UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

or

o **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 of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, New York, New York 10170
(Address of principal executive offices - zip code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No o

The number of shares outstanding of the registrant’s common stock, $0.01 par value, was 33,482,674 at July 31, 2003.

SL GREEN REALTY CORP.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

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

	June 30, 2003 (Unaudited)	December 31, 2002 (Note 1)
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ **167,793**	$ 131,078
Buildings and improvements	**839,139**	683,165
Building leasehold and improvements	**247,336**	149,326
Property under capital lease	**12,208**	12,208
	$ **1,266,476**	975,777
Less accumulated depreciation	**(136,836)**	(126,669)
	1,129,640	849,108
Assets held for sale	**50,088**	41,536
Cash and cash equivalents	**16,810**	58,020
Restricted cash	**61,835**	29,082
Tenant and other receivables, net of allowance of $6,876 and $5,927 in 2003 and 2002, respectively	**10,448**	6,587
Related party receivables	**3,945**	4,868
Deferred rents receivable, net of allowance of $7,054 and $6,575 in 2003 and 2002, respectively	**58,834**	55,731
Investment in and advances to affiliates	**3,133**	3,979
Structured finance investments, net of discount of $125 and $205 in 2003 and 2002, respectively	**125,517**	145,640
Investments in unconsolidated joint ventures	**216,620**	214,644
Deferred costs, net	**37,694**	35,511
Other assets	**11,019**	28,464
Total assets	$ **1,725,583**	$ 1,473,170
Liabilities and Stockholders' Equity		
Mortgage notes payable	$ **620,530**	$ 367,503
Revolving credit facilities	**42,000**	74,000
Unsecured term loan	**100,000**	100,000
Derivative instruments at fair value	**12,829**	10,962
Accrued interest payable	**3,158**	1,806
Accounts payable and accrued expenses	**44,951**	41,197
Deferred compensation awards	—	1,329
Deferred revenue/gain	**6,464**	3,096
Capitalized lease obligations	**16,012**	15,862
Deferred land lease payable	**14,946**	14,626
Dividend and distributions payable	**17,923**	17,436
Security deposits	**20,872**	20,948
Liabilities related to assets held for sale	**748**	21,321
Total liabilities	**900,433**	690,086
Commitments and Contingencies		
Minority interest in Operating Partnership	**53,711**	44,039
Minority interest in partially owned entity	**453**	679
8% Preferred Income Equity Redeemable Shares[SM] $0.01 par value $25.00 mandatory liquidation preference, 25,000 authorized and 4,600 outstanding at June 30, 2003 & December 31, 2002	**111,984**	111,721

Stockholders' Equity		
Common stock, $0.01 par value 100,000 shares authorized, 31,173 and 30,422 issued and outstanding at June 30, 2003 and December 31, 2002, respectively	**311**	304
Additional paid–in-capital	**609,321**	592,585
Deferred compensation plans	**(8,608)**	(5,562)
Accumulated other comprehensive loss	**(12,702)**	(10,740)
Retained earnings	**70,680**	50,058
Total stockholders' equity	**659,002**	626,645
Total liabilities and stockholders' equity	**$ 1,725,583**	$ 1,473,170

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

SL Green Realty Corp.
Condensed Consolidated Statements of Income
(Unaudited, and amounts in thousands, except per share data)

	Three Months Ended June 30,		Six Month Ended June 30,	
	2003	2002	2003	2002
Revenues				
Rental revenue, net	**$ 59,309**	$ 44,711	**$ 110,868**	$ 88,890
Escalation and reimbursement revenues	**10,022**	5,977	**18,200**	12,312
Signage rent	**407**	267	**732**	733
Investment income	**2,718**	3,828	**6,079**	7,548
Preferred equity income	**731**	1,934	**2,287**	3,845
Other income	**1,164**	1,202	**2,863**	2,174
Total revenues	**74,351**	57,919	**141,029**	115,502
Expenses				
Operating expenses including $1,986 and $3,373 (2003) and $1,824 and $3,347(2002) to affiliates	**19,313**	13,474	**35,998**	26,437
Real estate taxes	**10,955**	6,775	**20,584**	13,556
Ground rent	**3,266**	3,159	**6,430**	6,318
Interest	**11,574**	8,821	**21,225**	17,239
Depreciation and amortization	**11,573**	9,132	**22,163**	18,139
Marketing, general and administrative	**2,804**	3,357	**5,990**	6,559
Total expenses	**59,485**	44,718	**112,390**	88,248
Income from continuing operations before equity in net income (loss) from affiliates,equity in net income of unconsolidated joint ventures, minority interest and discontinued operations	**14,866**	13,201	**28,639**	27,254
Equity in net income (loss) from affiliates	**(99)**	307	**(196)**	223
Equity in net income of unconsolidated joint ventures	**3,651**	3,998	**7,827**	7,331
Income from continuing operations before minority interest	**18,418**	17,506	**36,270**	34,808
Minority interest in operating partnership attributable to continuing Operations	**(1,103)**	(1,033)	**(2,165)**	(2,084)
Income from continuing operations	**17,315**	16,473	**34,105**	32,724
Income from discontinued operations, net of minority interest	**958**	1,625	**2,691**	3,010
(Loss) gain on sale of discontinued operations, net of minority interest	**(300)**	—	**17,524**	—
Net income	**17,973**	18,098	**54,320**	35,734
Preferred stock dividends	**(2,300)**	(2,300)	**(4,600)**	(4,600)
Preferred stock accretion	**(131)**	(123)	**(262)**	(246)
Net income available to common shareholders	**$ 15,542**	$ 15,675	**$ 49,458**	$ 30,888
Basic earnings per share:				
Income from continuing operations	**$ 0.48**	$ 0.47	**$ 0.95**	$ 0.93
Income from discontinued operations	**0.03**	0.05	**0.08**	0.10
(Loss) gain on sale of discontinued operations	**(0.01)**	—	**0.57**	—
Net income available to common shareholders	**$ 0.50**	$ 0.52	**$ 1.60**	$ 1.03
Diluted earnings per share:				
Income from continuing operations	**$ 0.47**	$ 0.46	**$ 0.94**	$ 0.90
Income from discontinued operations	**0.03**	0.05	**0.08**	0.10
(Loss) gain on sale of discontinued operations	**(0.01)**	—	**0.49**	—
Net income available to common shareholders	**$ 0.49**	$ 0.51	**$ 1.51**	$ 1.00
Dividends per common share	**$ 0.4650**	$ 0.4425	**$ 0.9300**	$ 0.8850
Basic weighted average common shares outstanding	**31,082**	30,200	**30,895**	30,097
Diluted weighted average common shares and common share equivalents outstanding	**38,819**	33,183	**38,512**	33,051

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

SL Green Realty Corp.
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited, and amounts in thousands, except per share data)

	Common Stock		Additional Paid-In-Capital	Deferred Compensation Plans	Accumulated Other Comprehensive Loss	Retained Earnings	Total	Comprehensive Income
	Shares	Par Value						
Balance at December 31, 2002	30,422	$ 304	$ 592,585	$ (5,562)	$ (10,740)	$ 50,058	$ 626,645	
Comprehensive Income:								
Net income						54,320	54,320	$ 54,320
Net unrealized loss on derivative instruments					(1,962)		(1,962)	(1,962)
SL Green's share of joint venture net unrealized gain on derivative instruments								42
Preferred dividends & accretion requirement						(4,862)	(4,862)	
Redemption of units	266	3	5,688				5,691	
Deferred compensation plan & stock award, net	175	2	4,276	(4,278)			—	
Amortization of deferred compensation plan				1,232			1,232	
Proceeds from stock options exercised	310	2	6,772				6,774	
Cash distributions declared ($0.93 per common share)						(28,836)	(28,836)	
Balance at June 30, 2003	31,173	$ 311	$ 609,321	$ (8,608)	$ (12,702)	$ 70,680	$ 659,002	$ 52,400

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

SL Green Realty Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited, and amounts in thousands, except per share data)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Operating Activities		
Net income	**$ 54,320**	$ 35,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash adjustment related to income from discontinued operations	**2,129**	1,437
Depreciation and amortization	**22,163**	18,139
Amortization of discount on structured finance investments	**(80)**	193
Gain on sale of discontinued operations	**(18,830)**	—
Equity in net loss (income) from affiliates	**196**	(223)
Equity in net income from unconsolidated joint ventures	**(7,827)**	(7,331)
Minority interest	**2,165**	2,084
Deferred rents receivable	**(5,267)**	(5,178)
Allowance for bad debts	**949**	1,452
Amortization of deferred compensation	**1,232**	816
Changes in operating assets and liabilities:		
Restricted cash – operations	**(19,158)**	3,233
Tenant and other receivables	**(4,810)**	(1,770)
Related party receivables	**923**	(17)
Deferred lease costs	**(3,475)**	(2,806)
Other assets	**15,546**	(1,145)
Accounts payable, accrued expenses and other liabilities	**3,701**	2,910
Deferred revenue	**677**	(141)
Deferred land lease payable	**320**	320
Net cash provided by operating activities	**44,874**	47,707
Investing Activities		
Acquisition of real estate property	**(16,749)**	—
Additions to land, buildings and improvements	**(15,376)**	(8,848)
Restricted cash – capital improvements/acquisitions	**(13,595)**	700
Investment in and advances to affiliates	**650**	609
Distribution from affiliate	—	739
Investments in unconsolidated joint ventures	—	(93,807)
Distributions from unconsolidated joint ventures	**8,521**	4,478
Net proceeds from disposition of rental property	**63,264**	—
Structured finance investments, net of repayments/participations	**(33,298)**	(6,610)
Net cash used in investing activities	**(6,583)**	(102,739)
Financing Activities		
Proceeds from mortgage notes payable	**35,000**	—
Repayments of mortgage notes payable	**(51,213)**	(12,529)
Proceeds from revolving credit facilities and term loan	**118,000**	143,000

Repayments of revolving credit facilities	**(150,000)**	(40,000)
Proceeds from stock options exercised	**6,774**	5,638
Capitalized lease obligation	**150**	228
Dividends and distributions paid	**(35,028)**	(33,180)
Deferred loan costs	**(3,184)**	(832)
Net cash (used in) provided by financing activities	**(79,501)**	62,325
Net (decrease) increase in cash and cash equivalents	**(41,210)**	7,293
Cash and cash equivalents at beginning of period	**58,020**	13,193
Cash and cash equivalents at end of period	**$ 16,810**	$ 20,486
Supplemental cash flow disclosures		
Interest paid	**$ 19,874**	$ 18,555

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

SL Green Realty Corp.
Notes To Condensed Consolidated Financial Statements
(Unaudited, and dollars in thousands, except per share data)
June 30, 2003

1. Organization and Basis of Presentation

SL Green Realty Corp. (the “Company” or “SL Green”), a Maryland corporation, and SL Green Operating Partnership, L.P. (the “Operating Partnership”), a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies (the “Service Corporation”). The Company has qualified, and expects to qualify in its current fiscal year, as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”), and operates as a self-administered and 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.

Substantially all of the Company’s assets are held by, and its operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of June 30, 2003, minority investors held, in the aggregate, a 6.9% limited partnership interest in the Operating Partnership.

As of June 30, 2003, the Company’s wholly-owned portfolio (the “Properties”) consisted of 20 commercial properties encompassing approximately 8.23 million rentable square feet located primarily in midtown Manhattan (“Manhattan”), a borough of New York City. As of June 30, 2003, the weighted average occupancy (total leased square feet divided by total available square feet) of the wholly-owned properties was 97.0%. The Company’s portfolio also includes ownership interests in unconsolidated joint ventures which own six commercial properties in Manhattan, encompassing approximately 4.64 million rentable square feet which were 93.0% occupied as of June 30, 2003. In addition, the Company continues to manage three office properties owned by third-parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

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 the 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. Under the Operating Partnership Agreement each limited partner will have the right to redeem limited partnership units for cash, or if the Company so elects, shares of common stock. Under the Operating Partnership Agreement, the Company is prohibited from selling 673 First Avenue and 470 Park Avenue South through August 2009.

Basis of Quarterly Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2003 operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2002.

The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, which are wholly-owned or controlled by the Company. Entities which are not controlled by the Company are accounted for under the equity method (see Note 6). All significant intercompany balances and transactions have been eliminated.

Investment in Commercial Real Estate Properties

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition and redevelopment of rental properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

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

The estimated useful lives are as follows:

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

Depreciation expense (including amortization of the Company's capital lease asset) amounted to $9,643, $17,759, $7,197 and $14,180 for the three and six months ended June 30, 2003 and 2002, respectively.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's real estate properties may be impaired. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. Management does not believe that the value of any of the Company's real estate properties was impaired at June 30, 2003 and December 31, 2002.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, building and tenant improvements, acquired above and below market leases and the origination cost of acquired in-place leases in accordance with Statement of Financial Accounting Standard, or SFAS No. 141) and acquired liabilities, and allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. If the Company incorrectly estimates the values at acquisition or the undiscounted cash flows, initial allocation of purchase price and future impairment charges may be different.

As a result of its evaluations, as of March 31, 2003, the Company recorded a deferred asset of $2,328 representing the net value of acquired above and below market leases and assumed lease origination costs. For the quarter ended June 30, 2003, the Company has recognized a reduction in rental revenue of $55 for the amortization of above market leases and a reduction in lease origination costs, and additional building depreciation of $6 resulting from the reallocation of the purchase price of the applicable properties. The Company also recorded a deferred liability of $3,232 representing the value of a mortgage loan assumed at an above market rate. For the quarter ended June 30, 2003, the Company has recognized a $149 reduction in interest expense for the amortization of the above market mortgage.

In October 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This standard harmonizes the accounting for impaired assets and resolves some of the implementation issues as originally described in SFAS 121. The Company adopted this pronouncement on January 1, 2002. This resulted in the Company having to reclassify certain revenue and expenses to discontinued operations. This adoption had no impact on the Company's results of operations or financial position.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investment in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control these entities. In all the joint ventures, the rights of the minority investor are both protective as well as participating. These rights preclude the Company from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet of the Company and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 40 years. See Note 6. None of the joint venture debt is recourse to the Company.

Restricted Cash

Restricted cash primarily consists of security deposits held on behalf of tenants as well as capital improvement escrows.

