

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

FORM 10-Q

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

For the quarterly period ended September 30, 1997

or

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

For the transition period from \_\_\_\_ to \_\_\_\_.

Commission File No. 1-13199

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

Maryland 13-3956775  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

70 West 36th Street, New York, New York 10018-8007  
(Address of principal executive offices - zip code)

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

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

The number of shares outstanding of the registrant's common stock, \$0.01 par value was 12,292,311 at November 7, 1997.

SL GREEN REALTY CORP.

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SL Green Realty Corp.  
Balance Sheets  
(Unaudited)  
(Dollars in Thousands, except per share data)

	SL Green Realty Corp. September 30, 1997	SL Green Predecessor December 31, 1996
	----- (Consolidated)	----- (Combined)
<b>ASSETS</b>		
Commercial real estate properties, at cost Land.....	\$39,958	\$4,465
Buildings and improvements.....	215,818	21,819
Property under capital lease.....	12,208	---
	-----	-----
	267,984	26,284
Less accumulated depreciation.....	(22,006)	(5,721)
	-----	-----
	245,978	20,563
Cash and cash equivalents.....	15,363	476
Restricted cash.....	2,902	1,227
Receivables.....	675	914
Related party receivables.....	1,341	1,186
Deferred rents receivable net of provision for doubtful accounts of \$124 in 1997.....	10,824	1,265
Investment in service corporations.....	1,315	---
Investment in uncombined joint venture.....	---	1,730
Deferred costs, net.....	4,016	1,371
Other assets.....	7,538	1,340
	-----	-----
Total assets.....	\$289,952	\$30,072
	-----	-----

See accompanying notes.

SL Green Realty Corp.  
Balance Sheets  
(Unaudited)  
(Dollars in Thousands, except per share data)

	SL Green Realty Corp. September 30, 1997	SL Green Predecessor December 31, 1996
	----- (Consolidated)	----- (Combined)
<b>Liabilities and Stockholders' Equity (Owners' Deficit)</b>		
Mortgage notes payable.....	\$46,252	\$16,610
Accrued interest payable.....	225	90
Accounts payable and accrued expenses.....	2,689	1,037
Accounts payable to related parties.....	487	2,213
Excess of distributions and share of losses over investments in uncombined joint venture.....	---	17,300
Capitalized lease obligations.....	14,431	---
Deferred land lease payable.....	8,188	---
Security deposits.....	4,262	1,227
	-----	-----
Total liabilities.....	76,534	38,477
	-----	-----
Commitments, contingencies and other matters.....	34,444	---
Minority interest.....	---	---
	-----	-----
<b>Stockholders' Equity</b>		
Preferred stock, \$.01 par value 25,000 shares Authorized, none outstanding.....	---	---
Common stock, \$.01 par value 100,000 shares authorized, 12,292 issued and outstanding.....	123	---
Paid-in capital.....	178,669	---
Retained earnings.....	182	---
	-----	-----
Total stockholders' equity.....	178,974	---
	-----	-----

Owners' deficit.....	---	(8,405)
Total liabilities and stockholders' equity (owners' deficit).....	\$289,952	\$30,072

See accompanying notes.

SL Green Realty Corp.  
Statements of Operations  
(Unaudited)  
(Dollars in Thousands, except per share data)

	SL Green Predecessor				
	SL Green Realty Corp. August 21 to September 30, 1997 (Consolidated)	July 1 to August 20, 1997	July 1 to September 30, 1996	January 1 to August 20, 1997	January 1 to September 30, 1996
Revenues					
Rental revenue . . . . .	\$ 5,415	\$ 1,307	\$ 1,498	\$ 4,107	\$ 2,813
Escalation and reimbursement revenues . . . . .	1,043	336	462	792	747
Management revenues . . . . .	---	302	564	1,268	1,627
Leasing commissions . . . . .	484	376	256	3,464	1,538
Construction revenues . . . . .	---	69	50	77	89
Investment income . . . . .	207	---	---	---	---
Other income . . . . .	---	---	33	16	147
Total revenues . . . . .	7,149	2,390	2,863	9,724	6,961
Share of loss from uncombined joint ventures: Operating loss . . . . .	(130)	(206)	(169)	(770)	(986)
Expenses					
Operating expenses . . . . .	1,190	1,084	970	2,709	2,200
Ground rent . . . . .	491	13	---	13	---
Interest . . . . .	593	349	429	1,062	871
Depreciation and amortization . . . . .	846	212	327	811	733
Real estate taxes . . . . .	1,009	223	240	705	472
Marketing, general and administrative . . . . .	437	354	651	2,189	2,680
Total expenses . . . . .	4,566	2,235	2,617	7,489	6,956
Income (loss) before minority interest and extraordinary items . . . . .	2,453	(51)	77	1,465	(981)
Minority interest . . . . .	(397)	---	---	---	---
Income (loss) before extraordinary item . . . . .	2,056	(51)	77	1,465	(981)
Extraordinary items:					
Gain on the forgiveness of debt from uncombined joint ventures . . . . .	---	22,087	---	22,087	---
Loss on extinguishment of debt net of minority interest in the amount of \$362 . . . . .	(1,874)	---	---	---	---
Net income (loss) . . . . .	\$ 182	\$ 22,036	\$ 77	\$ 23,552	\$ (981)
Per share data:					
Income per share before extraordinary item . . . . .	\$ 0.17				
Extraordinary item per share . . . . .	(0.16)				
Net income per share . . . . .	\$ 0.01				
Weighted average common shares and common share equivalents outstanding . . . . .	12,417				

See accompanying notes.

