall default in the performance or observance of any material term, covenant or condition of the Management Agreement on the part of Borrower to be performed or observed, then, without limiting the generality of the other provisions of this Security Instrument, and without waiving or releasing Borrower from any of its obligations hereunder, Lender shall have the right, but shall be under no obligation, to pay any sums and to perform any act or take any action as may be appropriate to cause all the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed or observed to be promptly performed or observed on behalf of Borrower, to the end that the rights of Borrower in, to and under the Management Agreement shall be kept unimpaired and free from default. Lender and any person designated by Lender shall have, and are hereby granted, the right to enter upon the Property at any time and from time to time for the purpose of taking any such action. If the Manager under the Management Agreement shall deliver to Lender a copy of any notice sent to

Borrower of default under the Management Agreement, such notice shall constitute full protection to Lender for any action taken or omitted to be taken by Lender in good faith, in reliance thereon. Borrower shall notify Lender if the Manager sub-contracts to a third party or an Affiliate (hereinafter defined) any or all of its management responsibilities under the Management Agreement. Borrower shall, from time to time, use its best efforts to obtain from the Manager under the Management Agreement such certificates of estoppel with respect to compliance by Borrower with the terms of the Management Agreement as may be requested by Lender. Borrower shall exercise each individual option, if any, to extend or renew the term of the Management Agreement upon demand by Lender made at any time within one (1) year of the last day upon which any such option may be exercised, and Borrower hereby expressly authorizes and appoints Lender its attorney-in-fact to exercise any such option in the name of and upon behalf of Borrower, which power of attorney shall be irrevocable and shall be deemed to be coupled with an interest. Any sums expended by Lender pursuant to this paragraph shall bear interest at the Default Rate (hereinafter defined) from the date such cost is incurred to the date of payment to Lender, shall be deemed to constitute a portion of the Debt, shall be secured by the lien of this Security Instrument and the other Loan Documents and shall be immediately due and payable upon demand by Lender therefor.

(b) Without limitation of the foregoing, if (i) the Manager shall become insolvent, or (ii) a Default or Event of Default shall occur and be continuing, then Lender, at its option, may require Borrower to engage a bona-fide, independent third party management agent approved by Lender in its sole discretion (the "New Manager") to manage the Property. The New Manager shall be engaged by Borrower pursuant to a written management agreement that complies with the terms hereof and is otherwise satisfactory to Lender in all respects.

Section 3.14 PERFORMANCE OF OTHER AGREEMENTS. Borrower shall observe and perform each and every term to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property, or given by Borrower to Lender for the purpose of further securing an obligation secured hereby and any amendments, modifications or changes thereto.

Section 3.15 BUSINESS WITH AFFILIATES. Borrower shall not engage in business transactions with any Affiliate of Borrower or of any general partner or Borrower unless the terms and conditions thereof will be intrinsically fair, at not more than market rates and substantially similar or more favorable to those that would be available on an arms-length basis with persons or entities that are not affiliated with each other. The term "Affiliate" shall mean with reference to a specified person that directly or indirectly through one or more intermediaries Controls (hereinafter defined) or is controlled by or is under common Control with the specified person. The term "Control" shall mean in all cases, the power directly or indirectly, to direct or control, or cause the direction of, the management policies of another person, whether through the ownership of voting securities, general partnership interests, common directors, trustees, officers by contract or otherwise. The

terms "controlled" and "controlling" shall have meanings correlative to the foregoing definition of "Control."

Section 3.16 CURRENT BUSINESS. Borrower shall continue to carry on and shall not change its current business of
and all activities incidental thereto.

Section 3.17 CHANGE OF NAME, IDENTITY OR STRUCTURE. Borrower will not change Borrower's name, identity (including its trade name or names), chief executive office, principal place of business or, if not an individual, Borrower's corporate, partnership or other structure without notifying the Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in Borrower's structure, without first obtaining the prior written consent of the Lender. Borrower will execute and deliver to the Lender, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change required by the Lender to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of the Lender, Borrower shall execute a certificate in form satisfactory to the Lender listing the trade names under which Borrower intends to operate the Property, and representing and warranting that Borrower does business under no other trade name with respect to the Property.

Section 3.18 EXISTENCE. (a) Borrower will continuously maintain its existence, good standing and its rights to do business in its state of organization, the state where the Property is located and all other jurisdictions in which it is required, together with its franchises and trade names, if any.

(b) Borrower's general partner, SL Green Realty Corp. (the "REIT"), shall at all times maintain its status as a "qualified real estate investment trust" under Section 856 of the Internal Revenue Code of 1986 (the "Code").

Section 3.19 STOCK. The REIT shall cause its issued and outstanding shares of stock to be listed for trading on the New York Stock Exchange.

ARTICLE 4 - SPECIAL COVENANTS

Borrower covenants and agrees that:

Section 4.1 PROPERTY USE. The Property shall be used only for _____ _____, and for no other use without the prior written consent of Lender, which consent may be withheld in Lender's sole and absolute discretion.

Section 4.2 ERISA. (a) It shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under the Note, this Security Instrument and the Other Security Documents)

to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

(b) Borrower further covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of the Security Instrument, as requested by Lender in its sole discretion, that (i) Borrower is not an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(3) of ERISA; (ii) Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(A) Equity interests in Borrower are publicly offered securities, within the meaning of 29 C.F.R. Section 2510.3-101(b)(2);

(B) Less than 25 percent of each outstanding class of equity interests in Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2); or

(C) Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) or (e) or an investment company registered under The Investment Company Act of 1940.

Section 4.3 INTENTIONALLY OMITTED.

Section 4.4 RESTORATION. The following provisions shall apply in connection with the Restoration of the Property:

(a) If the Net Proceeds shall be less than $100,000 and the costs of completing the Restoration shall be less than $100,000, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, provided that all of the conditions set forth in Subsection 4.4(b)(i) are met and Borrower delivers to Lender (i) a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Security Instrument and (ii) a monthly accounting of all payments, costs and expenditures made by Borrower in connection with the Restoration.

(b) If the Net Proceeds are equal to or greater than $100,000 or the costs of completing the Restoration is equal to or greater than $100,000 Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Subsection 4.4(b). The term "Net Proceeds" for purposes of this Section 4.4 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Subsections 3.3(a)(i), (iv), (vi) and (vii) of this Security Instrument as a result of such damage or destruction, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable

counsel fees), if any, in collecting same ("Insurance Proceeds"), or (ii) the net amount of all awards and payments received by Lender with respect to a taking referenced in Section 3.6 of this Security Instrument, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for the Restoration provided that each of the following conditions are met:

(A) no Default or Event of Default shall have occurred and be continuing under the Note, the Loan Agreement, this Security Instrument or any of the Other Security Documents;

(B) (1) in the event the Net Proceeds are Insurance Proceeds, less than fifty percent (50%) of the total floor area of the Improvements has been damaged, destroyed or rendered unusable as a result of such fire or other casualty or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting the Property is taken, and such land is located along the perimeter or periphery of the Property;

(C) Leases demising in the aggregate a percentage amount equal to or greater than the Rentable Space Percentage (hereinafter defined) of the total rentable space in the Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such fire or other casualty or taking, whichever the case may be, shall remain in full force and effect during and after the completion of the Restoration. The term "Rentable Space Percentage" shall mean (1) in the event the Net Proceeds are Insurance Proceeds, a percentage amount equal to fifty percent (50%), and (2) in the event the Net Proceeds are Condemnation Proceeds, a percentage amount equal to seventy-five percent (75%);

(D) Borrower shall commence the Restoration as soon as reasonably practicable (but in no event later than thirty (30) days after such damage or destruction or taking or such shorter time as required for the Leases referred to in Section 4.4(b)(i)(C) to remain in full force and effect pursuant to Section 4.4(b)(i)(C), and shall diligently pursue the same to satisfactory completion;

(E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note and the Applicable Interest Rate (as defined in the Note), which will be incurred with respect to the Property as a result of the occurrence of any such fire or other casualty or taking, whichever the case may be, will be covered out of (1) the Net Proceeds, (2) the insurance coverage referred to in Subsection 3.3(a)(iii), if applicable, or (3) by other funds of Borrower;

(F) Lender shall be satisfied that, upon the completion of the Restoration, the Debt Service Coverage Ratio (as defined in the Loan Agreement) shall be at least [1.45] to 1.0, as determined by Lender in its sole and absolute discretion;

(G) Lender shall be satisfied that the Restoration will be completed on or before the earliest to occur of (1) twelve (12) months prior to the Maturity Date (as defined in the Note), (2) twelve (12) months after the occurrence of such fire or other casualty or taking, whichever the case may be, (3) the earliest date required for such completion under the terms of any Leases which are required in accordance with the provisions of Subsection 4.4(b)(i)(C) to remain in effect subsequent to the occurrence of such fire or other casualty or taking, whichever the case may be, or (5) such time as may be required under applicable zoning law, ordinance, rule or regulation in order to repair and restore the Property to the condition it was in immediately prior to such fire or other casualty or to as nearly as possible the condition it was in immediately prior to such taking, as applicable;

(H) the Property and the use thereof after the Restoration will be in compliance with and permitted under all applicable zoning laws, ordinances, rules and regulations;

(I) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with all applicable governmental laws, rules and regulations (including, without limitation, all applicable Environmental Laws as defined below); and

(J) such fire or other casualty or taking, as applicable, does not result in the loss of access to the Property or the Improvements.

(ii) The Net Proceeds shall be held by Lender in a non-interest bearing account and, until disbursed in accordance with the provisions of this Subsection 4.4(b), shall constitute additional security for the Obligations. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (B) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property arising out of the Restoration which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company insuring the lien of this Security Instrument.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and acceptance in all respects by Lender and by an independent consulting engineer selected by Lender (the "Restoration Consultant"). Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Restoration Consultant. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, reasonable counsel fees and disbursements and the Restoration Consultant's fees, shall be paid by Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Restoration Consultant, MINUS the Casualty Retainage. The term "Casualty Retainage" as used in this Subsection 4.4(b) shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Restoration Consultant, until the Restoration has been completed. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Subsection 4.4(b), be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.4(b) and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate governmental and quasi-governmental authorities, and Lender receives evidence satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Restoration Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the opinion of Lender, be sufficient to pay in full the balance of the costs which are estimated by the Restoration Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Subsection 4.4(b) shall constitute additional security for the Obligations.