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of the employees of the Company provide leasing services to the wholly-owned properties. A portion of their compensation, approximating $407, $809, $405 and $845 for the three and six months ended June 30, 2003 and 2002, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

Deferred Financing Costs

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

Revenue Recognition

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

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its tenants to make required rent payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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

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

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

Reserve for Possible Credit Losses

The expense for possible credit losses in connection with structured finance investments is the charge to earnings to increase the allowance for possible credit losses to the level that management estimates to be adequate considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, the Company establishes the provision for possible credit losses by category of asset. When it is probable that the Company will be unable to collect all amounts contractually due, the account is considered impaired.

Where impairment is indicated, a valuation write-down or write-off is measured based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. Any deficiency between the carrying amount of an asset and the net sales price of repossessed collateral is charged to the allowance for credit losses. No reserve for impairment was required at June 30, 2003 or December 31, 2002.

Rent Expense

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

Income Taxes

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

Pursuant to amendments to the Code that became effective January 1, 2001, the Company has elected to treat certain of its existing or newly created corporate subsidiaries as taxable REIT subsidiaries (each a “TRS”). In general, a TRS of the Company may perform non-customary services for tenants of the Company, hold assets that the Company cannot hold directly and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate Federal income tax.

Underwriting Commissions and Costs

Underwriting commissions and costs incurred in connection with the Company’s stock offerings are reflected as a reduction of additional paid-in-capital.

Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations (“APB No. 25”). Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company’s stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company’s policy is to grant options with an exercise price equal to the quoted closing market price of the Company’s stock on the business day preceding the grant date. Accordingly, no compensation cost has been recognized for the Company’s stock option plans. Awards of stock, restricted stock or employee loans to purchase stock, which may be forgiven over a period of time, are expensed as compensation on a current basis over the benefit period. On January 1, 2003, the Company adopted the disclosure requirements of SFAS No. 148, “Accounting for Stock-Based Compensation-Transition and Disclosure” (“SFAS 148”). The Company did not change its method of accounting for stock-based compensation.

The compensation cost, net of minority interest, under SFAS 123 for the stock performance-based plan using the Black-Scholes option-pricing model would have been $349, $705, $550 and $1,062 for the three and six months ended June 30, 2003 and 2002, respectively. Had compensation cost for the Company's grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income and net income per common share for the three and six months ended June 30, 2003 and 2002 would approximate the pro forma amounts below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income available to common shareholders	$ 15,542	$ 15,675	$ 49,458	$ 30,888
Stock-based compensation expense	(349)	(550)	(705)	(1,062)
Pro-forma net income available to common shareholders	$ 15,193	$ 15,125	$ 48,753	$ 29,826
Basic earnings per common share	$ 0.50	$ 0.52	$ 1.61	$ 1.03
Basic earnings per common share-pro-forma	$ 0.49	$ 0.50	$ 1.58	$ 0.99
Diluted earnings per common share	$ 0.49	$ 0.51	$ 1.50	$ 1.01
Diluted earnings per common share-pro-forma	$ 0.48	$ 0.49	$ 1.49	$ 0.97

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts.

Derivative Financial Instruments

In the normal course of business, the Company uses a variety of derivative financial instruments to manage, or hedge, interest rate risk. The Company requires that hedging derivative instruments are effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

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

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

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

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

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

Earnings Per Share

The Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash investments, mortgage loans receivable and accounts receivable. The Company places its cash investments in excess of insured amounts with high quality financial institutions. All collateral securing the mortgage loans receivable is located in Manhattan (see Note 5). Management of the Company performs ongoing credit evaluations of its tenants and requires certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the terminal value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with retenanting the space. Although the properties are primarily located in Manhattan, the tenants located in these buildings operate in various industries and no single tenant in the wholly-owned properties contributes more

than 3.8% of the Company's share of annualized rent. Approximately 18% and 13% of the Company's annualized rent was attributable to 420 Lexington Avenue and 220 East 42nd Street, respectively, at June 30, 2003. Four borrowers each accounted for more than 10.0% of the revenue earned on structured finance investments at June 30, 2003.

Recently Issued Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." This Interpretation clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of the Interpretation will be immediately effective for all variable interests in variable interest entities created after January 31, 2003 and the Company will need to apply these provisions to any existing variable interests in variable interest entities by no later than September 30, 2003. The Company is currently in the process of evaluating the impact that this Interpretation will have on its financial statements. See Note 7.

On April 30, 2003, FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. SFAS 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. Management does not expect the adoption of SFAS 149 to have a material impact on the Company's financial condition, or results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. Management does not believe that the implementation of SFAS 150 will have a material impact on the Company's results of operations or cash flows, however, the Preferred Income Equity Redeemable Shares will be reclassified as a liability on the balance sheet.

Reclassification

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

3. Property Acquisitions

On March 28, 2003, the Company acquired condominium interests in 125 Broad Street encompassing approximately 525,000 square feet of office space for approximately $92,000. The Company assumed the $76,600 first mortgage currently encumbering this property. The mortgage matures in October 2007 and bears interest at 8.29%. In addition, the Company issued 51,667 units of limited partnership interest in the Operating Partnership having an aggregate value of approximately $1,570. This property is encumbered by a ground lease that the condominium can acquire in the future at a fixed price. The Company agreed not to take certain action that would adversely affect the tax positions of certain of the partners who received units of limited partnership interest in the Operating Partnership and who held interests in this property prior to the acquisition for a period of three years after the acquisition.

On February 13, 2003, the Company completed the acquisition of the 1.1 million square foot office property located at 220 East 42nd Street known as The News Building, a property located in the Grand Central and United Nations marketplace, for a purchase price of approximately $265,000. Prior to the acquisition, the Company held a $53,500 preferred equity investment in the property that was redeemed in full at closing. In connection with the redemption, the Company earned a redemption premium totaling $4,380 which was accounted for as a reduction in the cost basis, resulting in an adjusted purchase price of $260,600. In connection with this acquisition, the Company assumed a $158,000 mortgage, which matures in September 2004 and bears interest at LIBOR plus 1.76%, and issued approximately 376,000 units of limited partnership interest in the Operating Partnership having an aggregate value of approximately $11,275. The remaining $42,200 of the purchase price was funded from borrowings under the Company's unsecured revolving credit facility, which included the repayment of a $28,500 mezzanine loan on the property. The Company agreed not to take certain action that would adversely affect the tax positions of certain of the partners who received units of limited partnership interest in the Operating Partnership and who held interests in this property prior to the acquisition for a period of seven years after the acquisition.

Pro Forma

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the six months ended June 30, 2003 and 2002 as though the 2003 acquisition of 220 East 42nd Street (February 2003), 125 Broad Street (March 2003) and the equity investment in 1515 Broadway (see Note 6) (May 2002) were completed on January 1, 2002 and the related units of limited partnership interest in the Operating Partnership were issued on that date. There were no wholly-owned property acquisitions during 2002.

	Six Months Ended June 30,	
	2003	**2002**
Pro forma revenues	**$ 149,943**	$ 141,903
Pro forma net income	**$ 50,082**	$ 34,067
Pro-forma earnings per common share-basic	**$ 1.62**	$ 1.13
Pro-forma earnings per common share and common share equivalents-diluted	**$ 1.50**	$ 1.10
Pro-forma common shares-basic	**30,895,000**	30,097,000
Pro-forma common share and common share equivalents-diluted	**38,508,000**	38,112,000

4. Property Dispositions and Assets Held for Sale

In March 2003, the Company sold 50 West 23rd Street for $66,000 or approximately $198 per square foot. The Company acquired the building at the time of its initial public offering in August of 1997, at a purchase price of approximately $36,600. Since that time, the building was upgraded and repositioned enabling the Company to realize a gain of approximately $19,200. The proceeds of the sale were used to pay off an existing $21,000 first mortgage and substantially all of the balance was reinvested into the acquisitions of 220 East 42nd Street (The News Building) and 125 Broad Street to effectuate a partial 1031 tax-free exchange.

In May 2003, the Company sold 875 Bridgeport Avenue, Shelton, CT ("Shaws") for $16,177 and the buyer assumed the existing $14,814 first mortgage. The net proceeds were reinvested into the acquisitions of The News Building and 125 Broad Street to effectuate a partial 1031 tax-free exchange.

At June 30, 2003, the Company considered the 1370 Broadway, Manhattan property to be held for sale under the criteria of SFAS 144 (see Note 2). The results of operations for this real estate asset, classified as held for sale at June 30, 2003 and 50 West 23rd Street which was sold on March 26, 2003 and Shaws which was sold on May 21, 2003 are included in discontinued operations. The following table summarizes income from discontinued operations (net of minority interest) and the related realized gain on sale of discontinued operations (net of minority interest) for the three and six months ended June 30, 2003 and 2002.

	Three Months Ended June 30,		Six Month Ended June 30,	
	2003	**2002**	**2003**	**2002**
Revenues				
Rental revenue	$ **1,816**	$ 3,774	$ **5,549**	$ 7,284
Escalation and reimbursement revenues	**300**	447	**895**	1,030
Signage rent and other income	**243**	137	**250**	145
Total revenues	**2,359**	4,358	**6,694**	8,459
Operating expenses	**416**	720	**1,155**	1,473
Real estate taxes	**369**	574	**1,129**	1,147
Interest	**243**	698	**896**	1,392
Depreciation and amortization	**301**	621	**622**	1,212
Total expenses	**1,329**	2,613	**3,802**	5,224
Operating income from discontinued operations	**1,030**	1,745	**2,892**	3,235
(Loss) gain on disposition of discontinued operations	**(322)**	—	**18,830**	—
Minority interest in operating partnership	**(50)**	(120)	**(1,507)**	(225)
Income from discontinued operations, net of minority interest	$ **658**	$ 1,625	$ **20,215**	$ 3,010

5. Structured Finance Investments

During the six months ended June 30, 2003, the Company originated $34,080 in structured finance and preferred equity investments (net of discount). There was also $54,203 in repayments and participations during the six month period. At June 30, 2003, all loans were performing in accordance with the terms of the loan agreements. All of the properties comprising the structured finance investments are located in Manhattan.

As of June 30, 2003 and December 31, 2002, the Company held the following structured finance investments:

Loan Type	Weighted Yield	Gross Investment	Senior Financing	2003 Principal Outstanding	2002 Principal Outstanding	Mandatory Maturity Date
Mezzanine Loan (1)	12.50%	$ 25,000	$ 110,000	$ 24,876	$ 24,796	April 2004
Mezzanine Loan	11.33%	10,300	30,600	10,300	10,300	June 2006
Junior Participation (2)	14.66%	27,723	67,277	27,584	27,723	November 2003
Junior Participation	14.10%	500	5,500	500	500	December 2004
Junior Participation (3)	13.40%	15,000	178,000	14,926	14,926	November 2004
Junior Participation	10.50%	15,000	178,000	15,000	—	January 2005
Junior Participation	12.17%	11,000	46,500	11,000	—	May 2005
				$ 104,186	$ 78,245	

(1) On July 20, 2001, this loan was contributed to a joint venture with the Prudential Real Estate Investors ("PREI"). The Company retained a 50% interest in the loan. The original investment was $50,000.

(2) In connection with the acquisition of a subordinate first mortgage interest, the Company obtained $22,178 of financing from the senior participant which is co-terminous with the mortgage loan. As a result, the Company's net investment is $5,545. This financing carries a variable interest rate of 100 basis points over the 30-day LIBOR (1.12% at June 30, 2003). This loan was extended for one year from the initial maturity date. The interest rate in the table reflects the yield on the net investment. This loan was redeemed on July 17, 2003 and the related loan was repaid on that date.

(3) On April 12, 2002, this loan, with an original investment of $30,000, was contributed to a joint venture with PREI. The Company retained a 50% interest in the loan.

Preferred Equity Investments

In June 2001, the Company made an $8,000 preferred equity investment. This investment entitles the Company to receive a preferential 10% yield. The mandatory redemption date is May 2006, but is subject to extension options. The Company will also participate in the appreciation of the property upon sale to a third party above a specified threshold. The balance on this investment was $7,852 at June 30, 2003. The property is encumbered by $65,000 of senior financing.

In September 2001, the Company made a $53,500 preferred equity investment with an initial redemption date of September 2006. This variable rate investment had a yield of 12.6% at December 31, 2002. The Company could have participated in the appreciation of the property upon sale to a third party above a specified threshold. The Company also received asset management fees. The property was encumbered by $186,500 of senior financing. This investment was redeemed on February 13, 2003 (see Note 3).

In June 2002, the Company made a $6,000 preferred equity investment with a mandatory redemption date of July 2007. There is a one-year redemption lockout until June 2003. This variable rate investment had a yield of 13.10% at June 30, 2003. The balance on this investment was $5,479 at June 30, 2003. The property is encumbered by $38,000 of senior financing.

On June 25, 2002, the Company made a $10,000 preferred equity investment, with a 10% yield. On December 16, 2002 this investment was redeemed in full.

In January 2003, the Company made an $8,000 preferred equity investment with a mandatory redemption date of January 2006. This variable rate investment had a yield of 12.0% at June 30, 2003. The property is encumbered by $42,000 of senior financing.

6. Investments in Unconsolidated Joint Ventures

Morgan Stanley Real Estate Joint Ventures

MSSG I

On December 1, 2000, the Company and Morgan Stanley Real Estate Fund ("MSREF"), through the MSSG I joint venture, acquired 180 Madison Avenue, Manhattan, for $41,250, excluding closing costs. The property is a 265,000 square foot, 23-story building. In addition to holding a 49.9% ownership interest in the property, the Company acts as the operating member for the joint venture and is responsible for leasing and managing the property. During the three and six months ended June 30, 2003 and 2002, the Company earned $59, $123, $83 and $172 for such services, respectively. The acquisition was partially funded by a $32,000 mortgage from M&T Bank. The loan, which matures on December 1, 2005, carries a fixed interest rate of 7.81%. The mortgage was interest only until January 1, 2002, at which time principal repayments began. The loan can be upsized to $34,000. The joint venture agreement provides the Company with the opportunity to gain certain economic benefits based on the financial performance of the property. On July 17, 2003, this mortgage was repaid and replaced with a five year $45,000 first mortgage. The mortgage carries a fixed interest rate of 4.57% per annum and is interest only for the first year.