SL Green Realty Corp.  
Statements of Cash Flows  
(Unaudited)  
(Dollars in Thousands)

	SL Green Realty Corp. August 21 to September 30, 1997  (Consolidated)	SL Green Predecessor	
		January 1 to August 20, 1997	January 1 to September 30, 1996  (Combined)
<b>Operating Activities:</b>			
Net Income (loss).....	\$ 182	\$ 23,552	\$ (981)
<b>Adjustments:</b>			
Depreciation and Amortization.....	846	811	733
Equity in net loss (income) of investees..	130	(21,072)	1,253
Deferred rents receivables.....	(208)	(102)	(303)
Extraordinary Items - Non-Cash Portion....	776	---	---
<b>Changes in operating assets and liabilities:</b>			
Restricted cash.....	(29)	---	---
Receivables.....	(551)	(190)	(189)
Related party receivables.....	(541)	(365)	(134)
Deferred lease costs.....	(93)	(279)	(1,094)
Other assets.....	(2,549)	579	(366)
Accounts payable and accrued expenses.....	2,689	118	(359)
Accounts payable to related parties.....	487	(201)	782
Accrued interest payable.....	225	(23)	133
Deferred land lease payable.....	4	---	199
Security deposits.....	---	77	(567)
Security deposits payable.....	---	(67)	586
<b>Net cash provided by (used in) operating activities.....</b>	<b>1,368</b>	<b>2,838</b>	<b>(307)</b>
<b>Investing Activities:</b>			
Additions to land, buildings and improvements.....	(146,330)	(7,411)	(14,822)
Purchases of equipment, auto, furniture and fixtures.....	---	---	(208)
Contributions to partnership investments.....	---	(25)	(1,188)
Distribution from partnership investments.....	---	1,877	---
<b>Net cash used in investing activities.....</b>	<b>(146,330)</b>	<b>(5,559)</b>	<b>(16,218)</b>
<b>Financing Activities:</b>			
Proceeds from mortgage notes payable.....	14,000	7,000	15,000
Payments of mortgage notes payable and loans.....	(76,389)	(219)	(150)
Cash distributions to owners.....	---	(4,024)	(552)
Cash contributions from owners.....	---	25	2,273
Deferred loan costs.....	(775)	---	---
Net proceed from sale of common stock.....	228,704	---	---
Formation expenses.....	(5,215)	---	---
<b>Net cash provided by financing activities.....</b>	<b>160,325</b>	<b>2,782</b>	<b>16,571</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>15,363</b>	<b>61</b>	<b>46</b>
Cash and Cash equivalents at beginning of period.....	0	476	620
<b>Cash and cash equivalents at end of period.....</b>	<b>\$ 15,363</b>	<b>\$ 537</b>	<b>\$ 666</b>

Supplemental disclosure of cash flow information:

Cash paid for interest:			
Net of Interest Capitalized	\$ 368	\$ 1,085	\$ 738
	-----	-----	-----

Supplemental disclosure of non-cash investing and financing activities:

Formation transaction activity:

Assets Acquired

Commercial real estate, net	\$ 91,123
Other assets	\$ 16,751

Liabilities assumed

Mortgage notes payable	\$ 73,073
Capitalized lease obligation	\$ 14,431
Deferred land lease	\$ 8,184
Security deposits payable	\$ 4,262

SL Green Realty Corp.  
Notes To Condensed Consolidated Financial Statements  
(Unaudited)  
September 30, 1997

1. Organization and Basis of Presentation - SL Green Realty Corp.

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 received a contribution of interest in the real estate properties as well as 95% of the economic interest in the management, leasing and construction companies (the "Service Corporations"). The Company qualifies as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended; and operates 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 authorized capital stock of the Company consists of 200 million shares of capital stock, \$.01 par value, of which 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. On August 20, 1997, the Company issued 11.62 million shares of its Common Stock (including the underwriters' over-allotment option of 1.52 million shares) to the public through a public offering (the "Offering"). Concurrently with the consummation of the Offering, the Company issued 38,095 shares of restricted common stock pursuant to stock loans and 85,600 shares of restricted common stock to a financial advisor. In addition, the Company previously issued to its executive officers approximately 553,616 shares, as founders' shares. As of September 30, 1997, no shares of Excess Stock or Preferred Stock are issued and outstanding.

Concurrently with the consummation of the Offering, the Company and the Operating Partnership, together with the partners and members of the affiliated partnerships of the SL Green Predecessor and other parties which held ownership interests in the properties contributed to the Operating Partnership (collectively, the "Participants"), engaged in certain Formation Transactions (the "Formation Transactions").

The net cash proceeds received by the Company from the Offering (after deducting underwriting discounts) was \$228.7 million. The Company utilized approximately \$42.6 million of the Offering proceeds to repay mortgage indebtedness encumbering the properties, including \$1.5 million for prepayment penalties and other financing fees and expenses, approximately \$6.6 million to purchase the direct or indirect interests of certain participants in the properties, approximately \$95.5 million to acquire properties approximately \$3.4 million to pay certain expenses incurred in the Formation Transactions, \$35.6 million to repay a loan from Lehman Brothers Holdings, Inc. ("LBHI"), \$1.8 million to fund the advisory fee payment to Lehman Brothers, Inc. and \$41.7 million to fund capital expenditures, general working capital needs and future acquisitions (See note 2).

Substantially all of the Company's assets are held by, and its operations conducted through, the Operating Partnership, a Delaware limited partnership. The Company is the sole managing general partner of the Operating Partnership. Continuing investors hold, in the aggregate, a 16.2% limited

partnership interest in the Operating Partnership.

Principles of Combination - SL Green Predecessor

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 below) that are organized as partnerships and a limited liability company. The entities included in this unaudited combined 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.

The accompanying combined financial statements include partnerships and corporations which were 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:			
S.L. Green Management, Corp.	Management and leasing	100%	Sole shareholder
S.L. Green Leasing, Inc.	Management	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 Associated LLC ("Praedium"), which was funded by a loan from LBHI, which as of that date is included in the combined financial statements. Prior to that date, the purchase of the 10% ownership interest in Praedium was accounted for under the equity method.

For the entities accounted for on the equity method, the SL Green Predecessor 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.