(vii) The excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Restoration Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.4(b), and the receipt by Lender of evidence satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Default or Event of Default shall have occurred and shall be continuing under the Loan Agreement, the Note, this Security Instrument or any of the Other Security Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Subsection 4.4(b)(vii) may be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its discretion shall deem proper or, at the discretion of Lender, the same may be paid, either in whole or in part, to Borrower for such purposes as Lender shall designate, in its discretion. If Lender shall receive and retain Net Proceeds, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender and actually applied by Lender in reduction of the Debt.

ARTICLE 5 - REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

Section 5.1 WARRANTY OF TITLE. Borrower has good title to the Property and has the right to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the same and that Borrower possesses an unencumbered fee simple absolute estate in the Land and the Improvements and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for those exceptions shown in the title insurance policy insuring the lien of this Security Instrument (the "Permitted Exceptions"). Borrower shall forever warrant, defend and preserve the title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Lender

against the claims of all persons whomsoever.

Section 5.2 AUTHORITY. Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Security Instrument, and to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the Property pursuant to the terms hereof and to keep and observe all of the terms of this Security Instrument on Borrower's part to be performed.

Section 5.3 LEGAL STATUS AND AUTHORITY. (a) Borrower (i) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (ii) is duly qualified to transact business and is in good standing in the State where the Property is located and each other jurisdiction in which it is required; and (iii) has all necessary approvals, governmental and otherwise, and full power and authority to own the Property and carry on its business as now conducted and proposed to be conducted. Borrower now has and shall continue to have the full right, power and authority to operate and lease the Property, to encumber the Property as provided herein and to perform all of the other obligations to be performed by Borrower under the Note, this Security Instrument and the Other Security Documents.

(b) The REIT is a "qualified real estate investment trust" as defined in Section 856 of the Code.

Section 5.4 VALIDITY OF DOCUMENTS. (a) The execution, delivery and performance of the Note, the Loan Agreement, this Security Instrument and the Other Security Documents and the borrowing evidenced by the Note (i) are within the corporate/partnership power of Borrower; (ii) have been authorized by all requisite corporate/partnership action; (iii) have received all necessary licenses, approvals and consents, corporate, governmental or otherwise; (iv) will not violate, conflict with, result in a breach of or constitute (with notice or lapse of time, or both) a default under any provision of law, rule, regulation, writ, any order or judgment of any court or governmental authority, the articles of incorporation, by-laws, partnership or trust agreement, or other governing instrument of Borrower or its subsidiaries, or any indenture, agreement or other instrument to which Borrower is a party or by which it or any of its assets or the Property is or may be bound or affected; (v) will not result in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of its assets, except the lien and security interest created hereby; and (vi) will not require any authorization or license from, or any filing with, any governmental or other body (except for the recordation of this instrument in appropriate land records in the State where the Property is located and except for Uniform Commercial Code filings relating to the security interest created hereby); and (b) the Loan Agreement, the Note, this Security Instrument and the Other Security Documents constitute the legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their terms.

Section 5.5 LITIGATION. There is no action, suit or proceeding, judicial,

administrative or otherwise (including any condemnation or similar proceeding), pending or, to the best of Borrower's knowledge, threatened or contemplated against, or affecting, Borrower or the Property that has not been disclosed to Lender or is not adequately covered by insurance, as determined by Lender in its sole and absolute discretion. There are no judgments, decrees or orders of any kind against Borrower unpaid of record which would affect the ability of Borrower to comply with its obligations under the Loan Agreement, the Note, this Security Instrument or the Other Security Documents.

Section 5.6 STATUS OF PROPERTY. (a) No portion of the Improvements is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.3 hereof.

(b) Borrower has obtained all necessary certificates, licenses and other approvals, governmental and otherwise, necessary for the operation of the Property and the conduct of its business and all required zoning, building code, land use, environmental and other similar permits or approvals, all of which are in full force and effect as of the date hereof and not subject to revocation, suspension, forfeiture or modification.

(c) The Property and the present and contemplated use and occupancy thereof are in full compliance with all applicable zoning ordinances (without reliance upon grandfather provisions or adjoining or other properties), building codes, land use and environmental laws, laws relating to the disabled (including, but not limited to, the ADA) and other similar laws.

(d) The Property is served by all utilities required for the current or contemplated use thereof. All utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service.

(e) All public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all-weather and are physically and legally open for use by the public.

(f) The Property is served by public water and sewer systems.

(g) Borrower is not aware of any latent or patent structural or other significant deficiency of the Property. The Property is free of damage and waste that would materially and adversely affect the value of the Property, is in good repair and there is no deferred maintenance. The Property is free from damage caused by fire or other casualty. There is no pending or, to the actual knowledge of Borrower, threatened condemnation proceedings affecting the Property, or any part thereof.

(h) All costs and expenses of any and all labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full. Subject to Borrower's right to contest as set forth in this Security Instrument, there are no mechanics' or similar liens or claims that have been filed and recorded for work, labor or materials that affects the Property and that are or may be liens prior to, or coordinate with, the lien of this Security Instrument.

(i) Borrower has paid in full for, and is the owner of, all furnishings, fixtures and equipment (other than tenants' property) used in connection with the operation of the Property, free and clear of any and all security interests, liens or encumbrances, except the lien and security interest created hereby.

(j) All liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in compliance with all Applicable Laws.

(k) All Improvements lie within the boundaries and building restrictions of the Land, no such Improvements encroach upon easements benefitting the Property other than encroachments that do not materially adversely affect the use or occupancy of the Property and no improvements on adjoining properties encroach upon the Property or easements benefitting the Property other than encroachments that do not materially adversely affect the use or occupancy of the Property. All amenities, access routes or other items that materially benefit the Property are under direct control of Borrower, constitute permanent easements that benefit all or part of the Property or are public property, and the Property by virtue of such easements or otherwise is contiguous to a physically open, dedicated all weather public street, and has the necessary permits for ingress and egress.

(l) If the Property constitutes a legal non-conforming use, the non-conforming Improvements may be rebuilt to current density and used and occupied for such non-conforming purposes if damaged or destroyed.

(m) There are no delinquent taxes, ground rents, water charges, sewer rents, assessments (including assessments payable in future installments), insurance premiums, leasehold payments, or other outstanding charges affecting the Property.

Section 5.7 NO FOREIGN PERSON. Borrower is not a "foreign person" within the meaning of Sections 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

Section 5.8 SEPARATE TAX LOT. The Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements is assessed and taxed together with the Property or any portion thereof.

Section 5.9 ERISA COMPLIANCE. (a) As of the date hereof and throughout the term of this Security Instrument, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, and (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA; and

(b) As of the date hereof and throughout the term of this Security Instrument (i) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(3) of ERISA and (ii) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans.

Section 5.10 LEASES. (a) Borrower is the sole owner of the entire lessor's interest in the Leases; (b) the Leases are valid and enforceable; (c) the terms of all alterations, modifications and amendments to the Leases are reflected in the certified occupancy statement delivered to and approved by Lender; (d) none of the Rents reserved in the Leases have been assigned or otherwise pledged or hypothecated; (e) none of the Rents have been collected for more than one (1) month in advance; (f) the premises demised under the Leases have been completed and the tenants under the Leases have accepted the same and have taken possession of the same on a rent-paying basis; (g) there exist no offsets or defenses to the payment of any portion of the Rents; (h) no Lease contains an option to purchase, right of first refusal to purchase, or any other similar provision; (i) no person or entity has any possessory interest in, or right to occupy, the Property except under and pursuant to a Lease; (j) each Lease is subordinate to this Security Instrument and the tenant under each Lease agrees to attorn to Lender either pursuant to its terms or a recorded subordination and attornment agreement; (k) no Lease has the benefit of a non-disturbance agreement that would be considered unacceptable to prudent institutional lenders; (l) there are no prior assignments, pledges, hypothecations or other encumbrances of any Leases or any portion of Rents due and payable or to become due and payable thereunder which are presently outstanding and have priority to the assignment of rents executed in connection with this Security Instrument; and (m) the Property is not subject to any Lease other than the Leases described in the rent rolls delivered pursuant to Section 3.11.

Section 5.11 FINANCIAL CONDITION. (a) Borrower is solvent, and no bankruptcy, reorganization, insolvency or similar proceeding under any state or federal law with respect to Borrower has been initiated, and (b) it has received reasonably equivalent value for the granting of this Security Instrument.

Section 5.12 BUSINESS PURPOSES. The loan evidenced by the Note is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes.

Section 5.13 TAXES. Borrower, have filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by them and

have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Neither Borrower, knows of any basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

Section 5.14 MAILING ADDRESS. Borrower's mailing address, as set forth in the opening paragraph hereof or as changed in accordance with the provisions hereof, is true and correct.

Section 5.15 NO CHANGE IN FACTS OR CIRCUMSTANCES. All information in the application for the loan submitted to Lender (the "Loan Application") and in all financing statements, rent rolls, reports, certificates and other documents submitted in connection with the Loan Application or in satisfaction of the terms thereof, are accurate, complete and correct in all respects. There has been no adverse change in any condition, fact, circumstance or event that would make any such information inaccurate, incomplete or otherwise misleading or would affect Borrower's ability to perform its obligations under the Loan Agreement, the Note, this Security Instrument or Other Security Documents.

Section 5.16 DISCLOSURE. Borrower has disclosed to Lender all material facts and has not failed to disclose any material fact that could cause any representation or warranty made herein to be materially misleading.

Section 5.17 INTENTIONALLY OMITTED.

Section 5.18 ILLEGAL ACTIVITY. No portion of the Property has been or will be purchased with proceeds of any illegal activity.

Section 5.19 TRADE NAMES. Borrower does not do any business with respect to the Property under any trade name other than _____.

Section 5.20 CONTRACTS. All contracts, agreements, consents, waivers, documents and writings of every kind or character at any time to which the Borrower is a party to be delivered to Lender pursuant to any of the provisions of this Security Instrument are valid and enforceable against the Borrower and, to the best knowledge of Borrower, are enforceable against all other parties thereto, in all respects are what they purport to be and, to the best knowledge of Borrower, to the extent that any such writing shall impose any obligation or duty on the party thereto or constitute a waiver of any rights which any such party might otherwise have, said writing shall be valid and enforceable against said party in accordance with the terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally.