MSSG II

On January 31, 2001, the Company and MSREF, through the MSSG II joint venture, acquired 469 Seventh Avenue, Manhattan, for $45,700, excluding closing costs. The property is a 253,000 square foot, 16-story office building.

On June 20, 2002, the Company and MSREF, through the MSSG II joint venture, sold 469 Seventh Avenue for a gross sales price of $53,100, excluding closing costs. MSSG II realized a gain of approximately $4,808 on the sale of which the Company's 35% share was approximately $1,680. In addition, the $36,000 mortgage was repaid in full. As part of the sale, the Company made a preferred equity investment of $6,000 in the entity acquiring the asset. As a result of this continuing investment, the Company has deferred recognition of its share of the gain until its preferred investment is redeemed.

MSSG III

On May 4, 2000, the Company sold a 65% interest for cash in the property located at 321 West 44th Street, Manhattan to MSREF, valuing the property at $28,000. The Company realized a gain of $4,797 on this transaction and retained a 35% interest in the property (with a carrying value of $6,500), which was contributed to MSSG I. The property, a 203,000 square foot building located in the Times Square submarket of Manhattan, was acquired by the Company in March 1998. Simultaneous with the closing of this joint venture, the joint venture received a $22,000 mortgage for the acquisition and capital improvement program, which was estimated at $3,300. The interest only mortgage matures on April 30, 2003 and has an effective interest rate based on LIBOR plus 250 basis points (3.82% at June 30, 2003). The joint venture extended this mortgage for one year. In addition to retaining a 35% economic interest in the property, the Company acting as the operating member for the joint venture, is responsible for redevelopment, construction, leasing and management of the property. During the three and six months ended June 30, 2003 and 2002, the Company earned $145, $174, $136 and $171, respectively, for such services. The joint venture agreement provides the Company with the opportunity to gain certain economic benefits based on the financial performance of the property.

SITQ Immobilier Joint Ventures

One Park Avenue

On May 25, 2001, the Company entered into a joint venture with respect to the ownership of the Company's interests in One Park Avenue, Manhattan ("One Park") with SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec ("SITQ"). The property is a 913,000 square foot office building. Under the terms of the joint venture, SITQ purchased a 45% interest in the Company's interests in the property based upon a gross aggregate price of $233,900, exclusive of closing costs and reimbursements. No gain or loss was recorded as a result of this transaction. The $150,000 mortgage was assumed by the joint venture. The interest only mortgage matures on January 10, 2004 and has an interest rate based on LIBOR plus 150 basis points (2.62% at June 30, 2003). The Company provides management and leasing services for One Park. During the three and six months ended June 30, 2003 and 2002, the Company earned $177, $643, $310 and $569, respectively, for such services. During the three and six months ended June 30, 2003 and 2002, the Company earned $155, $309, $154 and $308 in asset management fees, respectively. The various ownership interests in the

mortgage positions of One Park, currently held through this joint venture, provide for substantially all of the economic interest in the property and gives the venture the sole option to purchase the ground lease position. Accordingly, the Company has accounted for this joint venture as having an ownership interest in the property.

1250 Broadway

On November 1, 2001, the Company sold a 45% interest in 1250 Broadway, Manhattan ("1250 Broadway") to SITQ based on the property's valuation of approximately $121,500. No gain or loss was recorded as a result of this transaction. The property is a 670,000 square foot office building. This property is subject to an $85,000 mortgage. The interest only mortgage matures on October 21, 2004. The Company entered into a swap agreement on its share of the joint venture first mortgage. The swap effectively fixed the LIBOR rate at 4.04% through January 2005. The interest rate based on LIBOR plus 250 basis points was 6.54% at June 30, 2003. The Company provides management and leasing services for 1250 Broadway. During the three and six months ended June 30, 2003 and 2002, the Company earned $171, $440, $190 and $343, respectively, for such services. During each of the three and six months ended June 30, 2003 and 2002, the Company earned $225, $450, $225 and $450, respectively in asset management fees.

1515 Broadway

On May 15, 2002, the Company and SITQ acquired 1515 Broadway, Manhattan ("1515 Broadway") for a gross purchase price of approximately $483,500. The property is a 1.75 million square foot, 54-story office tower located on Broadway between 44th and 45th Streets. The property was acquired in a joint venture with the Company retaining an approximate 55% non-controlling interest in the asset. Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to the joint venture, the joint venture has agreed not to adversely affect the limited partners' tax positions before December 31, 2011. The Company provides management and leasing services for 1515 Broadway. During the three and six months ended June 30, 2003 and 2002, the Company earned $311, $692, $98 and $98, respectively, for such services. During the three and six months ended June 30, 2003 and 2002, the Company earned $245, $409, $123 and $123 in asset management fees, respectively.

1515 Broadway was acquired with $335,000 of financing of which a $275,000 first mortgage was provided by Lehman Brothers and Bear Stearns and $60,000 was provided by Goldman Sachs and Wells Fargo (the "Mezzanine Loans"). The balance of the proceeds were funded from the Company's unsecured line of credit and from SITQ's capital contribution to the joint venture. The $275,000 first mortgage, which carries an interest rate of 145 basis points over the 30-day LIBOR (2.67% at June 30, 2003), matures in June 2004. The mortgage has five one-year extension options. The Mezzanine Loans consist of two $30,000 loans. The first mezzanine loan, which carries an interest rate of 350 basis points over the 30-day LIBOR (4.62% at June 30, 2003), matures in May 2007. The second mezzanine loan, which carries an interest rate of 450 basis points over the 30-day LIBOR (5.62% at June 30, 2003), matures in May 2007. The Company entered into a swap agreement on $100,000 of its share of the joint venture first mortgage. The swap effectively fixed the LIBOR rate on the $100,000 at 2.299% through June 2004. The blended weighted average interest rate was 4.01% for the quarter ended June 30, 2003.

One tenant, whose leases end between 2008 and 2013, accounts for approximately 92% of this joint venture's annualized rent at June 30, 2003.

Prudential Real Estate Investors Joint Venture

On February 18, 2000, the Company acquired a 49.9% interest in a joint venture which owned 100 Park Avenue, Manhattan ("100 Park") for $95,800. 100 Park is an 834,000 square foot, 36-story property. The purchase price was funded through a combination of cash and a seller provided mortgage on the property of $112,000. On August 11, 2000, AIG/SunAmerica issued a $120,000 mortgage collateralized by the property located at 100 Park, which replaced the pre-existing $112,000 mortgage. The 8.00% fixed rate loan has a 10 year term. Interest only was payable through October 1, 2001 and thereafter principal repayments are due through maturity. The Company provides managing and leasing services for 100 Park. During the three and six months ended June 30, 2003 and 2002, the Company earned $130, $258, $211 and $330, respectively, for such services.

The condensed combined balance sheets for the unconsolidated joint ventures at June 30, 2003 and December 31, 2002, are as follows:

	June 30, 2003	December 31, 2002
Assets		
Commercial real estate property	$ 1,075,489	$ 1,088,083
Other assets	113,912	101,664
Total assets	$ 1,189,401	$ 1,189,747
	2003	**2002**
Liabilities and members' equity		
Mortgage payable	$ 741,993	$ 742,623
Other liabilities	27,198	33,118
Members' equity	420,210	414,006
Total liabilities and members' equity	$ 1,189,401	$ 1,189,747
Company's net investment in unconsolidated joint ventures	$ 216,620	$ 214,644

The condensed combined statements of operations for the unconsolidated joint ventures for the three and six months ended June 30, 2003 and 2002 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Total revenues	$ 43,505	$ 35,899	$ 87,801	$ 64,121
Operating expenses	12,243	8,851	24,400	16,149
Real estate taxes	8,186	5,507	16,372	9,760
Interest	8,500	7,475	16,918	13,396
Depreciation and amortization	7,434	5,938	14,770	10,034
Total expenses	36,363	27,771	72,460	49,339
Net income before gain on sale	$ 7,142	$ 8,128	$ 15,341	$ 14,782

Company's equity in net income of unconsolidated joint ventures	$	3,651	$	3,998	$	7,827	$	7,331

7. Investment in and Advances to Affiliates

Service Corporation

In order to maintain the Company's qualification as a REIT while realizing income from management, leasing and construction contracts from third parties and joint venture properties, all of the management operations are conducted through an unconsolidated company, the Service Corporation. The Company, through the Operating Partnership, owns 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation. Through dividends on its equity interest, the Operating Partnership receives substantially all of the cash flow from the Service Corporation's operations. All of the voting common stock of the Service Corporation (representing 5% of the total equity) is held by a Company affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. The Company accounts for its investment in the Service Corporation on the equity basis of accounting because it has significant influence with respect to management and operations, but does not control the entity. Effective January 1, 2001, the Service Corporation elected to be taxed as a TRS. As of June 30, 2003 and December 31, 2002, the Company's net investment in and advances to the Service Corporation totaled $3,133 and $3,979, respectively.

All of the management, leasing and construction services with respect to the properties wholly-owned by the Company are conducted through SL Green Management LLC which is 100% owned by the Operating Partnership.

eEmerge

On May 11, 2000, the Operating Partnership formed eEmerge, Inc., a Delaware corporation ("eEmerge"), in partnership with Fluid Ventures LLC ("Fluid"). In March 2001, the Company bought out Fluid's entire ownership interest in eEmerge. eEmerge is a separately managed, self-funded company that provides fully-wired and furnished office space, services and support to businesses.

The Company, through the Operating Partnership, owned all the non-voting common stock of eEmerge. Through dividends on its equity interest, the Operating Partnership received approximately 100% of the cash flow from eEmerge operations. All of the voting common stock was held by a Company affiliate. This controlling interest gave the affiliate the power to elect all the directors of eEmerge. The Company accounted for its investment in eEmerge on the equity basis of accounting because although it had significant influence with respect to management and operations, it did not control the entity. Effective March 26, 2002, the Company acquired all the voting common stock previously held by the Company affiliate. As a result, the Company controls all the common stock of eEmerge. Effective with the quarter ended March 31, 2002, the Company consolidated the operations of eEmerge. Effective January 1, 2001, eEmerge elected to be taxed as a TRS.

On June 8, 2000, eEmerge and Eureka Broadband Corporation ("Eureka") formed eEmerge.NYC LLC, a Delaware limited liability company ("ENYC") whereby eEmerge has a 95% interest and Eureka has a 5% interest in ENYC. ENYC was formed to build and operate a 45,000 square foot fractional office suites business marketed to the technology industry. ENYC entered into a 10-year lease with the Operating Partnership for its premises, which is located at 440 Ninth Avenue, Manhattan. Allocations of net profits, net losses and distributions are made in accordance with the Limited Liability Company Agreement of ENYC. Effective with the quarter ended March 31, 2002, the Company consolidated the operations of ENYC.

The net book value of the Company's investment as of June 30, 2003 was $4,318. Management currently believes that, assuming future increases in rental revenue in excess of inflation, it will be possible to recover the net book value of the investment through future operating cash flows. However, there is a possibility that eEmerge will not generate sufficient future operating cash flows for the Company to recover its investment. As a result of this risk factor, management may in the future determine that it is necessary to write down a portion of the net book value of the investment.

8. Deferred Costs

Deferred costs at June 30, 2003 and December 31, 2002, respectively, consisted of the following:

		June 30, 2003		December 31, 2002
Deferred financing	$	**19,225**	$	16,180
Deferred leasing		**46,624**		44,881
		65,849		61,061
Less accumulated amortization		**(28,155)**		(25,550)
	$	**37,694**	$	35,511

9. Mortgage Notes Payable

The first mortgage notes payable collateralized by the respective properties and assignment of leases at June 30, 2003 and December 31, 2002, respectively, are as follows:

Property	Maturity Date	Interest Rate		June 30, 2003		December 31, 2002
1414 Avenue of the Americas (1)	5/1/09	7.90 %	$	13,629	$	13,726
70 West 36th Street (1)	5/1/09	7.90%		11,877		11,961
711 Third Avenue (1)	9/10/05	8.13%		48,240		48,446
420 Lexington Avenue (1)	11/1/10	8.44%		122,191		123,107
317 Madison Avenue (1) (2)	8/20/04	LIBOR + 1.80%		65,000		65,000
555 West 57th Street (3)	11/4/04	LIBOR + 2.00%		67,916		68,254

673 First Avenue (1)	2/11/13	5.67%	35,000	—
125 Broad Street (4)	10/11/07	8.29%	76,499	—
50 West 23rd Street (5)	8/1/07	7.33%	—	20,901
875 Bridgeport Ave., Shelton, CT (6)	5/10/25	8.32%	—	14,831
Total fixed rate debt			440,352	366,226
220 East 42nd Street	9/4/04	LIBOR + 1.764%	158,000	—
Total floating rate debt			158,000	—
Total mortgage notes payable (7)			$ 598,352	$ 366,226

(1) Held in bankruptcy remote special purpose entity.
(2) The Company obtained a first mortgage secured by the property on August 16, 2001. The mortgage has two one-year extension options. On October 18, 2001, the Company entered into a swap agreement effectively fixing the LIBOR rate at 4.01% for four years. This loan was repaid on July 31, 2003.
(3) The Company entered into an interest rate protection agreement which fixed the LIBOR interest rate at 6.10% at June 30, 2003 since LIBOR was 1.12% at that date. If LIBOR exceeds 6.10%, the loan will float until the maximum LIBOR rate of 6.58% is reached.
(4) This mortgage has a contractual maturity date of October 11, 2030.
(5) This asset was classified as held for sale at December 31, 2002. The related mortgage was included in liabilities related to assets held for sale on the accompanying balance sheet. The mortgage was repaid on March 26, 2003, upon sale of the property.
(6) This asset was classified as held for sale at March 31, 2003. The related mortgage was included in liabilities related to assets held for sale on the accompanying balance sheet. The mortgage was assumed by the purchaser on May 21, 2003, upon sale of the property.
(7) Excludes $22,178 loan obtained to fund a structured finance transaction (see Note 5(2)).