Condensed Statement of Operations for the Uncombined Joint Ventures is as follows:

(Unaudited)

	Period January 1 - August 20, 1997	Nine months ended September 30, 1996
Condensed statements of operations		
Rental revenue and escalations.....	\$ 13,552	\$ 13,480
Interest.....	5,320	5,620
Depreciation and amortization.....	2,510	2,611
Operating and other expenses.....	7,142	6,996
Total expenses.....	14,972	15,227
Operating loss before outside partner's interest and Extraordinary item.....	(1,420)	(1,747)
Elimination of inter-company management fees.....	240	267
Extraordinary gain on forgiveness of debt.....	33,419	----
Other partner share of income.....	(10,922)	494
Income (loss) allocated to the SL Green Predecessor.....	\$ 21,317	\$ (986)

Basis of Presentation

The accompanying unaudited condensed consolidated and combined financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring

accruals) considered necessary for fair presentation have been included. The 1997 operating results for the combined periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's registration statement on Form S-11 dated August 14, 1997.

## 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 are conducted through the Service Corporations. The Company, through the Operating Partnership, owns 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 receives 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) is held by an SL Green affiliate. This controlling interest gives 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 contributed and acquired by the Company is conducted through the Management LLC. The Operating Partnership owns 100% interest in the Management LLC. The Company accounts for its investment in the Service Corporations on the equity basis of accounting on the basis that it has significant influence with respect to management and operations.

## 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 made in proportion to the percentage ownership interests of their respective partners. As the managing general partner of the Operating Partnership, the Company is 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 dividends by the Company to avoid any federal income or excise tax at the Company level as a consequence of a sale of SL Green property.

## 2. Property Acquisition

On September 15, 1997, the Operating Partnership, acquired the land and building at 110 East 42nd Street for \$30 million. The cash used by the Operating Partnership in the acquisition was from proceeds of an LBHI loan and the Offering.

## 3. Temporary Loans

The Operating Partnership received loans totaling approximately \$69.5 million from LBHI. These loans are collateralized by the mortgages encumbering the Operating Partnership's interests in 1140 Avenue of the Americas and 110 East 42nd Street. The loans are also collateralized by an equivalent amount of the Company's cash which is held by LBHI and invested in US Treasury securities. Interest earned on the cash collateral is applied by Lehman to service the loans which interest rate is commensurate with that of the portfolio of US Treasury securities, which mature on January 15, 1998. The Operating Partnership and LBHI each have the right of offset and therefore the loans and the cash collateral have been presented net in the consolidated balance sheet at September 30, 1997. The purpose of these loans is to temporarily preserve mortgage recording tax credits for future potential acquisitions of real property which the Company may make, the financing of which may include property based debt, for which these credits would be applicable and provide a financial savings.

## 4. Income Taxes

No provision has been made for income taxes in the accompanying combined financial statements of SL Green Predecessor since such taxes, if any, are the responsibility of the individual partners.

## 5. Net Income Per Common Share

Net income per common share is computed in accordance with the treasury stock method and is based on the weighted average number of common shares and common stock equivalent shares outstanding during the period. The common stock equivalent shares represent options outstanding. To arrive at the fully diluted share value, the common stock equivalents resulted in increasing the number of shares outstanding by approximately 125,000 shares.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share, which is required to be adopted for fiscal years ending after December 15, 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. Management does not believe the adoption of Statement No. 128 will have a material impact on earnings per share.

## 6. Commitments and Contingencies

The Company and the Operating Partnership are not presently involved in any material litigation nor, to their knowledge, is any material litigation threatened against them or their properties, other than routine litigation arising in the ordinary course of business. Management believes the costs, if any, incurred by the Company and the Operating Partnership related to this litigation will not materially affect the financial position, operating results or liquidity of the Company and the Operating Partnership.

The Operating Partnership became the contract vendee to acquire ownership of certain interests in the property known as 17 Battery North. The Company has a \$3.6 million deposit associated with the expected acquisition of 17 Battery North.

#### 7. Related Party Transactions

There are business relationships with related parties which involve maintenance expenses in the ordinary course of business. The Company's transactions with the parties amounted to \$34,000 for the period August 21 to September 30, 1997. SL Green Predecessor's transactions with the parties amounted to \$62,000 and \$81,000 for the periods July 1 to August 20, 1997 and July 1 to September 30, 1996, respectively and \$255,000 and \$214,000 for the periods January 1 to August 20, 1997 and January 1 to September 30, 1996, respectively.

#### 8. Extraordinary Items

Forgiveness of mortgage debt totaling \$22,087,000 (net of minority interest of \$11,332,000) is reflected in the accompanying SL Green Predecessor financial statements as an extraordinary gain.

Prepayment penalties of \$1,071,000 (net of minority interest of \$207,000) and unamortized deferred charges of \$803,000 (net of minority interest of \$155,000) related to mortgages paid in connection with the Formation Transactions were expensed and are reflected in the Company's financial statements as an extraordinary loss.

#### 9. Subsequent Event

On November 5, 1997, the Board of Directors of the Company declared a \$0.16 per share distribution to stockholders of record on November 17, 1997. The distribution, totaling \$1.97 million, is payable on November 19, 1997.

### ITEM II. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Overview

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), expansion and other development trends of the real estate industry, business strategies, expansion and growth of the Company's operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Any such statements are not guarantees of future performance and actual results or developments may differ materially from those anticipated in the forward-looking statements.

The following discussion related to the consolidated financial statements of the Company and the combined financial statements of SL Green Predecessor should be read in conjunction with the financial statements appearing elsewhere in this report and the financial statements and related notes thereto included in the Company's registration statement on Form S-11 dated August 14, 1997. In connection with the Formation Transactions as described in Note 1 to the financial statements there were significant changes in the financial condition and results of operations of the Company which are outlined below, consequently, the comparison of the historical periods provides only limited information regarding the operations of the Company. Therefore, in addition to the historical comparison, the Company has provided a comparison of the results of operations on a pro forma basis.

#### Financial Condition

Commercial real estate properties increased approximately \$225 million from December 31, 1997 to September 30, 1996 as a result of the purchase of the remaining partnership interests in the uncombined joint ventures that were previously accounted for under the equity method and the acquisition of four buildings one of which was acquired subsequent to the Formation



Transactions. The acquisitions were funded from the proceeds of the Offering.