Section 5.21 SURVIVAL. The foregoing representations and warranties shall survive the execution and delivery of this Security Instrument and shall continue in full force and effect until the Debt has been fully paid and satisfied and Lender have no further

commitment to advance funds hereunder.

ARTICLE 6 - OBLIGATIONS AND RELIANCES

Section 6.1 RELATIONSHIP OF BORROWER AND LENDER. The relationship between Borrower and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrower, and no term or condition of any of the Note, this Security Instrument and the Other Security Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor.

Section 6.2 NO RELIANCE ON LENDER. The general partners, officers, principals and (if Borrower is a trust) beneficial owners of Borrower are experienced in the ownership and operation of properties similar to the Property, and Borrower and Lender are relying solely upon such expertise and business plan in connection with the ownership and operation of the Property. Borrower is not relying on Lender's expertise, business acumen or advice in connection with the Property.

Section 6.3 NO LENDER OBLIGATIONS. (a) Notwithstanding the provisions of Subsections 1.1(f) and (l) or Section 1.2, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Security Instrument, the Note or the Other Security Documents, including without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

Section 6.4 RELIANCE. Borrower recognizes and acknowledges that in accepting the Loan Agreement, the Note, this Security Instrument and the Other Security Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Article 5 without any obligation to investigate the Property and notwithstanding any investigation of the Property by Lender; that such reliance existed on the part of Lender prior to the date hereof; that the warranties and representations are a material inducement to Lender in accepting the Loan Agreement, the Note, this Security Instrument and the Other Security Documents; and that Lender would not be willing to make the loan evidenced by the Loan Agreement, the Note, this Security Instrument and the Other Security Documents and accept this Security Instrument in the absence of the warranties and representations as set forth in Article 5.

ARTICLE 7 - FURTHER ASSURANCES

Section 7.1 RECORDING OF SECURITY INSTRUMENT, ETC. Borrower forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the Other Security Documents creating a lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, the Property. Borrower will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, this Security Instrument, the Other Security Documents, any note or mortgage supplemental hereto, any security instrument with respect to the Property and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Security Instrument, any mortgage supplemental hereto, any security instrument with respect to the Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 7.2 FURTHER ACTS, ETC. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as Lender shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying with all Applicable Laws. Borrower, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Lender in the Property. Borrower grants to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 7.2.

Section 7.3 CHANGES IN TAX, DEBT, CREDIT AND DOCUMENTARY STAMP LAWS. (a) If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender's interest in the

Property, Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury, then Lender shall have the option by written notice of not less than ninety (90) days to declare the Debt immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the Other Security Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

Section 7.4 ESTOPPEL CERTIFICATES. (a) After request by Lender, Borrower, within ten (10) days, shall furnish Lender or any proposed assignee with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Note, (ii) the unpaid principal amount of the Note, (iii) the rate of interest of the Note, (iv) the terms of payment and maturity date of the Note, (v) the date installments of interest and/or principal were last paid, (vi) that, except as provided in each statement, there are no Defaults or Events of Default, (vii) that the Note and this Security Instrument are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification, (viii) whether any offsets or defenses exist against the obligations secured hereby and, if any are alleged to exist, a detailed description thereof, (ix) that all Leases are in full force and effect and (provided the Property is not a residential multifamily property) have not been modified (or if modified, setting forth all modifications), (x) the date to which the Rents thereunder have been paid pursuant to the Leases, (xi) whether or not, to the best knowledge of Borrower, any of the lessees under the Leases are in default under the Leases, and, if any of the lessees are in default, setting forth the specific nature of all such defaults, (xii) the amount of security deposits held by Borrower under each Lease and that such amounts are consistent with the amounts required under each Lease, and (xiii) as to any other matters reasonably requested by Lender and reasonably related to the Leases, the obligations secured hereby, the Property or this Security Instrument.

(b) Borrower shall deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more lessees as required by Lender attesting to such facts regarding the Leases as Lender may require, including but not limited to attestations

that each Lease covered thereby is in full force and effect with no defaults thereunder on the part of any party, that none of the Rents have been paid more than one month in advance, and that the lessee claims no defense or offset against the full and timely performance of its obligations under the Lease.

(c) Upon any transfer or proposed transfer contemplated by Section 19.1 hereof, at Lender's request, Borrower shall provide an estoppel certificate to the Investor (defined in Section 19.1) or any prospective Investor in such form, substance and detail as Lender, such Investor or prospective Investor may require.

(d) The delivery by Borrower and Lender of estoppel certificates and similar statements shall otherwise be governed by the Loan Agreement.

Section 7.5 FLOOD INSURANCE. After Lender's request, Borrower shall deliver evidence satisfactory to Lender that no portion of the Improvements is situated in a federally designated "special flood hazard area" or, if located with such area, Borrower shall maintain the insurance prescribed in Section 3.3 hereof.

Section 7.6 SPLITTING OF SECURITY INSTRUMENT. This Security Instrument and the Note shall, at any time until the same shall be fully paid and satisfied, at the sole election of Lender, be split or divided into two or more notes and two or more security instruments, each of which shall cover all or a portion of the Property to be more particularly described therein. To that end, Borrower, upon written request of Lender, shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered by the then owner of the Property, to Lender and/or its designee or designees substitute notes and security instruments in such principal amounts, aggregating not more than the then unpaid principal amount of this Security Instrument, and containing terms, provisions and clauses similar to those contained herein and in the Note, and such other documents and instruments as may be required by Lender.

Section 7.7 REPLACEMENT DOCUMENTS. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any Other Security Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or Other Security Document, Borrower will issue, in lieu thereof, a replacement Note or Other Security Document, dated the date of such lost, stolen, destroyed or mutilated Note or Other Security Document in the same principal amount thereof and otherwise of like tenor.

ARTICLE 8 - DUE ON SALE/ENCUMBRANCE

Section 8.1 LENDER RELIANCE. Borrower acknowledges that Lender has examined and relied on the experience of Borrower and its general partner in owning and operating properties such as the Property in agreeing to make the loan secured hereby, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Debt and the performance of the Other Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Debt or the performance of the Other Obligations, Lender can recover the Debt by a sale of the Property.

Section 8.2 NO SALE/ENCUMBRANCE. Borrower agrees that Borrower shall not, without the prior written consent of Lender, sell, convey, mortgage, grant, bargain, encumber, pledge, assign, or otherwise transfer the Property or any part thereof or permit the Property or any part thereof to be sold, conveyed, mortgaged, granted, bargained, encumbered, pledged, assigned, or otherwise transferred.

Section 8.3 SALE/ENCUMBRANCE DEFINED. A sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer within the meaning of this Article 8 shall be deemed to include, but not limited to, (a) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (b) an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (c) if Borrower or any general partner or limited partner of Borrower is a corporation, the voluntary or involuntary sale, conveyance, transfer or pledge of such corporation's stock or the stock of any corporation directly or indirectly controlling such corporation by operation of law or otherwise (other than transfers of shares in the REIT, or the creation or issuance of new stock by which an aggregate of more than 20% of such corporation's stock shall be vested in a party or parties who are not now stockholders; and (d) if Borrower or any general partner or limited partner of Borrower is a limited or general partnership or joint venture, the change, removal or resignation of a general partner, managing partner or limited partner, or the transfer or pledge of the partnership interest of any general partner, managing partner or limited partner or any profits or proceeds relating to such partnership interest whether in one transfer or a series of transfers. Notwithstanding the foregoing, transfer by devise or descent or by operation of law upon the death of a partner or stockholder of Borrower or any general partner thereof shall not be deemed to be a sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer within the meaning of this Article 8.

Section 8.4 LENDER'S RIGHTS. Lender reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of the Note, the Loan Agreement, this Security Instrument and the Other Security Documents as so

modified by the proposed transferee, payment of all of Lender's expenses incurred in connection with such transfer the proposed transferee's continued compliance with the covenants set forth in Section 4.2, the approval by a Rating Agency of the proposed transferee, hereof, or such other conditions as Lender shall determine in its sole discretion to be in the interest of Lender. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon Borrower's sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property without Lender's consent. This provision shall apply to every sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property regardless of whether voluntary or not, or whether or not Lender has consented to any previous sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property.

Section 8.5 RESTRICTION ON FUNDAMENTAL CHANGES. (a) Without the prior written consent of Lender, which consent may be withheld in the sole and absolute discretion of Lender, Borrower and the REIT shall not enter into any merger or consolidation with, or sell, lease, transfer or otherwise dispose of any substantial assets to, any Person (as defined in the Loan Agreement) other than Borrower, the REIT or a wholly owned subsidiary of Borrower or the REIT. Notwithstanding the foregoing, neither Borrower nor the REIT shall enter into any arrangement, directly or indirectly, whereby Borrower or the REIT shall sell or transfer any real property asset (in a single or multiple transaction) owned by any of them in order then or thereafter to lease such property or lease another real property asset that it intends to use for substantially the same purpose as the real property asset being sold or transferred.

(b) Notwithstanding the foregoing, Borrower may enter into a merger or consolidation, provided that following such merger or consolidation, Borrower is the surviving entity of such merger or consolidation and the REIT or an entity wholly owned and controlled by the REIT (i) is the sole general partner of Borrower, and (ii) owns at least a 51% economic ownership interest in Borrower.

ARTICLE 9 - PREPAYMENT

Section 9.1 PREPAYMENT BEFORE EVENT OF DEFAULT. The Debt may not be prepaid in whole or in part.

Section 9.2 PREPAYMENT ON CASUALTY AND CONDEMNATION. Provided no Default or Event of Default exists under the Note, this Security Instrument or the Other Security Documents, in the event of any prepayment of the Debt pursuant to the terms of Sections 3.3 or 3.6 hereof, no Prepayment Consideration (defined in the Note) shall be due in connection therewith, but Borrower shall be responsible for all other amounts due under the Note, this Security Instrument and the Other Security Documents.