Principal Maturities

Combined aggregate principal maturities of mortgages and notes payable, secured and unsecured revolving credit facilities, unsecured term loan and the Company's share of joint venture debt as of June 30, 2003 are as follows:

	Scheduled Amortization	Principal Repayments	Revolving Credit Facilities	Term Loan	Total	Joint Venture Debt
2003	$ 1,903	$ 22,178	$ 7,000	$ —	$ 31,081	$ 314
2004	3,958	290,015	—	—	293,973	321,866
2005	4,158	47,247	—	—	51,405	16,079
2006	4,222	—	35,000	—	39,222	608
2007	4,344	73,341	—	100,000	177,685	659
Thereafter	12,950	156,214	—	—	169,164	56,521
	$ 31,535	$ 588,995	$ 42,000	$ 100,000	$ 762,530	$ 396,047

Mortgage Recording Tax - Hypothecated Loan

The Operating Partnership mortgage tax credit loans totaled approximately $96,051 from Lehman Brothers Holdings, Inc. ("LBHI") at December 31, 2002. These loans were collateralized by the mortgage encumbering the Operating Partnership's interests in 290 Madison Avenue. The loans were also collateralized by an equivalent amount of the Company's cash which was held by LBHI and invested in US Treasury securities. Interest earned on the cash collateral was applied by LBHI to service the loans with interest rates commensurate with that of a portfolio of six-month US Treasury securities, which will mature on June 1, 2004. The Operating Partnership and LBHI each had the right of offset and therefore the loans and the cash collateral were presented on a net basis in the consolidated balance sheet at June 30, 2003. Under the terms of the LBHI facility, no fees are due to the lender until such time as the facility is utilized. When a preserved mortgage is assigned to a third party or is used by the Company in a financing transaction, finance costs are incurred and are only calculated at that time. These costs are then accounted for based on the nature of the transaction. If the mortgage credits are sold to a third party, the finance costs are written off directly against the gain on sale of the credits. If the mortgage credits are used by the Company, the finance costs are deferred and amortized over the term of the new related mortgage. The amortization period is dependent on the term of the new mortgage. 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 level debt, or refinancings for which these credits would be applicable and provide a financial savings. At the same time, the underlying mortgage remains a bona-fide debt to LBHI. The loans are considered utilized when the loan balance of the facility decreases due to the assignment of the preserved mortgage to a property which the Company is acquiring with debt or is being financed by the Company, or to a third party for the same purposes. On February 7, 2003, the Company used $35,000 of these mortgage tax credit loans as part of the refinancing of 673 First Avenue. An equivalent amount of the loan was repaid. Also on February 7, 2003, the Company transferred $50,335 of these mortgage tax credit loans to a third party, repaid an equivalent amount of the loan and realized a gain of $276 from the sale. As of June 30, 2003, the facility had an available balance of $10,716 and total capacity of $200,000.

10. Revolving Credit Facilities

Unsecured Revolving Credit Facility

On March 17, 2003, the Company renewed its $300,000 unsecured revolving credit facility (the "Unsecured Revolving Credit Facility") from a group of 13 banks. The Company has a one-time option to increase the capacity under the Unsecured Revolving Credit Facility to $375,000 at any time prior to the maturity date. The Unsecured Revolving Credit Facility has a term of three years with a one-year extension option. It bears interest at a spread ranging from 130 basis points to 170 basis points over LIBOR, based on the Company's leverage ratio. If the Company was to receive an investment grade rating, the spread over LIBOR will be reduced to between 120 basis points and 95 basis points depending on the debt ratio. The

Unsecured Revolving Credit Facility also requires a 15 to 25 basis point fee on the unused balance payable quarterly in arrears. At June 30, 2003, $35,000 was outstanding and carried an effective quarterly weighted average interest rate of 2.68%. Availability under the Unsecured Revolving Credit Facility at June 30, 2003 was further reduced by the issuance of letters of credit in the amount of $5,000 for acquisition deposits. The Unsecured Revolving Credit Facility includes certain restrictions and covenants (see restrictive covenants below).

Secured Revolving Credit Facility

On December 20, 2001, the Company repaid in full and retired the $60,000 secured credit facility in connection with the Company obtaining a $75,000 secured revolving credit facility (the "Secured Revolving Credit Facility"). The Secured Revolving Credit Facility has a term of two years with a one-year extension option. It bears interest at the rate of 150 basis points over LIBOR and is secured by various structured financial investments. At June 30, 2003, $7,000 was outstanding and earned an effective quarterly weighted average interest rate of 2.79%. The Secured Revolving Credit Facility includes certain restrictions and covenants which are similar to those under the Unsecured Revolving Credit Facility (see restrictive covenants below).

Term Loan

On December 5, 2002, the Company obtained a $150,000 unsecured term loan and drew down $100,000 at that time. This unsecured term loan has a term of five years. It bears interest at the rate of 150 basis points over LIBOR. This unsecured term loan was used to pay down our secured and unsecured revolving credit facilities. The Company entered into two swap agreements to fix its exposure to the LIBOR rate on this loan. The LIBOR rates were fixed at 1.637% for the first year and 4.06% for years two through five for a blended rate of 5.06%. On June 5, 2003, the Company increased the capacity under the unsecured term loan to $200,000 and extended the ultimate maturity to June 5, 2008. On July 31, 2003, the Company drew down $65,000 to repay the mortgage on 317 Madison Avenue.

Restrictive Covenants

The terms of the unsecured and secured revolving credit facilities and the term loan include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, and fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments.

11. Fair Value of Financial Instruments

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents, accounts receivable, accounts payable, and revolving credit facilities balances reasonably approximate their fair values due to the short maturities of these items. Mortgage notes payable and the unsecured term loan have an estimated fair value based on discounted cash flow models of approximately $564,260, which exceeds the book value by $23,908. Structured finance investments are carried at amounts which reasonably approximate their fair value as determined by the Company.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of June 30, 2003. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

12. Rental Income

The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from July 1, 2003 to 2020. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at June 30, 2003 for the wholly-owned properties and the Company's share of joint venture properties are as follows:

	Wholly-Owned Properties	Joint Venture Properties
2003	$ 225,841	$ 72,205
2004	221,414	71,379
2005	208,709	68,390
2006	195,424	66,189
2007	181,074	62,294
Thereafter	742,690	165,726
	$ 1,775,152	$ 506,183

13. Related Party Transactions

Cleaning Services

First Quality Maintenance, L.P. provides cleaning, extermination and related services with respect to certain of the properties owned by the Company. First Quality is owned by Gary Green, a son of Stephen L. Green, the Company's Chairman of the Board and Chief Executive Officer. First Quality also provides additional services directly to tenants on a separately negotiated basis. The aggregate amount of fees paid by the Company to First Quality for services provided (excluding services provided directly to tenants) was approximately $998, $1,667, $901 and $1,554 for the three and six months ended June 30, 2003 and 2002, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at the Company's properties on a basis separately negotiated with any tenant seeking such additional services. First Quality leases 12,290 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2005 and provides for annual rental payments of approximately $290.

Security Services

Classic Security LLC provides security services with respect to certain properties owned by the Company. Classic Security is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by the Company for such services was approximately $945, $1,656, $915 and $1,775 for the three and six months ended June 30, 2003 and 2002, respectively.

Messenger Services

Bright Star Couriers LLC provides messenger services with respect to certain properties owned by the Company. Bright Star Couriers is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by the Company for such services was approximately $43, $50, $8 and $18 for the three and six months ended June 30, 2003 and 2002, respectively.

Leases

Nancy Peck and Company leases 2,013 feet of space at 420 Lexington Avenue, New York, New York pursuant to a lease that expires on June 30, 2005 and provides for annual rental payments of approximately $63. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is offset against a consulting fee, of $10 per month, the Company pays to her pursuant to a consulting agreement which is cancelable upon 30-days notice.

Management Fees

S.L. Green Management Corp. receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately $66, $125, $72 and $129 for the three and six months ended June 30, 2003 and 2002, respectively.

Brokerage Services

Sonnenblick-Goldman Company, a nationally recognized real estate investment banking firm, provided mortgage brokerage services with respect to securing approximately $85,000 of aggregate first mortgage financing for 1250 Broadway in 2001 and $35,000 of first mortgage financing for 673 First Avenue in 2003. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financing. The fees paid by the Company to Sonnenblick for such services was approximately $319 in 2001 and $175 in 2003.

Investments

The ownership interests in NJMA Centennial, an entity in which the Company held an indirect non-controlling 10% ownership interest, were sold in May 2003 for $4,500 to NJMA Centennial Owners, LLC, the managing member of which is an affiliate of the Schultz Organization. The sole asset of NJMA Centennial is 865 Centennial Avenue, a 56,000 square foot office/industrial property located in Piscataway, New Jersey. Under NJMA Centennial's Operating Agreement, the Company had no authority with respect to the sale. Marc Holliday, one of our executive officers, invested $225,000 in a non-managing membership interest in the entity acquiring the property. The Company's Board of Directors determined that this was not an appropriate investment opportunity for the Company and approved the investment by the executive officer prior to the transaction occurring.

Amounts due (to) from related parties at June 30, 2003 and December 31, 2002 consisted of the following:

	June 30, 2003	December 31, 2002
17 Battery Condominium Association	$ **(31)**	$ (203)
110 Condominium Association	**(13)**	233
Morgan Stanley Real Estate Funds	**438**	531
100 Park	**—**	347
One Park Realty Corp.	**31**	31
JV-CMBS	**—**	559
Officers	**1,539**	1,534
Other	**1,981**	1,836
Related party receivables	$ **3,945**	$ 4,868

On January 17, 2001, Mr. Marc Holliday, the Company's President, received a non-recourse loan from us in the principal amount of $1,000 pursuant to his amended and restated employment and noncompetition agreement. This loan bears interest at the applicable federal rate per annum and is secured by a pledge of certain of Mr. Holliday's shares of the Company's common stock. The principal of and interest on this loan is forgivable upon our attainment of specified financial performance goals prior to December 31, 2006, provided that Mr. Holliday remains employed by us until January 17, 2007. On April 17, 2000, Mr. Holliday received a loan from the Company in the principal amount of $300, with a maturity date of July 17, 2003. This loan bears interest at a rate of 6.60% per annum and is secured by a pledge of certain of Mr. Holliday's shares of the Company's common stock. On May 14, 2002, Mr. Holliday entered into a loan modification agreement with the Company in order to modify the repayment terms of the $300 loan. Pursuant to the agreement, $100 (plus accrued interest thereon) is forgivable on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remains employed by the Company through each of such date. In addition, the $300 loan shall be forgiven if and when the $1,000 loan that Mr. Holliday received pursuant to his amended and restated employment and noncompetition agreement is forgiven.

14. Preferred Stock

The Company's 4,600,000 8% Preferred Income Equity Redeemable Shares ("PIERS") are non-voting and are convertible at any time at the option of the holder into the Company's common stock at a conversion price of $24.475 per share. The conversion of all PIERS would result in the issuance of 4,699,000 of the Company's common stock which have been reserved for issuance. The PIERS receive annual dividends of $2.00 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. On or after July 15, 2003, the PIERS may be redeemed into common stock at the option of the Company at a redemption price of $25.889 and thereafter at prices declining to the par value of $25.00 on or after July 15, 2007, with a mandatory redemption on April 15, 2008 at a price of $25.00 per share. The Company may pay the redemption price out of the sale proceeds of other shares of stock of the Company. The PIERS were recorded net of underwriters discount and issuance costs. These costs are being accreted over the expected term of the PIERS using the interest method.

15. Stockholders' Equity

Common Stock

The authorized capital stock of the Company consists of 200,000,000 shares, $0.01 par value, of which the Company has authorized the issuance of up to 100,000,000 shares of common stock, $0.01 par value per share, 75,000,000 shares of excess stock, at $0.01 par value per share, and 25,000,000 shares of Preferred Stock, par value $0.01 per share. As of June 30, 2003, 31,172,893 shares of common stock and no shares of excess stock were issued and outstanding.

Rights Plan

On February 16, 2000, the Board of Directors of the Company authorized a distribution of one preferred share purchase right ("Right") for each outstanding share of common stock under a shareholder rights plan. This distribution was made to all holders of record of the common stock on March 31, 2000. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series B junior participating preferred stock, par value $0.01 per share ("Preferred Shares"), at a price of $60.00 per one one-hundredth of a Preferred Share ("Purchase Price"), subject to adjustment as provided in the rights agreement. The Rights expire on March 5, 2010, unless the expiration date is extended or the Right is redeemed or exchanged earlier by the Company.

The Rights are attached to each share of common stock. The Rights are generally exercisable only if a person or group becomes the beneficial owner of 17% or more of the outstanding common stock or announces a tender offer for 17% or more of the outstanding common stock ("Acquiring Person"). In the event that a person or group becomes an Acquiring Person, each holder of a Right, excluding the Acquiring Person, will have the right to receive, upon exercise, common stock having a market value equal to two times the Purchase Price of the Preferred Shares.

Dividend Reinvestment and Stock Purchase Plan

The Company filed a registration statement with the Securities and Exchange Commission, or the SEC, for the Company's dividend reinvestment and stock purchase plan ("DRIP") which was declared effective on September 10, 2001, and commenced on September 24, 2001. The Company registered 3,000,000 shares of common stock under the DRIP.

As of June 30, 2003, 138 shares were issued and $4.4 of proceeds were received from dividend reinvestments and/or stock purchases under the DRIP.

2003 Long-Term Outperformance Compensation Program

At the May 2003 meeting of the Company's Board of Directors, the Board ratified a long-term, seven-year compensation program for senior management. The program, which measures the Company's performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provides that holders of the Company's common equity are to achieve a 40% total return during the measurement period over a base of $30.07 per share before any restricted stock awards are granted. Management will receive an award of restricted stock in an amount between 8% and 10% of the excess return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from the Company's Stock Option Plan (as defined below), which was previously approved through a shareholder vote in May 2002. The total return will be calculated as of each quarter end. If the total return exceeds the baseline, the award will be valued based on various factors such as time elapsed since commencement, excess over baseline, and vesting schedule, and compensation expense recorded. Forty percent of the award will be amortized over four years and the balance will be amortized at twenty percent per year over five, six and seven years, respectively. The total value of the award (capped at one percent per year of common stock outstanding) will determine the number of shares assumed to be issued for purposes of calculating diluted earnings per share. No compensation expense was recorded during the three months ended June 30, 2003.