Cash increased \$14.9 million from December 31, 1996 to September 30, 1997. The increase represents the remaining proceeds from the Offering after the funding of the Formation Transactions. As a result of the purchase of the remaining partnership interests in the uncombined joint ventures, deferred rent receivable, capital lease obligations and deferred land lease payable increased \$9.7 million, \$14.4 million and \$8.2 million respectively from December 31, 1996 to September 30, 1997.

#### Results of Operations

Comparison of the nine months ended September 30, 1997 to the nine months ended September 30, 1996. For discussion purposes, the results of operations from the nine months ended September 30, 1997 combined the operating results of SL Green Predecessor for the period January 1, 1997 to August 20, 1997 and the operating results of the Company for the period August 21, 1997 to September 30, 1997. The results of operations for the nine months ended September 30, 1996 represent solely the operating results of the SL Green Predecessor.

Rent revenue and escalation and reimbursement revenue increased \$6.7 million and \$1.1 million, respectively, for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The increases are primarily attributable to the Formation Transactions. In connection with the Formation Transactions, three buildings previously accounted for on the equity method are consolidated in the financial statements of the Company for the period August 21, 1997 to September 30, 1997. In addition, the results of operations of three of the acquisition buildings and the results of 110 East 42nd Street for the period September 15, 1997 to September 30, 1997 are included in the consolidated financial statements for the period August 21, 1997 to September 30, 1997.

Leasing commission increased \$2.4 million for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996 due to strong leasing activity in the current market.

Equity in net income of uncombined joint ventures totaled \$21.1 million for the nine months ended September 30, 1997 compared to a loss of \$1.0 million for the nine months ended September 30, 1996 due to the extraordinary income recorded by the uncombined joint ventures as a result of the forgiveness of mortgage debt in the amount of \$22.1 million.

Expenses increased \$5.1 million for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996 due to the Formation Transactions and the acquisition of 110 East 42nd Street as discussed above.

Comparison of the three months ended September 30, 1997 to the three months ended September 30, 1996. For discussion purposes, the results of operations from the three months ended September 30, 1997 combined the operating results of SL Green Predecessor for the period July 1, 1997 to August 20, 1997 and the operating results of the Company for the period August 21, 1997 to September 30, 1997. The results of operations for the three months ended September 30, 1996 represent solely the operating results of the SL Green Predecessor.

Rent revenue and escalation and reimbursement revenue increased \$5.2 million and \$0.9 million, respectively, for the three months ended September 30, 1997 compared to the three months ended September 30, 1996. The increases are primarily attributable to the Formation Transactions. In connection with the Formation Transactions, three buildings previously accounted for on the equity method are consolidated in the financial statements of the Company for the period August 21, 1997 to September 30, 1997. In addition, the results of operations of three of the acquisition buildings are included in the financial statements for the period August 21, 1997 to September 30, 1997 and the results of 110 East 42nd Street for the period September 15, 1997 to September 30, 1997 are included in the consolidated financial statements of SL Green Realty Corp. and not in the corresponding 1996 results of SL Green Predecessor.

Leasing commission increased \$0.6 million for the three months ended September 30, 1997 compared to the three months ended September 30, 1996 due to strong leasing activity in the current market.

Equity in net income of investees totaled \$21.8 million for the three months ended September 30, 1997 compared to a loss of \$0.2 million for the three months ended September 30, 1996 due to the extraordinary income recorded by the uncombined joint ventures as a result of forgiveness of mortgage debt in the amount of \$22.1 million.

Expenses increased \$4.2 million for the three months ended September 30, 1997 compared to the three months ended September 30, 1996 due to the Formation Transactions and the acquisition of 110 East 42nd Street as discussed above.

#### Pro Forma Results of Operations

Comparison of the nine months ended September 30, 1997 to the nine months ended September 30, 1996. The Pro forma statements of operations for the nine months ended September 30, 1997 and 1996, respectively, are presented as if the Offering and the Formation Transactions occurred on January 1, 1996 and the effect thereof was carried forward through September 30, 1997.

The pro forma results of operations do not purport to represent what the Company's results would have been assuming the completion of the Formation Transactions and the Offering at the beginning of the period indicated, nor do they purport to project the Company's financial results of operations at any future date or for any future period. The pro forma statements of operations should be read in conjunction with the combined financial statements of SL Green Predecessor included in the Company's registration statement on Form S-11 dated August 14, 1997 and the consolidated financial statements of SL Green Realty Corp. included elsewhere herein.

Nine months ended September 30, 1997 compared to nine months ended September 30, 1996  
(in thousands except percentage data)

	Nine Months Ended September 30, (Unaudited)		Dollar Change	Percent Change
	1997	1996		
<b>Revenue</b>				
Rental revenue.....	\$ 34,855	\$ 33,024	\$ 1,831	5.5%
Escalations & reimbursement revenues.....	4,338	5,048	(710)	(14.1)
Leasing commissions.....	2,251	1,026	1,225	119.4
Investment income.....	207	207	0	0.0
Other income.....	1,676	170	1,506	885.9
<b>Total revenues.....</b>	<b>43,327</b>	<b>39,475</b>	<b>3,852</b>	<b>9.8</b>
<b>Share of net income (loss) of service corporations.....</b>				
	139	(773)	912	-----
<b>Expenses</b>				
Operating expenses.....	8,838	9,032	(194)	(2.1)
Ground rent.....	3,228	3,228	0	0.0
Interest.....	3,967	4,078	(111)	(2.7)
Depreciation and amortization.....	5,444	5,239	205	3.9
Real estate taxes.....	6,169	5,982	187	3.1
Marketing, general and administrative.....	2,066	1,932	134	6.9
<b>Total expenses.....</b>	<b>29,712</b>	<b>29,491</b>	<b>221</b>	<b>.7</b>
<b>Net income.....</b>	<b>\$ 13,754</b>	<b>\$ 9,211</b>	<b>\$ 4,543</b>	<b>49.3%</b>

Rental revenue increased approximately \$1,831,000 or 5.5% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. Rental revenue increased \$1,532,000 in 1997 compared to 1996 due to 1414 Avenue of the Americas (the "1996 Acquisition") acquired in mid 1996 being included for the full nine months ended September 30, 1997, and \$237,000 as a result of the 110 East 42nd Street acquisition (the "1997 Acquisition") in September of 1997. Rental revenue from properties owned for the same periods in 1996 and 1997 increased approximately \$63,000 for the nine months ended September 30, 1997 compared to the prior year, primarily representing the impact of frictional vacancies associated with the retreating or reletting downtime of office space between comparative periods and overall increased tenant occupancy.