Section 9.3 PREPAYMENT AFTER EVENT OF DEFAULT. If a Default

Prepayment (defined below) occurs, Borrower shall pay to Lender the entire Debt, including without limitation, the Prepayment Consideration (as defined in the Note). For purposes of this Section 9.3, the term "Default Prepayment" shall mean a prepayment of the principal amount of the Note made after the occurrence of any Default or Event of Default or an acceleration of the Maturity Date (as defined in the Note) under any circumstances, including, without limitation, a prepayment occurring in connection with reinstatement of this Security Instrument provided by statute under foreclosure proceedings or exercise of a power of sale, any statutory right of redemption exercised by Borrower or any other party having a statutory right to redeem or prevent foreclosure, any sale in foreclosure or under exercise of a power of sale or otherwise

ARTICLE 10 - DEFAULT

Section 10.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) if any portion of the Debt is not paid upon the day the same is due or if the entire Debt is not paid on or before the Maturity Date;

(b) if any of the Taxes or Other Charges is not paid when the same is due and payable except to the extent sums sufficient to pay such Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument;

(c) if the Policies are not kept in full force and effect, or if the Policies are not delivered to Lender upon request or Borrower has not delivered evidence of the renewal of the Policies thirty (30) days prior to their expiration as provided in Section 3.3(b);

(d) if the Property is subject to actual waste or hazardous nuisance;

(e) if Borrower violates or does not comply with any of the provisions of Sections 3.3, 3.7, 3.11, 4.2, and 7.4 and Articles 8, 12 and 13;

(f) if any representation or warranty of Borrower or any person guaranteeing payment of the Debt or any portion thereof or performance by Borrower of any of the terms of this Security Instrument (a "Guarantor"), or any general partner, principal or beneficial owner of any of the foregoing, made herein or in the Environmental Indemnity (defined below) or any guaranty, or in any certificate, report, financial statement or other instrument or document furnished to Lender shall have been false or misleading in any material respect when made;

(g) if (i) Borrower or any general partner of Borrower shall commence any

case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower or any general partner of Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any general partner of Borrower any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Borrower or any general partner of Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Borrower or any general partner of Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower or any general partner of Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(h) if Borrower shall be in default under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of the Property whether it be superior or junior in lien to this Security Instrument;

(i) if the Property becomes subject to any mechanic's, materialman's or other lien other than a lien for local real estate taxes and assessments not then due and payable and the lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days;

(j) if any federal tax lien is filed against Borrower, any general partner of Borrower or the Property and same is not discharged of record within thirty (30) days after same is filed;

(k) if Borrower fails to cure promptly any violations of Applicable Laws;

(l) if any condemnation proceeding is instituted which would, in Lender's reasonable judgment, materially impair the use and enjoyment of the Property for its intended purposes;

(m) if (i) Borrower fails to timely provide Lender with the written

certification and evidence referred to in Section 4.2 hereof, or (ii) Borrower consummates a transaction which would cause the Security Instrument or Lender's exercise of its rights under this Security Instrument, the Note or the Other Security Documents to constitute a nonexempt prohibited transaction under ERISA or result in a violation of a state statute regulating governmental plans, subjecting Lender to liability for a violation of ERISA or a state statute;

(n) if Borrower shall fail to reimburse Lender on demand, with interest calculated at the Default Rate, for all Insurance Premiums or Taxes and Other Charges, together with interest and penalties imposed thereon, paid by Lender pursuant to this Security Instrument;

(o) if Borrower shall fail to deliver to Lender, after request by Lender, the estoppel certificates required pursuant to the terms of Subsections 7.4(a) and (c);

(p) if Borrower shall fail to deliver to Lender, after request by Lender, the statements referred to in Section 3.11 in accordance with the terms thereof;

(q) if any default occurs under that certain environmental indemnity agreement dated the date hereof given by Borrower to Lender (the "Environmental Indemnity") and such default continues after the expiration of applicable notice and grace periods, if any;

(r) if any default occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any;

(s) if an Event of Default occurs under the Loan Agreement, the Note or any Other Security Document;

(t) if Borrower defaults under the Management Agreement beyond the expiration of applicable notice and grace periods, if any, thereunder or if cancelled, terminated or surrendered, unless in such case Borrower shall enter into a new management agreement on market terms and conditions no less favorable than the Management Agreement and with a management company satisfactory to Lender; and

(u) if for more than ten (10) days after notice from Lender or such shorter time as provided for in the Note, the Loan Agreement and this Security Instrument or the Other Security Documents, Borrower shall continue to be in default under any other term, covenant or condition of this Security Instrument in the case of any default which can be cured by the payment of a sum of money, or for thirty (30) days after notice from Lender or such shorter time as provided for in the Note, the Loan Agreement and this Security Instrument or the Other Security Documents in the case of any other default, provided that if such default cannot reasonably be cured within

such thirty (30) day period or such shorter time as provided for in the Note, the Loan Agreement, and this Security Instrument or the Other Security Documents and Borrower shall have commenced to cure such default within such thirty (30) day period or such shorter time as provided for in the Note, the Loan Agreement and this Security Instrument or the Other Security Documents and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period or such shorter time as provided for in the Note, the Loan Agreement and this Security Instrument or the Other Security Documents shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) days.

Section 10.2 LATE PAYMENT CHARGE. If any monthly installment of principal and interest is not paid prior to the fifth (5th) day after the date on which it is due, Borrower shall pay to Lender upon demand an amount equal to the lesser of five percent (5%) of such unpaid portion of the outstanding monthly installment of principal and interest then due or the maximum amount permitted by applicable law, to defray the expense incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment, and such amount shall be secured by this Security Instrument and the Other Security Documents.

Section 10.3 DEFAULT INTEREST. Borrower does hereby agree that upon the occurrence of an Event of Default, Lender shall be entitled to receive and Borrower shall pay interest on the entire principal amount outstanding of the Note at a rate equal to the Default Rate (as defined in the Note). The Default Rate shall be computed (i) for all Events of Default which can be cured by the payment of a sum of money, from the date upon which such payment was due, and (ii) for all other Events of Default, from the occurrence of the Event of Default until, for all Events of Default, the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full. Interest calculated at the Default Rate shall be added to the Debt, and shall be deemed secured by this Security Instrument. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Default or Event of Default.

ARTICLE 11 - RIGHTS AND REMEDIES

Section 11.1 REMEDIES. Upon the occurrence of any Event of Default, Borrower agrees that Lender may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Lender may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender:

(a) declare the entire unpaid Debt to be immediately due and payable;

(b) institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument under any applicable provision of law in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(c) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Debt then due and payable, subject to the continuing lien and security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority;

(d) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entity or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;

(e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note, the Loan Agreement or in the Other Security Documents;

(f) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument, the Loan Agreement or the Other Security Documents;

(g) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Borrower or of any person, firm or other entity liable for the payment of the Debt;

(h) subject to any applicable law, the license granted to Borrower under Section 1.2 shall automatically be revoked and Lender may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Borrower agrees to surrender possession of the Property and of such books, records and accounts to Lender upon demand, and thereupon Lender may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (ii) complete any construction on the Property in such manner and form as Lender deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on

the Property; (iv) exercise all rights and powers of Borrower with respect to the Property, whether in the name of Borrower or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (v) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Borrower; (vi) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Property to the payment of the Debt, in such order, priority and proportions as Lender shall deem appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Taxes, Other Charges, insurance and other expenses in connection with the Property, as well as just and reasonable compensation for the services of Lender, its counsel, agents and employees;

(i) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of the Personal Property or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Personal Property, and (ii) request Borrower at its expense to assemble the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Any notice of sale, disposition or other intended action by Lender with respect to the Personal Property sent to Borrower in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute commercially reasonable notice to Borrower;

(j) apply any sums then deposited in the Escrow Fund and any other sums held in escrow or otherwise by Lender in accordance with the terms of this Security Instrument or any Other Security Document to the payment of the following items in any order in its uncontrolled discretion:

(i) Taxes and Other Charges;

(ii) Insurance Premiums;

(iii) Expenses (as defined in the Loan Agreement);

(iv) Interest on the unpaid principal balance of the Note;

(v) Amortization of the unpaid principal balance of the Note;

(vi) All other sums payable pursuant to the Note, the Loan

Agreement, this Security Instrument and the Other Security Documents, including without limitation advances made by Lender pursuant to the terms of this Security Instrument;

(k) surrender the Policies maintained pursuant to Article 3 hereof, collect the unearned Insurance Premiums and apply such sums as a credit on the Debt in such priority and proportion as Lender in its discretion shall deem proper, and in connection therewith, Borrower hereby appoints Lender as agent and attorney-in-fact (which is coupled with an interest and is therefore irrevocable) for Borrower to collect such Insurance Premiums;

(l) pursue such other remedies as Lender may have under applicable law and/or;

(m) apply the undisbursed balance of any Net Proceeds Deficiency deposit, together with interest thereon, to the payment of the Debt in such order, priority and proportions as Lender shall deem to be appropriate in its discretion.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority. Notwithstanding the provisions of this Section 11.1 to the contrary, if any Event of Default as described in clause (i) or (ii) of Subsection 10.1(g) shall occur, the entire unpaid Debt shall be automatically due and payable, without any further notice, demand or other action by Lender.

Section 11.2 APPLICATION OF PROCEEDS. The purchase money, proceeds and avails of any disposition of the Property, or any part thereof, or any other sums collected by Lender pursuant to the Note, the Loan Agreement, this Security Instrument or the Other Security Documents, may be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper.

Section 11.3 RIGHT TO CURE DEFAULTS. Upon the occurrence of any Default or Event of Default or if Borrower fails to make any payment or to do any act as herein provided, Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder, make or do the same in such manner and to such extent as Lender may deem necessary to protect the security hereof. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 11.3, shall constitute a portion of the Debt and shall be due and payable to Lender upon demand. All such costs and expenses incurred by Lender in remedying such Default or Event of Default or such failed payment or act or in appearing in,

defending, or bringing any such action or proceeding shall bear interest at the Default Rate, for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the Other Security Documents and shall be immediately due and payable upon demand by Lender therefor.

Section 11.4 ACTIONS AND PROCEEDINGS. Lender has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect its interest in the Property.