Stock Option Plan

During August 1997, the Company instituted the 1997 Stock Option and Incentive Plan (the "Stock Option Plan"). The Stock Option Plan was amended in December 1997, March 1998, March 1999 and May 2002. The Stock Option Plan, as amended, authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code ("ISOs"), (ii) the grant of stock options that do not qualify ("NQSOs"), (iii) the grant of stock options in lieu of cash Directors' fees and (iv) grants of shares of restricted and unrestricted common stock. The exercise price of stock options will be determined by the compensation committee, but may not be less than 100% of the fair market value of the shares of common stock on the date

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of grant. At June 30, 2003, approximately 5,168,710 shares of common stock were reserved for issuance under the Stock Option Plan.

Options granted under the Stock Option Plan are exercisable at the fair market value on the date of grant and, subject to termination of employment, expire ten years from the date of grant, are not transferable other than on death, and are generally exercisable in three to five annual installments commencing one year from the date of grant.

A summary of the status of the Company's stock options outstanding as of June 30, 2003 and changes during the six months then ended is presented below:

	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	3,278,663	$ 25.49
Granted	25,000	$ 33.45
Exercised	(309,765)	$ 21.89
Lapsed or cancelled	—	—
Balance at end of quarter	2,993,898	$ 25.91
Options exercisable at end of quarter	1,179,969	$ 23.31

All options were granted within a price range of $18.44 to $34.99. The remaining weighted average contractual life of the options was 7.59 years.

Earnings Per Share
Earnings per share is computed as follows (in thousands):

Numerator (Income)	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Basic Earnings:				
Income available to common shareholders	**$ 15,542**	$ 15,675	**$ 49,458**	$ 30,888
Effect of Dilutive Securities:				
Redemption of units to common shares	**1,153**	1,153	**3,672**	2,309
Preferred Stock (if converted to common stock)	**2,431**	—	**4,862**	—
Stock options	**—**	—	**—**	—
Diluted Earnings:				
Income available to common shareholders	**$ 19,126**	$ 16,828	**$ 57,992**	$ 33,197

Denominator (Shares)	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Basic Shares:				
Shares available to common shareholders	**31,082**	30,200	**30,895**	30,097
Effect of Dilutive Securities:				
Redemption of units to common shares	**2,326**	2,222	**2,302**	2,247
Preferred Stock (if converted to common stock)	**4,699**	—	**4,699**	—
Stock options	**712**	761	**616**	707
Diluted Shares	**38,819**	33,183	**38,512**	33,051

The PIERS outstanding in 2003 and 2002 were not included in the 2002 computation of earnings per share as they were anti-dilutive during that period.

16. Minority Interest

On February 13, 2003, the Operating Partnership issued 376,000 units of limited partnership interest in connection with the acquisition of 220 East 42nd Street.

On March 28, 2003, the Operating Partnership issued 51,667 units of limited partnership interest in connection with the acquisition of condominium interests in 125 Broad Street.

The unit holders represent the minority interest ownership in the Operating Partnership. As of June 30, 2003 and 2002, the minority interest unit holders owned 6.9% (2,306,447 units) and 6.8% (2,212,690 units) of the Operating Partnership, respectively. At June 30, 2003, 2,306,447 shares of common stock were reserved for the conversion of units of limited partnership interest in the Operating Partnership.

17. Benefit Plans

The building employees are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to $815, $1,582, $705 and $1,390 during the three and six months ended June 30, 2003 and 2002, respectively. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

Deferred Compensation Award
Contemporaneous with the closing of 1370 Avenue of the Americas, Manhattan an award of $2,833 was granted to several members of management, which was earned in connection with the realization of this investment gain ($5,624 net of the award). This award, which was paid out over a three-year period, was presented as Deferred compensation award on the balance sheet. As of March 31, 2003, the complete award had been paid.

18. 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 or the Operating Partnership.

On October 24, 2001, an accident occurred at 215 Park Avenue South, Manhattan, a property which the Company manages, but does not own. Personal injury and wrongful death claims have been filed against the Company and others by 11 persons. The Company believes that there is sufficient insurance coverage to cover the cost of such claims, as well as any other personal injury or property claims which may arise.

The Company has entered into employment agreements with certain executives. Six executives have employment agreements which expire between November 2003 and December 2007. The cash based compensation associated with these employment agreements totals approximately $2,125 for 2003.

During March 1998, the Company acquired an operating sub-leasehold position at 420 Lexington Avenue, Manhattan. The operating sub-leasehold position requires annual ground lease payments totaling $6,000 and sub-leasehold position payments totaling $1,100 (excluding an operating sub-lease position purchased January 1999). The ground lease and sub-leasehold positions expire 2008. The Company may extend the positions through 2029 at market rents.

The property located at 1140 Avenue of the Americas, Manhattan, operates under a net ground lease ($348 annually) with a term expiration date of 2016 and with an option to renew for an additional 50 years.

The property located at 711 Third Avenue, Manhattan, operates under an operating sub-lease which expires in 2083. Under the sub-lease, the Company is responsible for ground rent payments of $1,600 annually which increased to $3,100 in July 2001 and will continue for the next ten years. The ground rent is reset after year ten based on the estimated fair market value of the property.

The property located at 125 Broad Street, Manhattan, operates under a ground lease ($426 annually) with a term expiration date of December 31, 2067 and with an option to renew for an additional five years and six months. The Company can acquire the ground lease at specified times in the future at a fixed price.

In April 1988, the SL Green predecessor entered into a lease agreement for property at 673 First Avenue, Manhattan ("673 First Avenue"), which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the fair market value of the property. The portion of the lease attributed to land is classified as an operating lease and the remainder as a capital lease. The initial lease term is 49 years with an option for an additional 26 years. Beginning in lease years 11 and 25, the lessor is entitled to additional rent as defined by the lease agreement.

The Company continues to lease the 673 First Avenue property, which has been classified as a capital lease with a cost basis of $12,208 and cumulative amortization of $3,715 and $3,579 at June 30, 2003 and December 31, 2002, respectively.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of June 30, 2003.

	Capital Leases	Noncancellable Operating Leases
2003	$ 696	$ 6,204
2004	1,290	12,408
2005	1,290	12,408
2006	1,322	12,408
2007	1,416	12,408
Thereafter	56,406	322,691
Total minimum lease payments	62,420	$ 378,527
Less amount representing interest	(46,408)	
Present value of net minimum lease payments	$ 16,012	

19. Financial Instruments: Derivatives and Hedging

FASB No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which became effective January 1, 2001 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. SFAS 133 may increase or decrease reported net income and stockholders' equity prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of the Company's derivative financial instruments at June 30, 2003. The notional value is an indication of the extent of the Company's involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks.

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Collar	$ 70,000	6.580%	2/1999	11/2004	$ (4,416)
Interest Rate Swap	$ 65,000	4.010%	11/2001	8/2005	(3,479)
Interest Rate Swap	$ 100,000	1.637%	12/2002	12/2003	(256)

Interest Rate Swap	$	100,000	4.060%	12/2003	12/2007	(5,660)
Interest Rate Swap	$	100,000	3.869%	10/2003	10/2013	722
Interest Rate Swap	$	46,000	3.888%	10/2003	10/2013	260

On June 30, 2003, the derivative instruments were reported as an obligation at their fair value of $12,829. Offsetting adjustments are represented as deferred gains or losses in Accumulated Other Comprehensive Loss of $12,702. Currently, all derivative instruments are designated as effective hedging instruments.

Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Loss will be reclassified into earnings as interest expense in the same periods in which the hedged interest payments affect earnings. The Company estimates that approximately $5,451 of the current balance held in Accumulated Other Comprehensive Loss will be reclassified into earnings within the next twelve months.

The Company is hedging exposure to variability in future cash flows for forecasted transactions in addition to anticipated future interest payments on existing debt.

20. Environmental Matters

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

21. Segment Information

The Company is a REIT engaged in owning, managing, leasing and repositioning office properties in Manhattan and has two reportable segments, office real estate and structured finance investments. The Company evaluates real estate performance and allocates resources based on earnings contribution to net operating income.

The Company's real estate portfolio is primarily located in the geographical market of Manhattan. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). See Note 5 for additional details on the Company's structured finance investments.

Selected results of operations for the three and six months June 30, 2003 and 2002, and selected asset information as of June 30, 2003 and December 31, 2002, regarding the Company's operating segments are as follows:

	Real Estate Segment	Structured Finance Segment	Total Company
Total revenue			
Three months ended:			
June 30, 2003	$ 70,902	$ 3,449	$ 74,351
June 30, 2002	52,157	5,762	57,919
Six months ended:			
June 30, 2003	$ 132,663	$ 8,366	$ 141,029
June 30, 2002	104,109	11,393	115,502
Income from continuing operations before minority interest			
Three months ended:			
June 30, 2003	$ 15,757	$ 2,661	$ 18,418
June 30, 2002	13,239	4,267	17,506
Six months ended:			
June 30, 2003	$ 31,267	$ 5,003	$ 36,270
June 30, 2002	26,424	8,384	34,808
Total assets			
June 30, 2003	$ 1,600,066	$ 125,517	$ 1,725,583
December 31, 2002	1,327,530	145,640	1,473,170

Operating earnings represents total revenues less total expenses for the real estate segment and total revenues less allocated interest expense for the structured finance segment. The Company does not allocate marketing, general and administrative expenses ($2,804, $5,990, $3,356 and $6,558 for the three and six months ended June 30, 2003 and 2002, respectively) to the structured finance segment, since it bases performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

The table below reconciles operating earnings to net income available to common shareholders for the three and six months ended June 30, 2003 and 2002.

	Three Months Ended June 30,	Six Months Ended June 30,

	2003	2002	2003	2002
Income from continuing operations before minority interest	$ **18,418**	$ 17,506	$ 36,270	$ 34,808
Minority interest in operating partnership attributable to continuing operations	**(1,103)**	(1,033)	(2,165)	(2,084)
Income from continuing operations	**17,315**	16,473	34,105	32,724
Income from discontinued operations, net of minority interest	**658**	1,625	20,215	3,010
Net income	**17,973**	18,098	54,320	35,734
Preferred stock dividends	**(2,300)**	(2,300)	(4,600)	(4,600)
Preferred stock accretion	**(131)**	(123)	(262)	(246)
Net income available to common shareholders	$ **15,542**	$ 15,675	$ 49,458	$ 30,888

22. Supplemental Disclosure of Non-Cash Investing and Financing Activities

	2003	2002
Issuance of common stock as deferred compensation	$ **4,278**	$ —
Derivative instruments at fair value	**(1,962)**	(1,798)
Issuance of units of limited partnership interest in connection with acquisition	**12,845**	—
Assumption of mortgage notes payable upon acquisition of real estate	**234,641**	—
Fair value of above and below market leases (SFAS No. 141) in connection with acquisition	**(2,328)**	—
Fair value of debt assumed (SFAS No. 141) in connection with acquisition	**3,232**	—
Redemption premium purchase price adjustment	**4,380**	—
Assignment of mortgage note payable upon sale of real estate	**14,814**	—
Conversion of preferred equity investment	**53,500**	

23. Subsequent Events

On July 21, 2003, the Company entered into an agreement to acquire the long-term leasehold interest in 461 Fifth Avenue for $62.3 million, or $312 per square foot. The leasehold acquisition will be funded, in part, with the proceeds from the sale of 1370 Broadway, which closed on July 31, 2003. As a 1031 tax-free exchange, the transaction will enable the Company to defer gains from this sale of 1370 Broadway and from the sale of 17 Battery Place South, which gain was initially re-invested in 1370 Broadway. The balance of the acquisition will be funded using the Company's unsecured revolving credit facility.

ITEM 2. 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 (the "Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements relate to, without limitation, our future capital expenditures, dividends and acquisitions (including the amount and nature thereof) and other development trends of the real estate industry and the Manhattan office market, business strategies, and the expansion and growth of our operations. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Act and Section 21E of the Exchange Act. Such statements are subject to a number of assumptions, risks and uncertainties which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or the negative of these words, or other similar words or terms. Readers are cautioned not to place undue reliance on these forward-looking statements. Among the factors about which we have made assumptions are general economic and business (particularly real estate) conditions either nationally or in New York City being less favorable than expected, the potential impact of terrorist attacks on the national, regional and local economies including in particular, the New York City area and our tenants, the business opportunities that may be presented to and pursued by us, changes in laws or regulations (including changes to laws governing the taxation of REITs), risk of acquisitions, availability of capital (debt and equity), interest rate fluctuations, competition, supply and demand for properties in our current and any proposed market areas, tenants' ability to pay rent at current or increased levels, accounting principles, policies and guidelines applicable to REITs, environmental risks, tenant bankruptcies and defaults, the availability and cost of comprehensive insurance, including coverage for terrorist acts, and other factors, many of which are beyond our control. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

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

General

SL Green Realty Corp. (the "Company"), a Maryland corporation, and SL Green Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties,

Inc. and its affiliated partnerships and entities. Unless the context requires otherwise, all references to "we," "our," and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing elsewhere in this report and the financial statements included in our annual report on Form 10-K.

As of June 30, 2003, we owned 20 commercial properties encompassing approximately 8.23 million rentable square feet located primarily in midtown Manhattan ("Manhattan"), a borough of New York City. We refer to these properties as our wholly-owned properties. As of June 30, 2003, the weighted average occupancy (total leased square feet divided by total available square feet) of our wholly-owned properties was 97.0%. Our portfolio (the "Portfolio") also includes ownership interests in unconsolidated joint ventures which own six commercial properties in Manhattan, encompassing approximately 4.64 million rentable square feet. These properties were 93.0% occupied as of June 30, 2003. In addition, we continue to manage three office properties owned by third-parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

Critical Accounting Policies

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

Rental Property

On a periodic basis, our management team assesses whether there are any indicators that the value of our real estate properties, including joint venture properties and assets held for sale, and structured finance investments may be impaired. If the carrying amount of the property is greater than the estimated expected future cash flow (undiscounted and without interest charges) of the asset, impairment has occurred. We will then record an impairment loss equal to the difference between the carrying amount and the fair value of the asset. We do not believe that the value of any of our real estate properties or structured finance investments were impaired at June 30, 2003 and December 31, 2002.