Tenant reimbursements decreased \$710,000 or 14.1% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. Tenant reimbursements from the properties included for all of 1996 and 1997 decreased approximately \$817,000 during the period as a result of reduced real estate tax escalations (\$266,000) due to decreased assessed values and changes in tenants base years due to retreating and renewals for the properties. The remaining decrease represents reduced porter wage escalations revenue as a result of retreating and tenant renewals which results in changes in tenant base years and a loss of reimbursement revenue from expiring leases. The decrease in reimbursements was off set by an increase of approximately \$107,000 of reimbursement revenue for the full nine months of 1997 provided by the 1996 Acquisition.

Leasing commission income increased \$1,225,000 or 119.4% for the nine months ended September 30, 1997 over the prior years due to a large tenant rep assignment being completed in 1997 and strong leasing activity in the current market.

Investment income in the amount of \$207,000 for the nine months ended September 30, 1997 was due to temporary investment of proceeds from the Offering, and is reported as the same amount for the nine months ended September 30, 1996 on a pro forma basis.

Other income increased approximately \$1,506,000 or 885.9% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996 due primarily to a lease buyout by a tenant in one of the acquisition properties.

Operating expenses decreased approximately \$194,000 or 2.1%. For the nine months ended September 30, 1997, total operating expenses were approximately \$8,838,000, or 22.5% of revenues from rental operations, compared with total operating expenses of approximately \$9,032,000 or 23.7% in the prior year. Property expenses from the properties included for all of 1996 and 1997 decreased approximately \$721,000 for the nine months ended September 30, 1997 compared to the prior year. This decrease in total property expenses resulted from a decrease in third party management fees for one of the acquisition properties, overall decreases in utilities due primarily to the weather, reductions in payroll and cleaning costs due to an overall reduction in department hours worked and decreased repairs and maintenance due to work performed in 1996 and not recurring in 1997. The decrease in total operating expenses was partially offset by increases associated with the 1996 Acquisition of approximately \$443,000, reflecting a full nine months of the property's expenses and property expenses from the 1997 Acquisition of approximately \$84,000.

Interest expense decreased by approximately \$111,000 or 2.7% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996, primarily as a result of the decrease in mortgage loans payable due to amortization of principal.

Depreciation and amortization increased approximately \$205,000 or 3.9% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The increase was due primarily to the 1996 Acquisition, additions for building and tenant improvements and the amortization of financing costs associated with the LBHI loan in 1997.

Real estate taxes increased approximately \$187,000 or 3.1% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The 1996 Acquisition accounted for approximately \$284,000 of the increase over 1996 and the 1997 Acquisition accounted for approximately \$83,000 of the increase. The increases were offset by a net decrease of approximately \$180,000 for buildings included for all of 1996 and 1997 due to management's efforts to obtain reductions in assessed values.

Marketing general and administrative expense increased approximately \$134,000 or 6.9% for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The increase was due primarily to increases in staff in the service corporations due to public company requirements and the acquisition of properties.

Comparison of the three months ended September 30, 1997 to the three months ended September 30, 1996.

The pro forma statement of operations for the three months ended September 30, 1997 and 1996 are presented as if the completion of the Offering and the Formation Transactions occurred on January 1, 1996 and the effect thereof was carried forward through September 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 statements of operations should be read in conjunction with the combined financial statements of SL Green Predecessor included in the Company's registration statement on Form S-11 dated August 14, 1997 and the consolidated financial statements of SL Green Realty Corp. included elsewhere herein.

Three months ended September 30, 1997 compared to three months ended September 30, 1996  
(in thousands except percentage data)

	Three Months Ended September 30,		Dollar Change	Percent Change
	----- 1997	----- 1996	-----	-----
Revenue				
Rental revenue.....	\$ 11,837	\$ 11,271	\$ 566	5.0%
Escalations & reimbursement revenues.....	1,864	1,873	(9)	(0.50)
Leasing commissions.....	726	397	329	82.9
Investment income.....	207	207	--	--
Other income.....	139	101	38	37.6

Total revenues.....	14,773	13,849	924	6.7
Share of net income (loss) of investees....	(243)	(521)	278	53.4
Expenses				
Operating expenses.....	3,127	3,063	64	2.1
Ground rent.....	1,076	1,076	0	0.0
Interest.....	1,322	1,353	(31)	(2.3)
Depreciation and amortization.....	1,814	1,791	23	1.3
Real estate taxes.....	2,091	1,928	163	8.5
Marketing, general and administrative.....	671	677	(6)	(.9)
Total expenses.....	10,101	9,888	213	2.2
Net income.....	\$ 4,429	\$ 3,440	\$ 989	28.8%

Rental revenue increased approximately \$566,000 or 5.0% for the three months ended September 30, 1997 compared to the three months ended September 30, 1996. The increase in rental revenue attributable to the 1997 Acquisition was \$237,000, while revenue from the other properties included for all of the 1996 and 1997 third quarters increased approximately \$329,000, primarily due to increased occupancy.

Leasing commission income increased approximately \$329,000 or 82.9% for the three months ended September 30, 1997 compared to the three months ended September 30, 1996. The increase reflects continued strong leasing activity in the market.

Investment income in the amount of \$207,000 for the three months ended September 30, 1997 was due to temporary investment of proceeds from the Offering, and is reported as the same amount for the three months ended September 30, 1996 on a pro forma basis.

Other income increased approximately \$38,000 or 37.6% for the three months ended September 30, 1997 compared to the quarter ended September 30, 1996. Other income is primarily generated by the three acquisition properties and includes tenant lease buy outs and various other non recurring tenant charges. Due to the erratic nature of this type of income it is not consistent from quarter to quarter.