Section 11.5 RECOVERY OF SUMS REQUIRED TO BE PAID. Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Lender thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

Section 11.6 EXAMINATION OF BOOKS AND RECORDS. At Borrower's sole cost and expense, Lender, its agents, accountants and attorneys shall have the right to examine and inspect the records, books, management and other papers of Borrower and its affiliates which reflect upon their financial condition (including, without limitation, leases, statements, bills and invoices), at the Property or at the principal place of business of Borrower, its affiliates where the books and records are located. Lender and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, Lender, its agents, accountants and attorneys shall have the right to examine, copy and audit the books and records of Borrower and its affiliates pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Borrower, its affiliates where the books and records are located. This Section 11.6 shall apply throughout the term of the Note and without regard to whether a Default or Event of Default has occurred or is continuing.

Section 11.7 OTHER RIGHTS, ETC. (a) The failure of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (i) the failure of Lender to comply with any request of Borrower to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note, the Loan Agreement or the Other Security Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt or any portion thereof, or (iii) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, the Loan Agreement, this Security Instrument or the Other Security Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Lender shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any Property or collateral not in Lender's possession.

(c) Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to foreclose this Security Instrument. The rights of Lender under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Lender shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

Section 11.8 RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Lender may release any portion of the Property for such consideration as Lender may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Lender for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Lender may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

Section 11.9 VIOLATION OF LAWS. If the Property is not in compliance with Applicable Laws, Lender may impose additional requirements upon Borrower in connection herewith including, without limitation, monetary reserves or financial equivalents.

Section 11.10 RECOURSE AND CHOICE OF REMEDIES. Notwithstanding any other provision of this Security Instrument, Lender and other Indemnified Parties (defined in Section 13.1 below) are entitled to enforce the obligations of Borrower contained in Sections 13.2, 13.3 and 13.4 without first resorting to or exhausting any security or collateral and without first having recourse to the Note or any of the Property, through foreclosure or acceptance of a deed in lieu of foreclosure or otherwise, and in the event Lender commences a foreclosure action against the Property, Lender is entitled to pursue a deficiency judgment with respect to such obligations against Borrower. The liability of Borrower is not limited to the original principal amount of the Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Lender from foreclosing pursuant to this Security Instrument or exercising any other rights and remedies pursuant to the Note, the Loan Agreement, this

Security Instrument and the Other Security Documents, whether simultaneously with foreclosure proceedings or in any other sequence. A separate action or actions may be brought and prosecuted against Borrower, whether or not action is brought against any other person or entity or whether or not any other person or entity is joined in the action or actions. In addition, Lender shall have the right but not the obligation to join and participate in, as a party if it so elects, any administrative or judicial proceedings or actions initiated in connection with any matter addressed in Article 12 or Section 13.4.

Section 11.11 RIGHT OF ENTRY. Lender and its agents shall have the right to enter and inspect the Property at all reasonable times, including, without limitation, the right to enter and inspect in order to conduct an appraisal of the Property. This Section 11.11 shall apply throughout the term of the Note and without regard to whether a Default or Event of Default has occurred or is continuing.

ARTICLE 12 - ENVIRONMENTAL HAZARDS

Section 12.1 ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES. To the best of Borrower's knowledge, after due inquiry: (a) there are no Hazardous Substances (defined below) or underground storage tanks in, on, or under the Property, except those that are both (i) in compliance with Environmental Laws (defined below) and with permits issued pursuant thereto and (ii) fully disclosed to Lender in writing pursuant to the written reports resulting from the environmental assessments of the Property delivered to Lender (the "Environmental Report"); (b) there are no past, present or threatened Releases (defined below) of Hazardous Substances in, on, under or from the Property except as described in the Environmental Report; (c) there is no threat of any Release of Hazardous Substances migrating to the Property except as described in the Environmental Report; (d) there is no past or present non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Property, and there are no circumstances that may prevent or interfere with such compliance in the future, except as described in the Environmental Report; (e) Borrower does not know of, and has not received any written or oral notice or other communication from any person or entity (including but not limited to a governmental entity) of possible liability relating to Hazardous Substances or Remediation (defined below) thereof, from any person or entity pursuant to any Environmental Law, non-compliance with any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing; (f) Borrower has truthfully and fully provided to Lender, in writing, any and all information relating to conditions in, on, under or from the Property that is known to Borrower and that is contained in Borrower's files and records, including but not limited to any reports relating to Hazardous Substances in, on, under or from the Property and/or to the environmental condition of the Property. None of the Properties (i) is listed or proposed for listing on the National Priorities List, CERCLIS, or any analogous list maintained by any governmental entity of sites that may require investigation or cleanup, (ii) is the subject of any investigation or cleanup or is or has been the subject of a CERCLA (hereinafter defined)

Section 104(e) notice, or (iii) is subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law; (g) Borrower has not received any notice of potential liability with respect to any site other than the Property arising from Hazardous Substances generated, stored, treated, disposed of, or transported at or from the Property; and (h) Borrower has truthfully and fully provided to Lender, in writing, any and all information relating to conditions in, on, under or from the Property that is known to Borrower and that is contained in Borrower's files and records, including but not limited to any reports relating to Hazardous Substances in, on, under or from the Property and/or to the environmental condition of the Property.

"Environmental Law" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, and any judicial or administrative interpretations thereof, including any judicial or administrative order, consent decree or judgment, and as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances, relating to liability for or costs of Remediation or prevention of Releases of Hazardous Substances or relating to liability for or costs of other actual or threatened danger to human health, pollution or the environment. "Environmental Law" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Hazardous Substances Transportation Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act. "Environmental Law" also includes, but is not limited to, any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, as well as common law: conditioning transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of the property; requiring notification or disclosure of Releases of Hazardous Substances or other environmental condition of the Property to any governmental authority or other person or entity, whether or not in connection with transfer of title to or interest in property; imposing conditions or requirements in connection with permits or other authorization for lawful activity; relating to nuisance, trespass or other causes of action related to the Property; and relating to wrongful death, personal injury, or property or other damage in connection with any physical condition or use of the Property.

"Hazardous Substances" include but are not limited to any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of

similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives.

"Release" of any Hazardous Substance includes but is not limited to any release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances.

"Remediation" includes but is not limited to any response, remedial, removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain or otherwise remediate any Hazardous Substance, any actions to prevent, cure or mitigate any Release of any Hazardous Substance, any action to comply with any Environmental Laws or with any permits issued pursuant thereto, any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or evaluation relating to any Hazardous Substances or to anything referred to in Article 12.

Section 12.2 ENVIRONMENTAL COVENANTS. Borrower covenants and agrees that: (a) all uses and operations on or of the Property, whether by Borrower or any other person or entity, shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no Releases of Hazardous Substances in, on, under or from the Property; (c) there shall be no Hazardous Substances in, on, or under the Property, except those that are both (i) in compliance with all Environmental Laws and with permits issued pursuant thereto and (ii) fully disclosed to Lender in writing; (d) Borrower shall keep the Property free and clear of all liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Borrower or any other person or entity (the "Environmental Liens"); (e) Borrower shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Section 12.3 below, including but not limited to providing all relevant information and making knowledgeable persons available for interviews; (f) Borrower shall, at its sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with the Property, pursuant to any reasonable written request of Lender (including but not limited to sampling, testing and analysis of soil, water, air, building materials and other materials and substances whether solid, liquid or gas), and share with Lender the reports and other results thereof, and Lender and other Indemnified Parties shall be entitled to rely on such reports and other results thereof; (g) Borrower shall, at its sole cost and expense, comply with all reasonable written requests of Lender to (i) reasonably effectuate Remediation of any condition (including but not limited to a Release of a Hazardous Substance) in, on, under or from the Property; (ii) comply with any Environmental Law; (iii) comply with any directive from any governmental authority; and (iv) take any other reasonable action necessary or appropriate for protection of human health or the environment; (h) Borrower shall not do or allow any tenant or other user of the Property to do any act that materially increases the dangers to human health or the environment, poses an unreasonable risk of harm to any

person or entity (whether on or off the Property), impairs or may impair the value of the Property, is contrary to any requirement of any insurer, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement or easement applicable to the Property; and (i) Borrower shall immediately notify Lender in writing of (A) any presence or Releases or threatened Releases of Hazardous Substances in, on, under, from or migrating towards the Property; (B) any non-compliance with any Environmental Laws related in any way to the Property; (C) any actual or potential Environmental Lien; (D) any required or proposed Remediation of environmental conditions relating to the Property; (E) any listing or proposed listing of the Property on the National Priorities List, CERCLIS, or any analogous list maintained by any governmental entity of sites that may require investigation or cleanup; (F) the Property is the subject of a CERCLA Section 104(e) notice; (G) any written or oral notice or other communication which Borrower becomes aware from any source whatsoever (including but not limited to a governmental entity) relating in any way to Hazardous Substances or Remediation thereof, possible liability of any person or entity pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with anything referred to in this Article 12; and (H) any circumstances or conditions that cause or may cause any of the environmental representations and warranties contained in this Security Instrument to be untrue or that results in a breach thereof. Any failure of Borrower to perform its obligations pursuant to this Section 12.2 shall constitute bad faith waste with respect to the Property.

Section 12.3 LENDER'S RIGHTS. Lender and any other person or entity designated by Lender, including but not limited to any receiver, any representative of a governmental entity, and any environmental consultant, shall have the right, but not the obligation, to enter upon the Property at all reasonable times to assess any and all aspects of the environmental condition of the Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lender's sole and absolute discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing. Borrower shall cooperate with and provide access to Lender and any such person or entity designated by Lender.

ARTICLE 13 - INDEMNIFICATION

Section 13.1 GENERAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including but not limited to attorneys' fees and other costs of defense) (the "Losses") imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) ownership of this Security Instrument, the Property or any interest therein or receipt of any Rents; (b) any amendment to, or restructuring of, the Debt, and the Note, the Loan Agreement, this Security Instrument, or any Other Security Documents; (c) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of this Security Instrument or the Note, the Loan Agreement or any of the Other Security Documents, whether or not suit is filed in connection with same, or in connection with Borrower and/or any partner, joint venturer or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (d) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (e) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (f) any failure on the part of Borrower to perform or be in compliance with any of the terms of this Security Instrument; (g) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (h) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with the Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (i) any failure of the Property to be in compliance with any Applicable Laws; (j) the enforcement by any Indemnified Party of the provisions of this Article 13; (k) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (l) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the loan evidenced by the Note and secured by this Security Instrument; or (m) any misrepresentation made by Borrower in this Security Instrument or any Other Security Document. Any amounts payable to Lender by reason of the application of this Section 13.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. For purposes of this Article 13, the term "Indemnified Parties" means Lender and any person or entity who is or will have been

involved in the origination of this loan, any person or entity who is or will have been involved in the servicing of this loan, any person or entity in whose name the encumbrance created by this Security Instrument is or will have been recorded, persons and entities who may hold or acquire or will have held a full or partial interest in this loan (including, but not limited to, Investors or prospective Investors in the Securities, as well as custodians, trustees and other fiduciaries who hold or have held a full or partial interest in this loan for the benefit of third parties) as well as the respective directors, officers, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including but not limited to any other person or entity who holds or acquires or will have held a participation or other full or partial interest in this loan or the Property, whether during the term of this loan or as a part of or following a foreclosure of this loan and including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of Lender's assets and business).