Revenue Recognition

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

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

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

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

The expense for possible credit losses in connection with structured finance investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses by category of asset. When it is probable that we will be unable to collect all amounts contractually due, the account is considered impaired.

Where impairment is indicated, a valuation write-down or write-off is measured based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. Any deficiency between the carrying amount of an asset and the net sales price of repossessed collateral is charged to the allowance for credit losses. No reserve for impairment was required at June 30, 2003 or December 31, 2002.

Derivative Financial Instruments

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

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

Results of Operations

The following comparison for the three and six months ended June 30, 2003 (“2003”) to the three and six months ended June 30, 2002 (“2002”) makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all properties owned by us at January 1, 2002 and at June 30, 2003 and total 17 of our 20 wholly-owned properties, representing approximately 78% of our annualized rental revenue, (ii) the effect of the “2003 Acquisitions,” which represents all properties acquired in 2003, namely, 220 East 42nd Street (February 2003) and 125 Broad Street (March 2003), and (iii) “Other,” which represents corporate level items not allocable to specific properties and eEmerge. Assets classified as held for sale, namely 50 West 23rd Street, 1370 Broadway and 875 Bridgeport Avenue, Shelton, CT, are excluded from the following discussion.

Comparison of the three months ended June 30, 2003 to the three months ended June 30, 2002

Rental Revenues (in millions)	2003	2002	$ Change	% Change
Rental revenue	**$ 59.3**	$ 44.7	$ 14.6	32.7%
Escalation and reimbursement revenue	**10.0**	6.0	4.0	66.7%
Signage revenue	**0.4**	0.3	0.1	33.3%
Total	**$ 69.7**	$ 51.0	$ 18.7	36.7%
Same-Store Properties	**$ 55.0**	$ 50.9	$ 4.1	8.1%
2003 Acquisitions	**14.0**	—	14.0	—%
Other	**0.7**	0.1	0.6	600.0%
Total	**$ 69.7**	$ 51.0	$ 18.7	36.7%

Rental revenue in the Same-Store Properties increased due to an increase in occupancy from 96.6% in 2002 to 97.3% in 2003 and because new cash rents on previously occupied space by new tenants at Same-Store Properties was 14% higher than the previously fully escalated rent (i.e., the highest rent paid on the same space by the old tenant).

At June 30, 2003, we estimated that the current market rents on our wholly-owned properties were approximately 6.8% higher than then existing in-place fully escalated rents. Approximately 5.8% of the space leased at wholly-owned properties expires during the remainder of 2003. We believe that occupancy rates will remain relatively flat at the Same-Store Properties in 2003.

The increase in escalation and reimbursement revenue was primarily due to the recoveries at the Same-Store Properties ($2.6 million) and the 2003 Acquisitions ($1.4 million). The increase in recoveries at the Same-Store Properties was due to real estate tax recoveries ($1.4 million), operating expense recoveries ($0.8 million) and electric recoveries ($0.4 million). On an annualized basis, we recovered approximately 93% of our electric costs at our Same-Store Properties.

Investment and Other Income (in millions)	2003	2002	$ Change	% Change
Equity in net income of unconsolidated joint ventures	**$ 3.7**	$ 4.0	$ (0.3)	(7.5)%
Investment and preferred equity income	**3.4**	5.8	(2.4)	(41.4)%
Other	**1.2**	1.2	—	— %
Total	**$ 8.3**	$ 11.0	$ (2.7)	(24.6)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower contributions from our joint ventures in 2003 compared to 2002. Occupancy at the joint venture properties decreased from 98.2% in 2002 to 93.0% in 2003. At June 30, 2003, we estimated that current market rents at our joint venture properties were approximately 17.0% higher than then existing in-place fully escalated rents. Approximately 2.8% of the space leased at joint venture properties expires during the remainder of 2003.

The decrease in investment income primarily represents interest income from structured finance transactions ($2.2 million) primarily due to lower weighted average loan balances outstanding as a result of the redemption of the preferred equity investment in 220 East 42nd Street. The weighted average loan balance outstanding and yield were $120.0 million and 12.4%, respectively, for 2003 compared to $175.9 million and 12.7%, respectively, for 2002.

Property Operating Expenses (in millions)	2003	2002	$ Change	% Change
Operating expenses (excluding electric)	**$ 14.5**	$ 9.6	$ 4.9	51.0%
Electric costs	**4.8**	3.9	0.9	23.1%
Real estate taxes	**11.0**	6.8	4.2	61.8%
Ground rent	**3.3**	3.2	0.1	3.1%
Total	**$ 33.6**	$ 23.5	$ 10.1	43.0%
Same-Store Properties	**$ 26.4**	$ 22.6	$ 3.8	16.8%
2003 Acquisitions	**6.4**	—	6.4	—%
Other	**0.8**	0.9	(0.1)	(11.1)%
Total	**$ 33.6**	$ 23.5	$ 10.1	43.0%

Same-Store Properties operating expenses, excluding real estate taxes, increase approximately $2.6 million. There were increases in insurance premiums from policy renewals ($0.8 million), advertising, professional and management costs ($0.6 million), repairs, maintenance and security expenses ($0.2 million) and steam and heating costs ($0.2 million).

The increase in electric costs was primarily due to higher electric usage in 2003 compared to 2002 as well as an increase in the number of wholly-owned properties.

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($2.0 million) due to higher assessed property values and increased tax rates and the 2003 Acquisitions ($2.1 million).

Other Expenses (in millions)	2003	2002	$ Change	% Change
Interest expense	$ **11.6**	$ 8.8	$ 2.8	31.8%
Depreciation and amortization expense	**11.6**	9.1	2.5	27.5%
Marketing, general and administrative expense	**2.8**	3.4	(0.6)	(17.7)%
Total	$ **26.0**	$ 21.3	$ 4.7	22.1%

The increase in interest expense was primarily attributable to costs associated with new investment activity ($4.1 million) and the funding of ongoing capital projects and working capital requirements ($0.4 million) resulting in the weighted average debt balance increasing from $539.8 million as of June 30, 2002 to $785.7 million as of June 30, 2003. This was partially offset by lower average debt levels due to dispositions ($1.4 million) and reduced interest costs on floating rate debt ($0.2 million), due to the weighted average interest rate decreasing from 6.51% at June 30, 2002 to 5.95% at June 30, 2003.

Marketing, general and administrative expense was relatively stable in both periods. We have reduced our marketing, general and administrative costs to 3.8% of total revenues in 2003 compared to 5.8% in 2002.

Comparison of the six months ended June 30, 2003 to the six months ended June 30, 2002

Rental Revenues (in millions)	2003	2002	$ Change	% Change
Rental revenue	$ **110.9**	$ 88.9	$ 22.0	24.8%
Escalation and reimbursement revenue	**18.2**	12.3	5.9	48.0%
Signage revenue	**0.7**	0.7	—	—
Total	$ **129.8**	$ 101.9	$ 27.9	27.4%
Same-Store Properties	$ **109.3**	$ 102.1	$ 7.2	7.1%
2003 Acquisitions	**19.0**	—	19.0	—%
Other	**1.5**	(0.2)	1.7	85.0%
Total	$ **129.8**	$ 101.9	$ 27.9	27.4%

Rental revenue in the Same-Store Properties increased due to an increase in occupancy from 96.6% in 2002 to 97.3% in 2003 and because the new cash rents on previously occupied space by new tenants at Same-Store Properties was 4.2% higher than the previously fully escalated rent (i.e., the highest rent paid on the same space by the old tenant).

At June 30, 2003, we estimated that the current market rents on our wholly-owned properties were approximately 6.8% higher than then existing in-place fully escalated rents. Approximately 5.8% of the space leased at wholly-owned properties expires during the remainder of 2003. We believe that occupancy rates will remain relatively flat at the Same-Store Properties in 2003.

The increase in escalation and reimbursement revenue was primarily due to the recoveries at the Same-Store Properties ($3.7 million) and the 2003 Acquisitions ($2.0 million). The increase in recoveries at the Same-Store Properties was due to real estate tax recoveries ($2.6 million), operating expense recoveries ($0.5 million) and electric recoveries ($0.6 million) On an annualized basis, we recovered approximately 93% of our electric costs at our Same-Store Properties.

Investment and Other Income (in millions)	2003	2002	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ **7.8**	$ 7.3	$ 0.5	6.9%
Investment and preferred equity income	**8.4**	11.4	(3.0)	(26.3)%
Other	**2.9**	2.2	0.7	31.8%
Total	$ **19.1**	$ 20.9	$ (1.8)	(8.6)%

The increase in equity in net income of unconsolidated joint ventures was primarily due to 1515 Broadway being included for six months in 2003 and four and one-half months in 2002. This was partially offset by 469 Seventh Avenue, which was sold in June 2002. Occupancy at the joint venture properties decreased from 98.2% in 2002 to 93.0% in 2003. At June 30, 2003, we estimated that current market rents at our joint venture properties were approximately 17.0% higher than then existing in-place fully escalated rents. Approximately 2.8% of the space leased at joint venture properties expires during the remainder of 2003.

The decrease in investment income primarily represents lower interest income from structured finance transactions ($2.8 million) primarily due to lower weighted average loan balances outstanding. The weighted average loan balance outstanding and yield were $122.6 million and 12.0%,

respectively, for 2003 compared to $160.1 million and 12.6%, respectively, for 2002. In addition, there was a decrease in interest income from cash on hand ($0.1 million).

The increase in other income was primarily due to asset management fees earned from joint ventures ($0.5 million). The balance of the increase was due to an increase in lease buyout income ($0.2 million).

Property Operating Expenses (in millions)	2003	2002	$ Change	% Change
Operating expenses (excluding electric)	$ **27.7**	$ 19.4	$ 8.1	41.8%
Electric costs	**8.3**	7.0	1.3	18.6%
Real estate taxes	**20.6**	13.6	7.0	51.5%
Ground rent	**6.4**	6.3	0.1	1.6%
Total	$ **63.0**	$ 46.3	$ 16.5	35.6%
Same-Store Properties	$ **52.9**	$ 44.9	$ 8.0	17.8%
2003 Acquisitions	**8.7**	—	8.7	—%
Other	**1.4**	1.4	—	—%
Total	$ **63.0**	$ 46.3	$ 16.5	35.6%

Same-Store Properties operating expenses, excluding real estate taxes, increase approximately $3.9 million. There were increases in insurance ($1.5 million), advertising, professional and management costs ($0.9 million), repairs, maintenance and security expenses ($0.4 million) and steam and heating costs ($1.1 million).

The increase in electric costs was primarily due to higher electric usage in 2003 compared to 2002 as well as an increase in the number of wholly-owned properties.

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($4.1 million) due to higher assessed property values and increased tax rates and the 2003 Acquisitions ($2.9 million).

Other Expenses (in millions)	2003	2002	$ Change	% Change
Interest expense	$ **21.2**	$ 17.2	$ 4.0	23.3%
Depreciation and amortization expense	**22.2**	18.1	4.1	22.7%
Marketing, general and administrative expense	**6.0**	6.6	(0.6)	(9.1)%
Total	$ **49.4**	$ 41.9	$ 7.5	17.9%

The increase in interest expense was primarily attributable to costs associated with new investment activity ($7.0 million) and the funding of ongoing capital projects and working capital requirements ($0.2 million) resulting in the weighted average debt balance increasing from $539.8 million as of June 30, 2002 to $785.7 million as of June 30, 2003. This was partially offset by lower average debt levels due to dispositions ($2.7 million) and reduced interest costs on floating rate debt ($0.4 million), due to the weighted average interest rate decreasing from 6.51% at June 30, 2002 to 5.95% at June 30, 2003.

Marketing, general and administrative expense was relatively stable in both periods. We have reduced our marketing, general and administrative costs to 4.3% of total revenues in 2003 compared to 5.7% in 2002.

Liquidity and Capital Resources

We currently expect that our principal sources of working capital and funds for acquisition and redevelopment of properties and for structured finance investments will include: (1) cash flow from operations; (2) borrowings under our secured and unsecured revolving credit facilities; (3) other forms of secured or unsecured financing; (4) proceeds from common or preferred equity or debt offerings by us or the Operating Partnership (including issuances of units of limited partnership interest in the Operating Partnership); and (5) net proceeds from divestitures of properties. Additionally, we believe that our joint venture investment programs will also continue to serve as a source of capital for acquisitions and structured finance investments. We believe that our sources of working capital, specifically our cash flow from operations and borrowings available under our unsecured and secured revolving credit facilities, and our ability to access private and public debt and equity capital, are adequate for us to meet our short-term and long-term liquidity requirements for the foreseeable future.

Cash Flows

Net cash provided by operating activities decreased $2.8 million to $44.9 million for the six months ended June 30, 2003 compared to $47.7 million for the six months ended June 30, 2002. Operating cash flow was primarily generated by the Same-Store Properties and 2003 Acquisitions, as well as the structured finance investments, but was reduced by the decrease in operating cash flow from the properties sold in 2003.

Net cash used in investing activities decreased $96.1 million to $6.6 million for the six months ended June 30, 2003 compared to $102.7 million for the six months ended June 30, 2002. The decrease was due primarily to the purchase of 1515 Broadway in 2002 of which our share of the investment was approximately $93.8 million. This was offset by the sale of 50 West 23rd Street ($62.5 million). In addition, there was an increase in acquisitions and capital improvements in 2003 ($16.8 million and $15.4 million, respectively) as compared to 2002 (none and $8.9 million, respectively). This relates primarily to the acquisitions of 220 East 42nd Street and condominium interests in 125 Broad Street. In addition, there were net redemptions of structured finance investments ($26.7 million).

Net cash used in financing activities increased $141.8 million to $79.5 million for the six months ended June 30, 2003 compared to ($62.3) million for the six months ended June 30, 2002. The increase was primarily due to lower draws under our unsecured revolving credit facility ($25.0 million) and increased repayments ($110.0 million). The repayment of the mezzanine loan on 220 East 42nd Street ($28.5 million) was offset by the refinancing of 673 First Avenue ($35.0 million).

Capitalization
As of June 30, 2003, we had 31,172,893 shares of common stock, 2,306,447 units of limited partnership interest in the Operating Partnership and 4,600,000 preferred income equity redeemable shares outstanding.

We currently have the ability to issue up to an aggregate amount of $251 million of our common and preferred stock under our existing effective registration statement.