Operating expenses increased approximately \$64,000 or 2.1% primarily as a result of the 1997 Acquisition (\$84,000).

Interest expense decreased by approximately \$31,000 or 2.3% for the quarter ended September 30, 1997 compared to the three months ended September 30, 1996, primarily as a result of the decrease in mortgage loans payable due to amortization of principal.

Depreciation and amortization increased approximately \$23,000 or 1.3% for the three months ended September 30, 1997 compared to the three months ended September 30, 1996. The increase in depreciation was due to the amortization of financing costs associated with the LBHI loan received in 1997.

Real estate taxes increased approximately \$163,000 or 8.5% for the three months ended September 30, 1997 compared to the three months ended September 30, 1996. The 1997 Acquisition accounted for approximately \$83,000 of the increase. Two of the acquisition properties had increases totaling approximately \$39,000 for the nine months ended September 30, 1997 which impacted the third quarter due to the New York City tax year commencing July 1, 1997. In addition, properties with overall tax decreases due to reductions in assessed value reflected larger decreases in the third quarter 1996 than in the third quarter 1997 due to the New York City fiscal year.

#### 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 Company's properties. The proceeds from the Offering as well as the new mortgage loan in the amount of \$14 million, which is secured by 50 West 23rd Street, were utilized to repay existing mortgage loans, acquire properties, pay Offering and Formation Transaction expenses and provide working capital. Total outstanding mortgage loans amounted to \$46.3 million as a result of the Formation Transactions. All mortgage loans encumbering the Company's properties have fixed interest rates ranging from 7.47% to 9.0%. Subsequent to the Formation Transactions the mortgage loans represent approximately 11.03% of the Company's market capitalization based on an estimated total market capitalization (debt and equity, assuming conversion of all operating partnership units) of \$426.7 million at September 30, 1997 (based on a common stock price of \$25.875 per share, the closing price of the Company's common stock on the New York Stock Exchange on September 30, 1997). The Company's principal debt maturities are scheduled to be \$433,000 and \$1,958,000 for the three months ending December

31, 1997 and the twelve months ending December 31, 1998, respectively.

The Operating Partnership has received loans totaling approximately \$69.5 million from Lehman Brothers Holdings, Inc. ("LBHI"). These loans are collateralized by the mortgages encumbering the Operating Partnership's interests in 1140 Avenue of the Americas and 110 East 42nd Street. The loans are also collateralized by an equivalent amount of the Company's cash which is held by LBHI. Interest on the cash collateral is applied by Lehman to service the loans, which mature on January 15, 1998. The Operating Partnership and LBHI each have the right of offset and therefore the loans and the cash collateral have been presented net for the condensed consolidated balance sheet. These loans, except for an \$132,000 origination fee, have no cost to the Company. The purpose of the loans is to maintain certain mortgage escrow tax credits which may be utilized on future acquisitions which require debt financing that require a mortgage interest to qualify a lender.

The Company is currently negotiating with Lehman the terms of a credit facility (the "Credit Facility"), which the Company expects to be placed shortly, although there is no assurance that the Credit Facility will be obtained. The Company expects to utilize the Credit Facility to facilitate acquisitions and fund associated tenant improvements and leasing commissions and other working capital needs.

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.

The Company estimates that for the 12 months ending September 30, 1998, it will incur approximately \$5.11 million of capital expenditures on properties currently owned. The Company expects to fund these capital expenditures with the Credit Facility, operating cash flow and cash on hand. Future property acquisitions may require substantial capital investments in such properties for refurbishment and leasing costs. The Company expects that these financing requirements will be provided primarily from the Credit Facility (once 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 next 12 month period. 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 nine months ended September 30, 1997 to nine months ended September 30, 1996

Net cash provided by (used in) operating activities increased \$4,513 to \$4,206 from \$(307) for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The increase was due primarily to the net income generated by the 1996 Acquisition, increased income from other properties and an increase in leasing commission income. Net cash used in investing activities increased \$135,671 to \$151,889 from \$16,218 for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The increase was due primarily to the purchase of certain properties in connection with the Offering and the purchase of the 1997 Acquisition, partially offset by a net contribution from partnership investments of \$1,852 in 1997 compared to a net distribution to partnership investments of \$1,188 in 1996. Net cash provided by financing activities increased \$146,536 to \$163,107 from \$16,571 for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996. The increase was due primarily to net proceeds received from the Offering (\$228,704) and increased proceeds from loans (\$6,000) in 1997 compared to 1996, off-set by increased payments on mortgages and loans (\$76,458) in 1997 compared to 1996, 1997 formation expenses \$(5,215) and net distributions to owners increased \$5,720 in 1997 compared to 1996.

#### 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 REIT's 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 nine months ended September 30, 1997 and 1996 respectively, are as follows:

	Pro Forma	
	1997	1996
Net income before minority interest and extraordinary item.....	\$ 13,754	\$ 9,211
Add:		
Depreciation and amortization.....	5,444	5,239
Amortization of deferred financing costs and Depreciation of non-real estate assets.....	(136)	(117)
FFO.....	\$ 19,062	\$ 14,333

**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.

**Recently Issued Accounting Pronouncements**

Financial Accounting Standards Board Statement No. 128 ("FAS No. 128") "Earnings Per Share" is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company intends to adopt the requirements of this pronouncement in its financial statements for the year ended December 31, 1997. FAS No. 128 specifies the computation, presentation and disclosure requirements for net income per share.

Financial Accounting Standards Board Statement No. 131 ("FAS No. 131") "Disclosure about segments of an Enterprise and Related Information" is effective for financial statements issued for periods beginning after December 15, 1997. FAS No. 131 requires disclosures about segments of an enterprise and related information regarding the different types of business activities in which an enterprise engages and the different economic environments in which it operates.