Section 13.2 MORTGAGE AND/OR INTANGIBLE TAX. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Security Instrument, the Note or any of the Other Security Documents.

Section 13.3 ERISA INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Sections 4.2 or 5.9.

Section 13.4 ENVIRONMENTAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses and costs of Remediation (whether or not performed voluntarily), engineers' fees, environmental consultants' fees, and costs of investigation (including but not limited to sampling, testing, and analysis of soil, water, air, building materials and other materials and substances whether solid, liquid or gas) imposed upon or incurred by or asserted against any Indemnified Parties, and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) any presence of any Hazardous Substances in, on, above, or under the Property; (b) any past, present or threatened Release of Hazardous Substances in, on, above, under or from the Property; (c) any activity by Borrower, any person or entity affiliated with Borrower or any tenant or other user of the Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling,

transfer or transportation to or from the Property of any Hazardous Substances at any time located in, under, on or above the Property; (d) any activity by Borrower, any person or entity affiliated with Borrower or any tenant or other user of the Property in connection with any actual or proposed Remediation of any Hazardous Substances at any time located in, under, on or above the Property, whether or not such Remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (e) any past, present or threatened non-compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with the Property, operations thereon or transfer thereof, including but not limited to any failure by Borrower, any person or entity affiliated with Borrower or any tenant or other user of the Property to comply with any order of any governmental authority in connection with any Environmental Laws; (f) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering the Property; (g) any administrative processes or proceedings or judicial proceedings in any way connected with any matter addressed in Article 12 and this Section 13.4; (h) any past, present or threatened injury to, destruction of or loss of natural resources in any way connected with the Property, or the use thereof, including but not limited to costs to investigate and assess such injury, destruction or loss; (i) any acts of Borrower or other users of the Property in arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of Hazardous Substances owned or possessed by such Borrower or other users, at any facility or incineration vessel owned or operated by another person or entity; (j) any acts of Borrower or other users of the Property, in accepting any Hazardous Substances for transport to disposal or treatment facilities, incineration vessels or sites selected by Borrower or such other users, from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for Remediation; (k) any personal injury, wrongful death, or property damage arising under any statutory or common law or tort law theory, including but not limited to damages assessed for the maintenance of a private or public nuisance or for the conducting of an abnormally dangerous activity on or near the Property; and (l) any misrepresentation or inaccuracy in any representation or warranty or material breach or failure to perform any covenants or other obligations pursuant to Article 12. This indemnity shall survive any termination, satisfaction or foreclosure of this Security Instrument.

Section 13.5 DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Borrower shall defend such Indemnified Party (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties. Notwithstanding the foregoing, any Indemnified Parties may, in their sole and absolute discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of claim or proceeding. Upon demand, Borrower shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

ARTICLE 14 - WAIVERS

Section 14.1 WAIVER OF COUNTERCLAIM. Borrower hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Lender arising out of or in any way connected with this Security Instrument, the Note, the Loan Agreement, any of the Other Security Documents, or the Obligations.

Section 14.2 MARSHALLING AND OTHER MATTERS. Borrower hereby waives, to the extent permitted by law, the benefit of all appraisement, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, and on behalf of each and every person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by applicable law.

Section 14.3 WAIVER OF NOTICE. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Security Instrument specifically and expressly provides for the giving of notice by Lender to Borrower and except with respect to matters for which Lender is required by applicable law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Lender to Borrower.

Section 14.4 WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby expressly waives and releases to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment of the Debt or performance of its Other Obligations.

Section 14.5 SOLE DISCRETION OF LENDER. Wherever pursuant to this Security Instrument (a) Lender exercises any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Lender, or (c) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

Section 14.6 SURVIVAL. The indemnifications made pursuant to Subsections 13.3 and 13.4 and the representations and warranties, covenants, and other obligations arising under Article 12, shall continue indefinitely in full force and effect and shall survive

and shall in no way be impaired by: any satisfaction or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Lender's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any assignee or transferee), any exercise of Lender's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Note, the Loan Agreement or the Other Security Documents, any transfer of all or any portion of the Property (whether by Borrower or by Lender following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Security Instrument, the Note or the Other Security Documents, and any act or omission that might otherwise be construed as a release or discharge of Borrower from the obligations pursuant hereto.

SECTION 14.7 WAIVER OF TRIAL BY JURY. BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THE NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THE NOTE, THE LOAN AGREEMENT, THIS SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

ARTICLE 15 - EXCULPATION

Section 15.1 EXCULPATION. Except as otherwise provided, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in the Note, the Loan Agreement, this Security Instrument or other Security Document by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Security Instrument, the Loan Agreement, the Other Security Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by this Security Instrument and the Other Security Documents; provided, however, that any judgment in any action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting the Note and this Security Instrument, agrees that it shall not, except as otherwise provided in Section 11.10, sue for, seek or demand any deficiency judgment against Borrower in any action or proceeding, under or by reason of or under or in connection with the Note, the Loan Agreement, the Other Security Documents or this Security Instrument.

Section 15.2 RESERVATION OF CERTAIN RIGHTS. The provisions of Section 15.1 shall not (a) constitute a waiver, release or impairment of any obligation evidenced or

secured by the Note, the Other Security Documents or this Security Instrument; (b) impair the right of Lender to obtain a deficiency judgment in any action or proceeding in order to preserve its rights and remedies, including, without limitation, foreclosure, non-judicial foreclosure, or the exercise of a power of sale, under the Additional Security Instruments; however, Lender agrees that it shall not enforce such deficiency judgment against any assets of Borrower; (c) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under this Security Instrument; (d) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with the Note, this Security Instrument, or the Other Security Documents; (e) impair the right of Lender to obtain the appointment of a receiver; (f) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (g) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would be otherwise entitled under this Security Instrument, provided, however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards; or (h) impair the right of Lender to enforce the provisions of Sections 11.10, 13.2, 13.3 and 13.4 of this Security Instrument.

Section 15.3 EXCEPTIONS TO EXCULPATION. Notwithstanding the provisions of this Article to the contrary, Borrower shall be personally liable to Lender for the Losses it incurs due to: (i) fraud or intentional misrepresentation by Borrower or any other person or entity in connection with the execution and the delivery of the Note, the Loan Agreement, this Security Instrument or the Other Security Documents; (ii) Borrower's misapplication or misappropriation of Rents received by Borrower after the occurrence of a Default or Event of Default; (iii) Borrower's misappropriation of tenant security deposits or Rents collected in advance; (iv) the misapplication or the misappropriation of insurance proceeds or condemnation awards; (v) Borrower's failure to pay Taxes, Insurance Premiums, Other Charges (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of this Security Instrument), charges for labor or materials or other charges that can create liens on the Property; (vi) Borrower's failure to maintain, repair or restore the Property in accordance with the Security Instrument, the Loan Agreement, and the Other Security Documents; (vii) Borrower's failure to return or to reimburse Lender for all Personal Property taken from the Property by or on behalf of Borrower and not replaced with Personal Property of the same utility and of the same or greater value; (viii) any act of actual waste or arson by Borrower, any principal, affiliate or general partner thereof or by any Indemnitor or Guarantor; (ix) any fees or commissions paid by Borrower to any principal, affiliate or general partner of Borrower, Indemnitor or Guarantor in violation of the terms of the Note, this Security Instrument, the Loan Agreement or the Other Security Documents; (x) dividends or distributions made by Borrower at any time during the twelve (12) month period prior to a Default or Event of Default; (xi) Borrower's failure to comply with the provisions of Sections 4.2, 7.1, 12.1 and 12.2 of this Security Instrument; or (xii) impair the right of Lender to obtain a deficiency judgment in any action or proceeding in order to preserve its rights and remedies, including, without limitation, an action against Borrower under the Note, a foreclosure, non-judicial

foreclosure, or the exercise of a power of sale; however, Lender agrees that it shall not enforce such deficiency judgment against any assets of Borrower.

Section 15.4 RECOURSE. Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Section 15.1 above SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of Borrower's default under Sections 3.11, and 8.1 through 8.4, inclusive, or if the Property or any part thereof shall become an asset in (i) a voluntary bankruptcy or insolvency proceeding, or (ii) an involuntary bankruptcy or insolvency proceeding which is not dismissed within ninety (90) days of filing.

Section 15.5 BANKRUPTCY CLAIMS. Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Debt secured by this Security Instrument or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with the Note, this Security Instrument, the Loan Agreement and the Other Security Documents.

ARTICLE 16 - NOTICES

Section 16.1 NOTICES. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: SL GREEN OPERATING PARTNERSHIP, L.P.
70 West 36th Street
New York, New York 10018
Attention: _____
Facsimile No. _____

With a copy to: _____
_____
_____
Attention: _____
Facsimile No. _____

If to Lender: Lehman Brothers Holdings Inc.

d/b/a Lehman Capital, a division of
Lehman Brothers Holdings Inc.
Three World Financial Center, 7th Floor
New York, New York 10285
Attention: Ms. Allyson Bailey
Telephone: (212) 526-5849
Facsimile No. (212) 526-5484

with a copy to: [GMAC]
_____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

For purposes of this Subsection, "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

ARTICLE 17 - SERVICE OF PROCESS

Section 17.1 CONSENT TO SERVICE. (a) Borrower will maintain a place of business or an agent for service of process in New York, New York and give prompt notice to Lender of the address of such place of business and of the name and address of any new agent appointed by it, as appropriate. Borrower further agrees that the failure of its agent for service of process to give it notice of any service of process will not impair or affect the validity of such service or of any judgment based thereon. If, despite the foregoing, there is for any reason no agent for service of process of Borrower available to be served, and if it at that time has no place of business in New York, New York, then Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, to it at its address given in or pursuant to the first paragraph hereof.