Rights Plan
We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our shareholders will be entitled to purchase from us a new created series of junior preferred shares, subject to our ownership limit described below. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a purchase announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

Dividend Reinvestment and Stock Purchase Plan
We filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan ("DRIP") which was declared effective on September 10, 2001. The DRIP commenced on September 24, 2001. We registered 3,000,000 shares of common stock under the DRIP.

As of June 30, 2003, we had issued 138 common shares and received approximately $4,400 of proceeds from dividend reinvestments and/or stock purchases under the DRIP.

2003 Long-Term Outperformance Compensation Program
At the May 2003 meeting of our Board of Directors, the Board ratified a long-term, seven-year compensation program for senior management. The program, which measures our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provides that holders of our common equity are to achieve a 40% total return during the measurement period over a base of $30.07 per share before any restricted stock awards are granted. Management will receive an award of restricted stock in an amount between 8% and 10% of the excess return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 1997 Stock Option and Incentive Plan, as amended, which was previously approved through a shareholder vote in May 2002. The total return will be calculated as of each quarter end. If the total return exceeds the baseline, the award will be valued based on various factors such as time elapsed since commencement, excess over baseline, and vesting schedule, and compensation expense recorded. Forty percent of the award will be amortized over four years and the balance will be amortized at twenty percent per year over five, six and seven years, respectively. The total value of the award (capped at one percent per year of common stock outstanding) will determine the number of shares assumed to be issued for purposes of calculating diluted earnings per share. No compensation expense was recorded during the three months ended June 30, 2003.

Indebtedness
At June 30, 2003, borrowings under our mortgage loans, secured and unsecured revolving credit facilities and unsecured term loan (excluding our share of joint venture debt of $396.0 million) represented 36.6% of our market capitalization of $2.0 billion (based on a common stock price of $34.89 per share, the closing price of our common stock on the New York Stock Exchange on June 30, 2003). Market capitalization includes consolidated debt, common and preferred stock and conversion of all units of limited partnership interest in our Operating Partnership, but excludes our share of joint venture debt.

The table below summarizes our mortgage, secured and unsecured revolving credit facilities and unsecured term loan outstanding at June 30, 2003 and December 31, 2002, respectively (in thousands).

	June 30, 2003	December 31, 2002
Debt Summary:		
Balance		
Fixed rate	**$ 307,436**	$ 232,972
Variable rate – hedged	**232,916**	233,254
Total fixed rate	**540,352**	466,226
Variable rate	**200,000**	74,000
Variable rate-supporting variable rate assets	**22,178**	22,178
Total variable rate	**222,178**	96,178
Total	**$ 762,530**	$ 562,404
Percent of Total Debt:		
Total fixed rate	**70.86**%	82.90%
Variable rate	**29.14**%	17.10%
Total	**100.00**%	100.00%
Effective Interest Rate For The Quarter:		
Fixed rate	**6.85**%	6.77%
Variable rate	**2.89**%	3.00%
Effective interest rate	**5.69**%	6.13%

The variable rate debt shown above bears interest at an interest rate based on LIBOR (1.12% at June 30, 2003). Our debt on our wholly-owned properties at June 30, 2003 had a weighted average term to maturity of approximately 3.9 years.

As of June 30, 2003, we had seven variable rate structured finance investments collateralizing the secured revolving credit facility. These structured finance investments, totaling $86.4 million, partially mitigate our exposure to interest rate changes on our unhedged variable rate debt.

Mortgage Financing
As of June 30, 2003, our total mortgage debt (excluding our share of joint venture debt of approximately $396.0 million) consisted of approximately $440.4 million of fixed rate debt with an effective weighted average interest rate of approximately 7.69% and $158.0 million of unhedged variable rate debt with an effective weighted average interest rate of approximately 3.02%.

Revolving Credit Facilities

Unsecured Revolving Credit Facility
We currently have a $300.0 million unsecured revolving credit facility, which matures in March 2006. This facility has an automatic one-year extension option provided that there are no events of default under the loan agreement. At June 30, 2003, $35.0 million was outstanding under this unsecured revolving credit facility and carried an effective quarterly weighted average interest rate of 2.68%. Availability under this unsecured revolving credit facility at June 30, 2003 was further reduced by the issuance of letters of credit in the amount of $5.0 million for acquisition deposits.

Secured Revolving Credit Facility
We also have a $75.0 million secured revolving credit facility, which matures in December 2003. This secured revolving credit facility has an automatic one-year extension option provided that there are no events of default under the loan agreement. This secured revolving credit facility is secured by various structured finance investments. At June 30, 2003, $7.0 million was outstanding under this secured revolving credit facility and carried an effective quarterly weighted average interest rate of 2.79%.

Term Loan
On December 5, 2002, we obtained a $150.0 million unsecured term loan. This new unsecured term loan matures on December 5, 2007. We immediately borrowed $100.0 million under this term loan to repay approximately $100.0 million of the outstanding balance under our 2000 unsecured revolving credit facility. Effective June 5, 2003, the Term Loan was upsized to $200.0 million and the term was extended by six months to June 2008. As of June 30, 2003, we had $100.0 million outstanding under the unsecured term loan at the rate of 150 basis points over LIBOR. To limit our exposure to the variable LIBOR rate we entered into two swap agreements to fix the LIBOR rate on the outstanding balance on the unsecured term loan. The LIBOR rates were fixed at 1.637% for the first year and 4.06% for years two through five for a blended all-in rate of 5.06%. On July 31, 2003, we drew down $65.0 million to repay the mortgage on 317 Madison Avenue.

Restrictive Covenants
The terms of our unsecured and secured revolving credit facilities and term loan include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments. As of June 30, 2003, we were in compliance with all such covenants.

Market Rate Risk
We are exposed to changes in interest rates primarily from our floating rate debt arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2003 would increase our annual interest cost by approximately $2.2 million and would increase our share of joint venture annual interest cost by approximately $1.6 million, respectively.

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Approximately $540.4 million of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of June 30, 2003 ranged from LIBOR plus 100 basis points to LIBOR plus 450 basis points.

Summary of Indebtedness
Combined aggregate principal maturities of mortgages and notes payable, revolving credit facilities, term loan and our share of joint venture debt as of June 30, 2003 are as follows:

	Scheduled Amortization	Principal Repayments	Revolving Credit Facilities	Term Loan	Total	Joint Venture Debt
2003	$ 1,903	$ 22,178	$ 7,000	$ —	$ 31,081	$ 314

2004	3,958	290,015	—	—	293,973	321,866
2005	4,158	47,247	—	—	51,405	16,079
2006	4,222	—	35,000	—	39,222	608
2007	4,344	73,341	—	100,000	177,685	659
Thereafter	12,950	156,214	—	—	169,164	56,521
	$ 31,535	$ 588,995	$ 42,000	$ 100,000	$ 762,530	$ 396,047

Related Party Transactions

Cleaning Services
First Quality Maintenance, L.P. provides cleaning, extermination and related services with respect to certain of the properties owned by us. First Quality is owned by Gary Green, a son of Stephen L. Green, our Chairman of the Board and Chief Executive Officer. First Quality also provides additional services directly to tenants on a separately negotiated basis. The aggregate amount of fees paid by us to First Quality for services provided (excluding services provided directly to tenants) was approximately $1.0 million, $1.7 million, $0.9 million and $1.6 million for the three and six months ended June 30, 2003 and 2002, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. First Quality leases 12,290 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2005 and provides for annual rental payments of approximately $290,000.

Security Services
Classic Security LLC provides security services with respect to certain properties owned by us. Classic Security is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by us for such services was approximately $0.9 million, $1.7 million, $0.9 million, and $1.8 million for the three and six months ended June 30, 2003 and 2002, respectively.

Messenger Services
Bright Star Couriers LLC provides messenger services with respect to certain properties owned by us. Bright Star Couriers is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by us for such services was approximately $43,000, $50,000, $8,000 and $18,000 for the three and six months ended June 30, 2003 and 2002, respectively.

Leases
Nancy Peck and Company leases 2,013 feet of space at 420 Lexington Avenue, New York, New York pursuant to a lease that expires on June 30, 2005 and provides for annual rental payments of approximately $63,000. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is offset against a consulting fee, of $10,000 per month, we pay to her pursuant to a consulting agreement which is cancelable upon 30-days notice.

Management Indebtedness
On January 17, 2001, Mr. Marc Holliday, our President, received a non-recourse loan from us in the principal amount of $1,000,000 pursuant to his amended and restated employment and noncompetition agreement. This loan bears interest at the applicable federal rate per annum and is secured by a pledge of certain of Mr. Holliday’s shares of our common stock. The principal of and interest on this loan is forgivable upon our attainment of specified financial performance goals prior to December 31, 2006, provided that Mr. Holliday remains employed by us until January 17, 2007. On April 17, 2000, Mr. Holliday received a loan from us in the principal amount of $300,000, with a maturity date of July 17, 2003. This loan bears interest at a rate of 6.60% per annum and is secured by a pledge of certain of Mr. Holliday’s shares of our common stock. On May 14, 2002, Mr. Holliday entered into a loan modification agreement with us in order to modify the repayment terms of the $300,000 loan. Pursuant to the agreement, $100,000 (plus accrued interest thereon) is forgivable on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remains employed by us through each of such date. In addition, the $300,000 loan shall be forgiven if and when the $1,000,000 loan that Mr. Holliday received pursuant to his amended and restated employment and noncompetition agreement is forgiven.

Management Fees
S.L. Green Management Corp. receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately $66,000, $125,000 and $72,000, $129,000 for the three and six months ended June 30, 2003 and 2002, respectively.

Brokerage Services
Sonnenblick-Goldman Company, a nationally recognized real estate investment banking firm, provided mortgage brokerage services with respect to securing approximately $85,000 of aggregate first mortgage financing for 1250 Broadway in 2001 and $35,000 of first mortgage financing for 673 First Avenue in 2003. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financing. The fees paid by the Company to Sonnenblick for such services was approximately $319,000 in 2001 and $175,000 in 2003.

Investments
The ownership interests in NJMA Centennial, an entity in which we held an indirect non-controlling 10% ownership interest, were sold in May 2003 for $4.5 million to NJMA Centennial Owners, LLC, the managing member of which is an affiliate of the Schultz Organization. The sole asset of NJMA Centennial is 865 Centennial Avenue, a 56,000 square foot office/industrial property located in Piscataway, New Jersey. Under NJMA Centennial’s Operating Agreement, we had no authority with respect to the sale. Marc Holliday, one of our executive officers, invested $225,000 in a non-managing membership interest in the entity acquiring the property. Our Board of Directors determined that this was not an appropriate investment opportunity for us and approved the investment by the executive officer prior to the transaction occurring.

Other

Insurance
The real estate industry has been experiencing a significant change in the property insurance markets that has resulted in significantly higher premiums for landlords whose policies are subject to renewal in 2003, primarily in the area of terrorism insurance coverage. We carry

comprehensive all risk (fire, flood, extended coverage and rental loss insurance) and liability insurance with respect to our property portfolio. This policy has a limit of $300 million of terrorism coverage for most of the properties in our portfolio and expires in October 2003. We are currently in the market to renew this policy. Additionally, a joint venture property we recently purchased for a gross purchase price of $483.5 million, 1515 Broadway, has stand-alone insurance coverage, which provides for full all risk coverage but has a limit of $300 million in terrorism coverage. This policy will expire in May 2004. While we believe our insurance coverage is adequate, in the event of a major catastrophe resulting from an act of terrorism, we may not have sufficient coverage to replace a significant property. We do not know if sufficient insurance coverage will be available when the current policies expire, nor do we know the costs for obtaining renewal policies containing terms similar to our current policies. In addition, our policies may not cover properties that we may acquire in the future, and additional insurance may need to be obtained prior to October 2003.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), ground leases and our secured and unsecured revolving credit facilities and unsecured term loan, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks, it could adversely affect our ability to finance and/or refinance our properties and to expand our portfolio.

Capital Expenditures

We estimate that for the six months ending December 31, 2003, we will incur approximately $25.4 million of capital expenditures (including tenant improvements and leasing commissions) on current wholly-owned properties and our share of capital expenditures at our joint venture properties will be approximately $8.5 million. Of those total capital expenditures, approximately $6.6 million for wholly-owned properties and $2.1 million of our share of capital expenditures at joint venture properties are dedicated to redevelopment costs, including New York City local law 11. We expect to fund these capital expenditures with operating cash flow, borrowings under our credit facilities, additional property level mortgage financings, and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect that our capital needs will be met through a combination of net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of $1.86 per share, we would pay approximately $58.0 million in dividends. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured and secured revolving credit facilities, and our unsecured term loan, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Funds from Operations

The revised White Paper on Funds from Operations ("FFO") approved by the Board of Governors of NAREIT in October 1999 defines FFO 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. We believe that FFO 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 our ability to incur and service debt, to make capital expenditures and to fund other cash needs. We compute FFO in accordance with the current standards established by NAREIT, which may not be comparable to FFO 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 us. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

Funds from Operations for the three and six months ended June 30, 2003 and 2002 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Income before minority interest, discontinued operations and preferred stock dividends	**$ 18,418**	$ 17,506	$ 36,270	$ 34,808
Add:				
Depreciation and amortization	**11,573**	9,132	22,163	18,139
FFO from discontinued operations	**1,333**	2,359	3,517	4,431
FFO adjustment for unconsolidated joint ventures	**3,438**	2,713	6,825	4,594
Less:				
Dividends on preferred shares	**(2,300)**	(2,300)	(4,600)	(4,600)
Amortization of deferred financing costs and depreciation of non-rental real estate assets	**(886)**	(1,050)	(2,371)	(2,033)
Funds From Operations – basic	**31,576**	28,360	61,804	55,339
Dividends on preferred shares	**2,300**	2,300	4,600	4,600

Funds From Operations – diluted	$ **33,876**	$ 30,660	$ 66,404	$ 59,939
Cash flows provided by operating activities	$ **30,898**	$ 23,007	$ 44,874	$ 47,707
Cash flows used in investing activities	$ **(13,568)**	$ (99,036)	$ (6,583)	$ (102,739)
Cash flows (used in) provided by financing activities	$ **(25,139)**	$ 84,086	$ (79,501)	$ 62,325

Inflation

Substantially all of the office leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

Recent Developments

On July 21, 2003, we entered into an agreement to acquire the long-term leasehold interest in 461 Fifth Avenue for $62.3 million, or $312 per square foot. The leasehold acquisition will be funded, in part, with the proceeds from the sale of 1370 Broadway, which closed on July 31, 2003. As a 1031 tax-free exchange, the transaction will enable us to defer gains from this sale of 1370 Broadway and from the sale of 17 Battery Place South, which gain was initially re-invested in 1370 Broadway. The balance of the acquisition will be funded using our unsecured revolving credit facility.