The Company does not believe that the implementation of FAS No. 128 or FAS No. 131 will have a material impact on its financial statements.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits:

EXHIBIT NO.	DESCRIPTION	PAGE
10.1	Loan Agreement documentation between the Company and LBHI	
27.1	Financial Data Schedule	

(b) Reports on Form 8-K:

1. Form 8-K dated September 15, 1997, Item 2.
2. Form 8-K/A dated September 15, 1997, Item 7.

**SIGNATURES**

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

By: /s/ David J. Nettina

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David J. Nettina  
Executive Vice President, Chief  
Operating Officer and Chief  
Financial Officer

Date: November 13, 1997

SL GREEN OPERATING PARTNERSHIP, L.P.

and

NEW GREEN 1140 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)

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LOAN AGREEMENT  
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Dated: As of August 20, 1997

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THIS LOAN AGREEMENT made as of the 20/th/ day of August, 1997, between SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, having an office at 70 West 36/th/ Street, New York, New York 10018 (hereinafter referred to as the "Partnership"), NEW GREEN 1140 REALTY LLC, a New York limited liability company, having an office at 70 West 36th Street, New York, New York ("LLC"; LLC, together the Partnership, the "Borrower"), S.L. GREEN REALTY CORP., a Maryland corporation having an office at 70 West 36th Street, New York, New York (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 will be 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 \$49,150,000.00 with interest thereon as more particularly set forth as Exhibit C 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 \$49,150,000.00 by Lender (the "Loan Amount") 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 Mortgages 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 (hereinafter defined) 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) material

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,

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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

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plan as defined in Section 4001(a)(3) of ERISA.

B. MODIFICATION OF THE NOTES, MORTGAGES AND LOAN

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DOCUMENTS. The terms, covenants and provisions of the Notes,

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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

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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 (the "Applicable Interest Rate"). Interest on the Loans shall be payable, in arrears, on September 20, 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.

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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

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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 (other than stock of the REIT); (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 (other than, in each case, limited partnership interests in the Partnership) 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 or 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.  
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(i) Insurance. Notwithstanding anything to the  
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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  
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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 respective 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.  
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The Loans 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 or 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

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execution and delivery of this Agreement, the Borrower and the REIT shall pay to Lender a commitment fee equal to 0.25% of the Loan Amount.

I. SERVICING FEE. Simultaneously with the execution

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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

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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 five (5) 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 on or as of the date made or deemed made or shall be breached in any respect, and such incorrectness or breach has a Material Adverse Effect;

(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 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, either directly or indirectly, 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 "Event of Default" (as defined in the Collateral Account Agreement) 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

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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 any 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

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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.

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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 in accordance with the terms of that certain commitment letter dated August 20, 1997 between Borrower and the REIT;

(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")

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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 Ading, 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.

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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) five (5) 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 36/th/ Street  
New York, New York 10018  
Attention: Ben Feldman, Esq.  
Facsimile No. (212) 594-0086

With a copy to: Greenberg, Traurig, Hoffman, Lipoff,  
Rosen & Quentel  
153 East 53/rd/ Street  
New York, New York 10022  
Attention: Robert Ivanhoe, Esq.  
Facsimile No. (212) 223-7161

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.

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(i) Borrower will pay 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 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, execution or delivery 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 \$49,150,000.00 or more particularly set forth in Exhibit C attached hereto;

(v) Borrower hereby waives, to the extent permitted by law, the benefit of all appraisal, 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. 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.

(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

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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, its  
general partner

By: /s/ Benjamin P. Feldman  
-----  
Name: Benjamin P. Feldman  
Title: Executive Vice President

SL GREEN REALTY CORP., a Maryland  
corporation, its general partner

By: /s/ Benjamin P. Feldman  
-----  
Name: Benjamin P. Feldman  
Title: Executive Vice President

NEW GREEN 1140 REALTY LLC, a  
New York limited liability company

By: SL GREEN REALTY CORP., a  
Maryland corporation, its sole  
member

By: /s/ Benjamin P. Feldman  
-----  
Name: Benjamin P. Feldman  
Title: Executive Vice President

LEHMAN BROTHERS HOLDINGS INC., D/B/A  
LEHMAN CAPITAL, A DIVISION OF LEHMAN  
BROTHERS HOLDINGS INC., a Delaware  
corporation

By: /s/ Francis X. Gilhool  
-----  
Name: Francis X. Gilhool  
Title: Senior Vice President

EXHIBIT A-1 (Fee Premises)

(Description of Land)

ALL of that certain lot, piece or parcel of and, with the  
buildings and improvements thereon, situate, lying and being

EXHIBIT A-2 (Leasehold Premises)

EXHIBIT B

Notes and Mortgages

EXHIBIT C

Outstanding Principal Balance of the Mortgages and Notes

Property Address	Assigning Lender	Outstanding Principal Balance
1140 Avenue of the Americas	General Electric Capital Corporation	\$9,485,865.11
70 West 36/th/ Street	The Bank of New York	\$6,552,000
1414 Avenue of the Americas	LSOF	\$9,648,182.95
470 Park Avenue South	470 Park Avenue South Corporation	\$1,033,333.20
470 Park Avenue South	470 Park Holdings Co., L.P.	\$12,000,000



673 First Avenue	SL Green Operating Partnership	\$1,000,000
50 West 23/rd/ Street	Lehman Brothers Holdings Inc.	\$9,430,618.74
TOTAL OUSTANDING PRINCIPAL AMOUNT:		\$49,150,000.00

FIRST MODIFICATION OF LOAN AGREEMENT  
AND COLLATERAL ACCOUNT AGREEMENT

This First Modification of Loan Agreement (the "Modification") is made as of September 15, 1997 between SL GREEN OPERATING PARTNERSHIP, L.P. and NEW GREEN 1140 REALTY LLC (collectively, "Borrower"), SL GREEN REALTY CORP. (the "REIT") and LEHMAN BROTHERS HOLDINGS INC. D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC. ("Lender"). All capitalized words and phrases not otherwise defined herein shall have the meanings set forth in that certain Loan Agreement dated as of August 20, 1997 between Borrower and the Lender (the "Loan Agreement").