(b) Borrower initially and irrevocably designates _____ _____, with offices on the date hereof at _____ _____, to receive for and on behalf of Borrower service of process in New York, New York with respect to this Security Instrument.

Section 17.2 SUBMISSION TO JURISDICTION. With respect to any claim or action arising hereunder or under the Note or the Other Security Documents, Borrower (a) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York, New York, and appellate courts from any thereof, and (b) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Security Instrument brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 17.3 JURISDICTION NOT EXCLUSIVE. Nothing in this Security Instrument will be deemed to preclude Lender from bringing an action or proceeding with respect hereto in any other jurisdiction.

ARTICLE 18 - APPLICABLE LAW

SECTION 18.1 CHOICE OF LAW. THIS SECURITY INSTRUMENT SHALL BE DEEMED TO BE A CONTRACT ENTERED INTO PURSUANT TO THE LAWS OF THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED, CONSTRUED, APPLIED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, PROVIDED HOWEVER, THAT WITH RESPECT TO THE CREATION, PERFECTION, PRIORITY AND ENFORCEMENT OF THE LIEN OF THIS SECURITY INSTRUMENT, AND THE DETERMINATION OF DEFICIENCY JUDGMENTS, THE LAWS OF THE STATE WHERE THE PROPERTY IS LOCATED SHALL APPLY.

Section 18.2 USURY LAWS. This Security Instrument and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Debt at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Security Instrument or the Note, Borrower is at any time required or obligated to pay interest on the Debt at a rate in excess of such maximum rate, the rate of interest under the Security Instrument and the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

Section 18.3 PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

ARTICLE 19 - SECONDARY MARKET

Section 19.1 TRANSFER OF LOAN. Lender may, at any time, sell, transfer or assign the Note, this Security Instrument, the Loan Agreement and the Other Security Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage pass-through certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement (the "Securities"). Lender may forward to each purchaser, transferee, assignee, servicer, participant, investor in such Securities or any Rating Agency rating such Securities (all of the foregoing entities collectively referred to as the "Investor") and each prospective Investor, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrower and the Property, whether furnished by Borrower or otherwise, as Lender determines necessary or desirable. Borrower agree to cooperate with Lender in connection with any transfer made or any Securities created pursuant to this Section, including, without limitation, the delivery of an estoppel certificate required in accordance with Subsection 7.4(c) hereof and such other documents as may be reasonably requested by Lender. Borrower shall also furnish and Borrower consent to Lender furnishing to such Investors or such prospective Investors or Rating Agency any and all information concerning the Property, the Leases, the financial condition of Borrower as may be requested by Lender, any Investor or any prospective Investor or Rating Agency in connection with any sale, transfer or participation interest and shall cooperate in any modification reasonably requested by Lender.

ARTICLE 20 - COSTS

Section 20.1 PERFORMANCE AT BORROWER'S EXPENSE. Borrower acknowledges and confirms that Lender shall impose certain commitment fees and certain other reasonable administrative processing and due diligence in connection with (a) the extension, renewal, modification, amendment and termination of its loans, (b) the release, addition or substitution of collateral therefor, (c) obtaining certain consents, waivers and approvals with respect to the Property, or (d) the review of any Lease or proposed Lease or the preparation or review of any subordination, non-disturbance and attornment agreement (the occurrence of any of the above shall be called an "Event"). Borrower further

acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof, whether required by law, regulation, Lender or any governmental or quasi-governmental authority. Borrower hereby acknowledges and agrees to pay, immediately, with or without demand, all such fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature which may be imposed by Lender from time to time, upon the occurrence of any Event or otherwise. Wherever it is provided for herein that Borrower pay any costs and expenses, such costs and expenses shall include, but not be limited to, all legal fees and disbursements of Lender, whether retained firms, the reimbursement for the expenses of in-house staff or otherwise and Lender's out-of-pocket expenses.

Section 20.2 ATTORNEY'S FEES FOR ENFORCEMENT. (a) Borrower shall pay all legal fees incurred by Lender in connection with (i) the preparation of the Note, the Loan Agreement, this Security Instrument and the Other Security Documents and (ii) the items set forth in Section 20.1 above, and (b) Borrower shall pay to Lender on demand any and all expenses, including legal expenses, attorneys' fees and due diligence costs incurred or paid by Lender in protecting its interest in the Property or Personal Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property or Personal Property, whether or not any legal proceeding is commenced hereunder or thereunder and whether or not any Default or Event of Default shall have occurred and is continuing, together with interest thereon at the Default Rate from the date paid or incurred by Lender until such expenses are paid by Borrower.

ARTICLE 21 - DEFINITIONS

Section 21.1 GENERAL DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Borrower" shall mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "Lender" shall mean "Lender and any subsequent holder of the Note," the word "Note" shall mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "person" shall include an individual, corporation, partnership, trust, unincorporated association, government, governmental authority, and any other entity, the word "Property" shall include any portion of the Property and any interest therein, and the phrases "attorneys' fees" and "counsel fees" shall include any and all attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder.

ARTICLE 22 - MISCELLANEOUS PROVISIONS

Section 22.1 NO ORAL CHANGE. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 22.2 LIABILITY. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

Section 22.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Note, the Loan Agreement or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Note, the Loan Agreement and this Security Instrument shall be construed without such provision.

Section 22.4 HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Section 22.5 DUPLICATE ORIGINALS; COUNTERPARTS. This Security Instrument may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Security Instrument may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Security Instrument. The failure of any party hereto to execute this Security Instrument, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

Section 22.6 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 22.7 SUBROGATION. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the repayment of the Debt, the performance and discharge of Borrower's obligations hereunder, under the Note and the Other Security Documents and the performance and discharge of the Other Obligations.

Section 22.8 NO JOINT VENTURE. Notwithstanding anything to the contrary herein contained, Lender by entering into this Security Instrument or by taking any action

pursuant hereto, will not be deemed a partner or joint venturer with Borrower and Borrower agrees to hold Lender harmless from any damages and expenses resulting from such a construction of the relationship of the parties hereto or any assertion thereof.

Section 22.9 BROKERS. Borrower and Lender hereby represent and warrant that no brokers or finders were used in connection with procuring the financing contemplated hereby and Borrower hereby agrees to indemnify and save Lender harmless from and against any and all liabilities, losses, costs and expenses (including attorneys' fees or court costs) suffered or incurred by Lender as a result of any claim or assertion by any party claiming by, through or under Borrower, that it is entitled to compensation in connection with the financing contemplated hereby and Lender hereby agrees to indemnify and save Borrower harmless from and against any and all liabilities, losses, costs and expenses (including attorneys' fees or court costs) suffered or incurred by Borrower as a result of any claim or assertion by any party claiming by, through or under Lender that it is entitled to compensation in connection with the financing contemplated hereby.

Section 22.10 NO BENEFIT TO THIRD PARTIES. This Security Instrument is for the sole and exclusive benefit of Borrower and Lender and all conditions of the obligations of Lender hereunder are imposed solely and exclusively for the benefit of Lender and its assigns and no other person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to meet its obligations hereunder in the absence of strict compliance with any and all thereof and no other person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by the Lender at any time if it in its sole discretion deems it advisable to do so. Without limiting the generality of the foregoing, Lender shall not have any duty or obligation to anyone to ascertain that funds advanced pursuant to the terms of the Loan Agreement are used to pay the cost of constructing the improvements on the Property or to acquire materials and supplies to be used in connection therewith or to pay costs of owning, operating and maintaining same.

Section 22.11 ENTIRE AGREEMENT. The Note, the Loan Agreement, this Security Instrument and the Other Security Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Debt and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto. Borrower hereby acknowledges that, except as incorporated in writing in the Note, the Loan Agreement, this Security Instrument and the Other Security Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, the Loan Agreement, this Security Instrument and the Other Security Documents.

ARTICLE 23 - STATE SPECIFIC PROVISIONS

Section 23.1 TRUST FUND. Pursuant to Section 13 of the New York Lien Law, Borrower shall receive the advances secured hereby and shall hold the right to receive the advances as a trust fund to be applied first for the purpose of paying the cost of any improvement and shall apply the advances first to the payment of the cost of any such improvement on the Property before using any part of the total of the same for any other purpose.

Section 23.2 COMMERCIAL PROPERTY. Borrower represents that this Security Instrument does not encumber real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each having its own separate cooking facilities.

Section 23.3 INSURANCE. The provisions of subsection 4 of Section 254 of the New York Real Property Law covering the insurance of buildings against loss by fire shall not apply to this Security Instrument. In the event of any conflict, inconsistency or ambiguity between the provisions of Section 3.3 hereof and the provisions of subsection 4 of Section 254 of the New York Real Property Law covering the insurance of buildings against loss by fire, the provisions of Section 3.3 shall control.

Section 23.4 LEASES. Lender shall have all of the rights against lessees of the Property set forth in Section 291-f of the Real Property Law of New York.

Section 23.5 TRANSFER TAXES.

(a) In the event of any sale or transfer of the Property, or any part thereof, including any sale or transfer by reason of foreclosure of this Security Instrument or any prior or subordinate mortgage or by deed in lieu of any such foreclosure, Borrower shall timely and duly complete, execute and deliver to Lender all forms and supporting documentation required by any taxing authority to estimate and fix any tax payable by reason of such sale or transfer or recording of the deed evidencing such sale or transfer, including any New York State Real Estate Transfer Tax payable pursuant to Article 31 of the New York Tax Law and New York City Real Property Transfer Tax payable pursuant to Chapter 21, Title 11 of the New York City Administrative Code (individually, a "Transfer Tax" and collectively, the "Transfer Taxes").

(b) Borrower shall pay the Transfer Taxes that may hereafter become due and payable with respect to any sale or transfer of the Property described in this Article, and in default of such payment, Lender may pay the same and the amount of such payment shall be added to the Debt secured hereby and, unless incurred in connection with a foreclosure of this Security Instrument or deed in lieu of such foreclosure, be secured by this Security Instrument.

(c) Borrower hereby irrevocably constitutes and appoints Lender as its attorney-in-fact, coupled with an interest, to prepare and deliver any questionnaire, statement, affidavit or tax return in connection with any Transfer Tax applicable to any foreclosure or deed in lieu of foreclosure described in this Article.

(d) Borrower shall indemnify and hold harmless Lender against (i) any and all liability incurred by Lender for the payment of any Transfer Tax with respect to any transfer of the Property, and (ii) any and all expenses incurred by Lender in connection therewith including, without limitation, interest, penalties and attorneys' fees.

(e) The obligation to pay the taxes and indemnify Lender under this Article is a personal obligation of Borrower, whether or not Borrower is personally obligated to pay the Debt secured by this Security Instrument, and shall be binding upon and enforceable against the distributees, successors and assigns of Borrower with the same force and effect as though each of them had personally executed and delivered this Security Instrument, notwithstanding any exculpation provision in favor of Borrower with respect to the payment of any other monetary obligations under this Security Instrument.

(f) In the event that Borrower fails or refuses to pay a tax payable by Borrower with respect to a sale or transfer by reason of a foreclosure of this Security Instrument in accordance with this Article, the amount of the tax, any interest or penalty applicable thereto and any other amount payable pursuant to Borrower's obligation to indemnify Lender under this Article may, at the sole option of Lender, be paid as an expense of the sale out of the proceeds of the mortgage foreclosure sale.

(g) The provisions of this Article shall survive any transfer and the delivery of the deed affecting such transfer. Nothing in this Article shall be deemed to grant to Borrower any greater rights to sell, assign or otherwise transfer the premises than are expressly provided in Article 8 nor to deprive Lender of any right to refuse to consent to any transaction referred to in this Article.

Section 23.6 STATUTORY CONSTRUCTION. The clauses and covenants contained in this Security Instrument that are construed by Section 254 of the New York Real Property Law shall be construed as provided in those sections (except as provided in Section 23.3). The additional clauses and covenants contained in this Security Instrument shall afford rights supplemental to and not exclusive of the rights conferred by the clauses and covenants construed by Section 254 and shall not impair, modify, alter or defeat such rights (except as provided in Section 23.3), notwithstanding that such additional clauses and covenants may relate to the same subject matter or provide for different or additional rights in the same or similar contingencies as the clauses and covenants construed by Section 254. The rights of Lender arising under the clauses and covenants contained in this Security Instrument shall be separate, distinct and cumulative and none of them shall be in exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision, anything herein or otherwise to the

contrary notwithstanding. In the event of any inconsistencies between the provisions of Section 254 and the provisions of this Security Instrument, the provisions of this Security Instrument shall prevail.

Section 23.7 MAXIMUM PRINCIPAL AMOUNT SECURED. Notwithstanding anything to the contrary contained in this Security Instrument, the maximum amount of principal indebtedness secured by this Security Instrument or which under any contingency may be secured by this Security Instrument is the amount set forth in the Recitals above.

IN WITNESS WHEREOF, THIS SECURITY INSTRUMENT has been executed by Borrower the day and year first above written.

SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation

By: _____
Name:
Title:

The undersigned hereby consents to the representations, warranties and covenants contained in Sections 3.18(b), 3.19 and 5.3(b) respectively, of this Security Instrument

SL GREEN REALTY CORP., a Maryland corporation

By: _____
Name:
Title:

ACKNOWLEDGEMENT

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On the ____ day of August, 1997, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he/she resides at _____ _____; that he/she is the _____ of SL Green Realty Corp., a Maryland corporation, general partner of SL Green Operating Partnership, L.P., a Delaware limited partnership, the partnership which executed the foregoing instrument; that the execution of the instrument by _____ was duly authorized according to the Articles of Partnership, that _____ signed his/her name to the foregoing instrument in the firm name of SL Green Realty Corp., a Maryland Corporation, as the act and deed of said corporation, and that he/she had the authority to sign same, and that he/she acknowledged that said instrument was executed by said corporation for and on behalf of SL Green Operating Partnership, L.P. and he/she did duly acknowledge to me that he/she executed the same as the act and deed of said SL Green Operating Partnership, L.P. for the uses and purposes mentioned therein.

_____
Notary Public

EXHIBIT A

(Description of Land)

ALL of that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being

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DEFINITIONS

The terms set forth below are defined in the following Sections of this Security Instrument:

(a) APPLICABLE LAWS: Article 3, Subsection 3.10(a);

(b) ATTORNEYS' FEES/COUNSEL FEES: Article 21, Section 21.1;

(c) BORROWER: Preamble and Article 21, Section 21.1;

(d) BUSINESS DAY: Article 16, Section 16.1;

(e) CASUALTY CONSULTANT: Article 4, Subsection 4.4(b)(iii);

(f) CASUALTY RETAINAGE: Article 4, Subsection 4.4(b)(iv);

(g) CODE: Article 3, Subsection 3.18(b);

(h) DEBT: Article 2, Section 2.1;

(i) DEFAULT PREPAYMENT: Article 9, Section 9.3;

(j) DEFAULT RATE: Article 10, Section 10.3;

(k) ENVIRONMENTAL INDEMNITY: Article 10, Subsection 10.1(q);

(l) ENVIRONMENTAL LAW: Article 12, Section 12.1;

(m) ENVIRONMENTAL LIENS: Article 12, Subsection 12.2(d);

(n) ENVIRONMENTAL REPORT: Article 12, Subsection 12.1(a)

(o) ERISA: Article 4, Subsection 4.2(a);

(p) ESCROW FUND: Article 3, Section 3.5;

(q) EVENT: Article 20, Section 20.1;

(r) EVENT OF DEFAULT: Article 10, Section 10.1;

(s) FULL REPLACEMENT COST: Article 3, Subsection 3.3(a)(i)(A);

(t) GAAP: Article 3, Subsection 3.11(a);

(u) HAZARDOUS SUBSTANCES: Article 12, Section 12.1;

(v) IMPROVEMENTS: Article 1, Subsection 1.1(c);

(w) INDEMNIFIED PARTIES: Article 13, Section 13.1;

(x) INSURANCE PREMIUMS: Article 3, Subsection 3.3(b);

(y) INVESTOR: Article 19, Section 19.1;

(z) LAND: Article 1, Subsection 1.1(a);

(aa) LEASE GUARANTY: Article 3, Subsection 3.7(a);

(ab) LEASES: Article 1, Subsection 1.1(f);

(ac) LENDER: Preamble and Article 21, Section 21.1;

(ad) LOAN APPLICATION: Article 5, Section 5.15;

(ae) LOSSES: Article 13, Section 13.1;

(af) NET PROCEEDS: Article 4, Subsection 4.4(b);

(ag) NET PROCEEDS DEFICIENCY: Article 4, Subsection 4.4(b)(vi);

(ah) NOTE: Recitals and Article 21, Section 21.1;

(ai) OBLIGATIONS: Article 2, Section 2.3;

(aj) OTHER CHARGES: Article 3, Subsection 3.4(a);

(ak) OTHER OBLIGATIONS: Article 2, Section 2.2;

(al) OTHER SECURITY DOCUMENTS: Article 3, Section 3.2;

(am) PERMITTED EXCEPTIONS: Article 5, Section 5.1;

(an) PERSON: Article 21, Section 21.1;

(ao) PERSONAL PROPERTY: Article 1, Subsection 1.1(e);

(ap) POLICIES/POLICY: Article 3, Subsection 3.3(b);

(aq) PROPERTY: Article 1, Section 1.1 and Article 21, Section 21.1;

(ar) QUALIFIED INSURER: Article 3, Subsection 3.3(b);

(as) RATING AGENCY: Article 3, Subsection 3.3(b);

(at) RELEASE: Article 12, Section 12.1;

(au) REMEDIATION: Article 12, Section 12.1;

(av) RENTS: Article 1, Subsection 1.1(f);

(aw) RESTORATION: Article 3, Subsection 3.3(h);

(ax) SECURITIES: Article 19, Section 19.1;

(ay) SECURITY DEPOSITS: Article 3, Subsection 3.7(c);

(az) SECURITY INSTRUMENT: Preamble;

(ba) TAXES: Article 3, Subsection 3.4(a);

(bb) TRANSFER TAX: Article 23, Subsection 23.5(c); and

(bc) UNIFORM COMMERCIAL CODE: Article 1, Subsection 1.1(e)

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Amendment No. 2 to Form S-11) and related Prospectus of SL Green Realty Corp. (the "Company") for the registration of 11,615,000 shares and to the use of our reports dated (i) June 12, 1997 with respect to the balance sheet of the Company as of June 12, 1997; (ii) April 16, 1997, except for note 9, as to which the date is May 27, 1997 with respect to the combined financial statements of SL Green Predecessor for each of the three years in the period ended December 31, 1996; and (iii) April 16, 1997 with respect to the combined financial statements of the uncombined joint ventures of SL Green Predecessor for each of the three years in the period ended December 31, 1996. We also consent to the use of our reports dated (i) May 2, 1997 with respect to the Statement of Revenues and Certain Expenses of 1414 Avenue of the Americas for the year ended December 31, 1995, (ii) May 7, 1997 with respect to the Statement of Revenues and Certain Expenses of 36 West 44th Street for the year ended December 31, 1996, (iii) May 2, 1997 with respect to the Statement of Revenues and Certain Expenses of 1372 Broadway for the year ended December 31, 1996, (iv) May 23, 1997 with respect to the Statement of Revenues and Certain Expenses of 1140 Avenue of the Americas for the year ended December 31, 1996, and (v) May 29, 1997 with respect to the Statement of Revenues and Certain Expenses of 50 West 23rd Street for the year ended December 31, 1996.

/s/ Ernst & Young LLP

New York, New York
August 6, 1997

EXHIBIT 23.3

CONSENT

Rosen Consulting Group hereby consents to the use of its report regarding the New York metropolitan economy and Manhattan office market and the references to the firm and such report under the caption "Market Overview" in the Registration Statement on Form S-11 of SL Green Realty Corp.

Rosen Consulting Group

By: /s/ Kenneth T. Rosen

Name: Kenneth T. Rosen
Title: President

Date: August 7, 1997