RECITALS:

- A. Borrower and Lender desire to amend the Loan Agreement and that certain Collateral Account Agreement dated as of August 20, 1997 between Borrower, the REIT and Lender (the "Collateral Account Agreement").
- B. The Partnership is the fee owner of the premises described on Schedule 1 attached hereto.
- C. At the request of Borrower, Lender has purchased those certain notes and mortgages (as each may be further consolidated, amended, increases modified a supplemented, the "New Note" and "New Mortgage",) described more fully on Schedule 2 attached hereto (the "110 East 42/nd/ Street Documents"). The 110 East 42/nd/ Street Documents have been assigned to Lender and Lender is now the owner and holder of the 110 East 42/nd/ Street Documents.
- D. The assignments of the 110 East 42/nd/ Street Documents will be recorded in the Office of the City Register, New York County, New York.
- E. There is now owing on the 110 East 42/nd/ Street Documents the aggregate unpaid principal sum of \$20,326,915.38 with interest thereon as more particularly set forth on Schedule 3 attached hereto.
- F. Borrower and Lender have agreed to modify the time and the manner of payment and the terms and provisions of the New Note in accordance with the provisions of the Loan Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and in and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto consent and agree as follows:

1. Exhibit A-1 of the Loan Agreement is modified to include the real property description attached to hereto as Schedule 1.
2. Exhibit B of the Loan Agreement is modified to include the New Note and New Mortgage described on Schedule 2 attached hereto.
3. Exhibit C of the Loan Agreement is deleted in its entirety and replaced with Schedule 3 attached hereto.
4. Recital 5 of the Loan Agreement is deleted in its entirety and replaced with the following:
5. There is now owing on the Notes and Mortgages the aggregate unpaid principal sum of \$69,476,915.38 with interest thereon as more particularly set forth as Exhibit C attached hereto; and
5. The dollar amount "\$49,150,000.00" in the first paragraph following Recital 6 of the Loan Agreement and in Section 0, paragraph (iv) of the Loan Agreement is deleted and replaced with "\$69,476,915.38".
6. The New Note is hereby modified in accordance with the terms of the Loan Agreement relating to the Notes and Mortgages.

7. On the date hereof, Borrower shall deposit the additional sum of \$20,326,915.38 in the Collateral Account (as defined in the Collateral Account Agreement), and such sum may be invested in United States Treasury securities having a maturity most closely approximating the Maturity Date of the Loans. All references to Collateral Account in the Collateral Account Agreement shall hereinafter be deemed to also include all funds deposited in such account pursuant to the terms of this Modification.

8. All of the representations and warranties contained herein, in the Loan Agreement (as the same may have been modified by this Modification) and in the other Loan Documents (other than representations and warranties which expressly speak only as of a different date other than the Closing Date) are true and correct in all material respects as of the date hereof.

9. Borrower represents, warrants and covenants that there are no offsets, counterclaims or defenses against the Loans, this Modification, the Loan Agreement or any of the Loan Documents and that Borrower has full power, authority and legal right to execute this Modification and to keep and observe all of the terms of this Modification on its part to be observed or performed.

10. Except as expressly modified pursuant to this Modification, all of the terms, covenants and provisions of the Loan Agreement 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 Modification and those of the Loan Agreement and the other Loan Documents, the terms, covenants and provisions of this Modification shall control.

11. This Modification may not be modified, amended, waived, changed or terminated orally, but only by an agreement in writing signed by the party against whom the enforcement of the modification, amendment, waiver, change or termination is sought.

12. This Modification shall be binding upon and inure to the benefit of Borrower, Lender, all future holders of the Notes and their respective successors and assigns.

13. This Modification may be executed in any number of duplicate originals and each such duplicate original shall be deemed to constitute but one and the same instrument. This Modification 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 Modification. The failure of any party hereto to execute this Modification, or any counterpart thereof, shall not relieve the other signatories from their obligations hereunder.

14. If any term, covenant or condition of this Modification shall be held to be invalid, illegal or unenforceable in any respect, this Modification shall be construed without such provision.

15. In the event of any conflict between the terms of the Loan Agreement or the Collateral Account Agreement and the terms of this Modification, the terms of this Modification shall prevail.

16. This Modification 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.

IN WITNESS WHEREOF, THIS MODIFICATION 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, its general partner

By: /s/ Benjamin P. Feldman

-----  
Name: Benjamin P. Feldman  
Title: Executive Vice President

SL GREEN REALTY CORP., a Maryland corporation, its general partner

By: /s/ Benjamin P. Feldman

-----  
Name: Benjamin P. Feldman  
Title: Executive Vice President

NEW GREEN 1140 REALTY LLC, a New York limited liability company

By: SL GREEN REALTY CORP., a Maryland corporation, its sole member

By: /s/ Benjamin P. Feldman

-----  
Name: Benjamin P. Feldman  
Title: Executive Vice President

By: /s/ Jonathan Epstein

-----  
Name: Jonathan Epstein  
Title: Authorized Signatory

Schedule 1

(Description of Land)

ALL of that certain lot, piece or parcel of land, with the buildings  
and improvements thereon, situate, lying and being

Schedule 2

Additional Notes and Mortgages

Schedule 3

Outstanding Principal Balance of the Mortgages and Notes

Property Address	Assigning Lender	Outstanding Principal Balance
1140 Avenue of the Americas	General Electric Capital Corporation	\$9,485,865.11
70 West 36/th/ Street	The Bank of New York	\$6,552,000
1414 Avenue of the Americas	LSOF	\$9,648,182.95
470 Park Avenue South	470 Park Avenue South Corporation	\$1,033,333.20
470 Park Avenue South	470 Park Holdings Co., L.P.	\$12,000,000
673 First Avenue	SL Green Operating Partnership	\$1,000,000
50 West 23/rd/ Street	Lehman Brothers Holdings Inc.	\$9,430,618.74
110 East 42/nd/ Street	Home Savings of America, FSB	\$_____
TOTAL OUTSTANDING PRINCIPAL AMOUNT:		\$_____.

9-MOS	DEC-31-1997		
	SEP-30-1997		
		15,363	
		0	
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		289,952	
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289,952			
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