In July 2003, we completed a $45.0 million first mortgage financing of the property located at 180 Madison Avenue, owned through a joint venture with Morgan Stanley Real Estate Fund. The mortgage bears interest at a fixed rate of 4.57% per annum and matures in August 2008. The financing proceeds were used to pay off the existing $31.6 million first mortgage. The excess proceeds of approximately $6.0 million to be received by us will reduce the outstanding balance on our unsecured revolving credit facility.

In June 2003, we executed a 10-year, $146 million forward swap in anticipation of a financing to be executed in the fourth quarter of 2003. The forward swap hedged the Treasury rate on the future funding at an effective rate of 3.50%, as well as the swap spread which is highly correlated to the credit risk spread.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Rate Risk” for additional information regarding our exposure to interest rate fluctuations.

The following table presents principal cash flows based upon maturity dates of the debt obligations and mortgage receivables and the related weighted-average interest rates by expected maturity dates as of June 30, 2003 (in thousands).

	Long-Term Debt				Mortgage Receivables	
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**	**Amount**	**Current Yield**
2003	$ 1,903	6.84%	$ 29,178	2.45%	$ 27,584	14.66%
2004	135,974	6.65%	158,000	3.02%	40,302	12.85%
2005	51,405	6.59%	—	—	26,000	11.21%
2006	4,222	6.57%	35,000	2.68%	26,153	11.14%
2007	177,685	6.56%	—	—	5,478	13.10%
Thereafter	169,163	6.53%	—	—	—	—
Total	$ 540,352	6.58%	$ 222,178	2.89%	$ 125,517	12.01%
Fair Value	$ 564,260		$ 222,178		$ 125,517	

The table below presents the gross principal cash flows based upon maturity dates of our share of joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of June 30, 2003 (in thousands):

	Long-Term Debt			
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**
2003	$ 314	6.42%	—	—
2004	147,416	6.41%	$ 174,450	3.55%
2005	16,079	8.00%	—	—
2006	608	8.00%	—	—
2007	659	8.00%	—	—
Thereafter	56,521	8.00%	—	—
Total	$ 221,597	7.22%	$ 174,450	3.55%
Fair Value	$ 228,285		$ 174,450	

The table below lists all of our derivative instruments, including joint ventures, and their related fair value as of June 30, 2003 (in thousands):

	Benchmark Rate	**Notional Value**	**Strike Rate**	**Effective Date**	**Expiration Date**	**Fair Value**
Interest Rate Collar	LIBOR	$ 70,000	6.580%	2/1999	11/2004	$ (4,416)
Interest Rate Swap	LIBOR	65,000	4.010%	11/2001	8/2005	(3,479)
Interest Rate Cap	LIBOR	150,000	8.000%	7/2001	1/2004	—
Interest Rate Cap	LIBOR	85,000	6.500%	12/2001	11/2004	—

Interest Rate Cap Sold	LIBOR	46,750	6.500%	12/2001	11/2004	—
Interest Rate Swap	LIBOR	46,750	4.038%	11/2001	1/2005	(1,994)
Interest Rate Cap	LIBOR	275,000	7.000%	5/2002	6/2004	—
Interest Rate Cap	LIBOR	30,000	9.000%	5/2002	6/2004	—
Interest Rate Cap	LIBOR	30,000	9.000%	5/2002	6/2004	—
Interest Rate Cap Sold	LIBOR	100,000	7.000%	8/2002	6/2004	—
Interest Rate Swap	LIBOR	100,000	2.299%	8/2002	6/2004	(1,140)
Interest Rate Swap	LIBOR	100,000	1.637%	12/2002	12/2003	(256)
Interest Rate Swap	LIBOR	100,000	4.060%	12/2003	12/2007	(5,660)
Interest Rate Swap	10 Yr. Treasury	100,000	3.869%	10/2003	10/2013	722
Interest Rate Swap	10 Yr. Treasury	46,000	3.888%	10/2003	10/2013	260
Total						(15,963)
Less: Allocation to joint ventures						3,134
Fair value of our derivative instruments						$ (12,829)

ITEM 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

There have been no significant changes in our internal controls or in other factors that could significantly affect the internal controls subsequent to the date we completed our evaluation.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 18 to the consolidated financial statements

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our annual meeting of stockholders on May 7, 2003, at which the following matters were voted upon:

1. To elect two Class III directors of the Company to serve until the 2006 Annual Meeting of Stockholders and until their successors are duly elected and qualified.

2. To ratify the selection of Ernst & Young LLP as the independent auditors of the Company for the fiscal year ending December 31, 2003.

The results of the meeting were as follows:

	For	Against	Abstain
Proposal 1:			
John H. Alschuler, Jr.	25,040,002	—	1,345,738
Stephen Green	26,028,218	—	357,522
Proposal 2:	24,715,112	1,443,006	227,622

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 2003 Long-Term OutPerformance Compensation Program dated April 1, 2003, filed herewith.

10.2 First Amendment to Amended and Restated Revolving Credit and Guaranty Agreement dated June 5, 2003, filed herewith.

31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

The Registrant filed a Current Report on Form 8-K on April 23, 2003 in connection with its first quarter 2003 earnings release.

The Registrant filed a Current Report on Form 8-K/A on May 16, 2003 in connection with its first quarter 2003 earnings release and supplemental information package.

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.

SL GREEN REALTY CORP.

By: /s/ Thomas E. Wirth
Thomas E. Wirth
Executive Vice President,
Chief Financial Officer

Date: August 12, 2003

Exhibit 10.1

SL GREEN REALTY CORP.
2003 LONG-TERM OUTPERFORMANCE
COMPENSATION PROGRAM

ARTICLE 1

GENERAL

1.1 Background. SL Green Realty Corp. (the "Company") maintains the SL Green Realty Corp. Amended 1997 Stock Option and Incentive Plan (as amended, modified or supplemented from time to time, the "Plan"). Among the forms of compensation contemplated by the Plan are grants of restricted stock. This 2003 Long-Term Outperformance Compensation Program (this "Program") is adopted in furtherance of the authority to make such grants and provides for grants of restricted stock awards (each, an "Award") to designated Persons. The Awards shall be subject to the terms and conditions set forth herein and shall also be subject in all respects to the Plan. The Awards and the Persons entitled to such awards (each, an "Award Recipient") shall be evidenced pursuant to plan agreements (each, an "Award Agreement") substantially in the form attached hereto.

1.2 Administration. Without limitation of Section 1.1, the Program and the Awards shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board") in accordance with the Plan.

1.3 Definitions. Capitalized terms used herein without definitions shall have the meanings given to those terms in the Plan. In addition, as used herein:

"Award Shares" has the meaning given to that term in Section 2.1.1.

"Change of Control" means:

(i) any Person, together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Exchange Act) of such Person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of either (A) the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board ("Voting Securities") or (B) the then outstanding shares of all classes of stock of the Company (in either such case other than as a result of the acquisition of securities directly from the Company); or

(ii) individuals who constitute the Board (the "Incumbent Directors") as of the Effective Date cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes hereof, be considered an Incumbent Director; or

(iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or

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indirectly, shares representing in the aggregate at least 50% of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, an event described in clause (i) shall not be a Change of Control if such event occurs solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of stock or other Voting Securities outstanding, increases (x) the proportionate number of shares of stock of the Company beneficially owned by any Person to 25% or more of the shares of stock then outstanding or (y) the proportionate voting power represented by the Voting Securities beneficially owned by any Person to 25% or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any Person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional stock of the Company or other Voting Securities (other than pursuant to a share split, stock dividend, or similar transaction), then a Change of Control shall be deemed to have occurred for purposes of the foregoing clause (i).

"Common Stock Price" means, on any date, the average of the fair market values of one share of the Common Stock for the twenty (20) trading days ending on (and including, if that day is a trading day) such date or, if higher, such average computed for the sixty (60) trading days ending on (and including, if that day is a trading day) such date.

"Disability" means, with respect to an Award Recipient, (i) if the Company has a long-term disability plan in effect, the termination of employment with the Company of such Award Recipient as a result of incapacity due to physical or mental illness or other disability which qualifies such Award Recipient to receive benefits under such long-term disability plan, (ii) if the Company does not have a long-term disability plan in effect, the termination of employment with the Company of such Award Recipient pursuant to the "Disability" provisions of such Award Recipient's employment agreement with the Company and (iii) if neither of (i) or (ii) is applicable to such Award Recipient, a determination by the Committee that such Award Recipient, as a result of a physical or mental illness or other disability, has a "Disability" for purposes of this Program.

"Dividend Value" means the aggregate amount of dividends paid on one share of the Common Stock between April 1, 2003 and the Valuation Date.

"Effective Date" means April 1, 2003.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Factor" means, with respect to the First Baseline, a number equal to 40% multiplied by the Fraction, and with respect to the Second Baseline, a number equal to 48% multiplied by the Fraction.

"fair market value" has the meaning given to that term in the Plan.

"First Baseline" means 140% of the Common Stock Price on the Effective Date; provided that if the Valuation Date occurs prior to the Measurement Date, then for purposes hereof, the First Baseline shall be equal to the sum of (a) the Common Stock Price on the Effective Date plus (b) the Common Stock Price on the Effective Date multiplied by the Factor.

"Fraction" means the number of whole calendar months that have elapsed since the Effective Date divided by 48.

"Measurement Date" means March 31, 2007.

"Outperformance Amount" means a dollar amount calculated as follows: subtract the First Baseline from the Total Return; multiply the resulting amount by the number of Units outstanding on the Valuation Date; and multiply that resulting amount by 8%. If the Total Return exceeds the Second Baseline, then the Outperformance Amount will be increased by a dollar amount calculated as follows: subtract the Second Baseline from the Total Return; multiply the resulting amount by the number of Units outstanding on the Valuation Date; and multiply that resulting amount by 2%.

"Person" shall have the meaning used in Sections 13(d) and 14(d) of the Exchange Act.

"Second Baseline" means 148% of the Common Stock Price on the Effective Date; provided that if the Valuation Date occurs prior to the Measurement Date, then for purposes hereof, the Second Baseline shall be equal to the sum of (a) the Common Stock Price on the Effective Date plus (b) the Common Stock Price on the Effective Date multiplied by the Factor.

"Total Return" means the sum of the Dividend Value plus the Common Stock Price on the Valuation Date.

"Units" means "Class A Units" and "Class B Units," as such terms are defined in the First Amended and Restated Agreement of Limited Partnership of SL Green Operating Partnership, L.P. dated as of August 20, 1997 among the Company and the limited partners party thereto, as amended from time to time.

"Valuation Date" means the earlier of (i) the Measurement Date and (ii) the date upon which a Change of Control shall occur.

ARTICLE 2

OUTPERFORMANCE AWARDS

2.1 Awards.

2.1.1 Subject to Section 2.6, each Person named in an Award Agreement (an "Award Recipient") is hereby granted an Award consisting of a number of shares of restricted Common Stock ("Award Shares"), calculated as of the Valuation Date, equal to the Outperformance Amount (if any) divided by the Common Stock Price on the Valuation Date and multiplied by the percentage specified for such Award Recipient in such Award Recipient's Award Agreement; provided that the aggregate number of Award Shares shall not exceed the number of shares of Common Stock with respect to which awards may then be granted under the Plan on the Valuation Date, and further provided that the aggregate number of Award Shares shall not exceed 4% of the number of Units outstanding on the Valuation Date. The Compensation Committee shall have the right to increase an Award Recipient's percentage from time to time and at any time prior to the Valuation Date, so long as the total percentage to all Award Recipients does not exceed 100%.

2.1.2 Subject to the terms hereof, the Award Shares shall be issued as of the earliest of (i) the fourth (4th) anniversary of the Effective Date, (ii) the date upon which a Change of Control shall occur and (iii) pursuant to Section 2.6.1, the date, if any, upon which an Award Recipient shall be granted

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an Award in accordance with such section, in each case notwithstanding that, as an administrative matter, certificates representing the Award Shares may be issued subsequent to any such date.

2.2 Termination and Forfeiture; Vesting; Change of Control.

2.2.1 If at any time prior to the Valuation Date an Award Recipient's employment by the Company shall terminate or cease for any reason (except in the case of the death or Disability of such Award Recipient, in which case the provisions of Section 2.6 shall apply), then such Award Recipient's Award shall terminate at such time and no Award Shares shall be distributed in respect thereof. If at any time on or after the Valuation Date an Award Recipient's employment by the Company shall terminate or cease for any reason (except in the case of the death or Disability of such Award Recipient, in which case the provisions of Section 2.6 shall apply), then all of such Award Recipient's Award Shares that remain unvested at such time shall automatically and immediately be forfeited by such Award Recipient.

2.2.2 Subject to Section 2.6, the Award Shares shall become vested, with respect to each Award Recipient, as follows: (i) forty percent (40%) of such Award Recipient's Award Shares shall become vested on the fourth (4th) anniversary of the Effective Date; and (ii) an additional twenty percent (20%) of such Award Recipient's Award Shares shall become vested on each of the fifth (5th) anniversary of the Effective Date, the sixth (6th) anniversary of the Effective Date and the seventh (7th) anniversary of the Effective Date; provided that all unvested Award Shares that have not previously been forfeited shall vest immediately upon the occurrence of a Change of Control.

2.3 Payments by Award Recipients. For purposes of Section 3.1(b) of the Plan, no amount shall be payable to the Company by any Award Recipient at any time in respect of an Award.

2.4 Dividends. On and after the Valuation Date, if the Company shall pay a cash dividend on the Common Stock, the Company shall pay the same cash dividend on each issued and outstanding Award Share without regard to whether such Award Share has then vested (which dividend shall be non-refundable, notwithstanding any subsequent forfeiture, if any, of Award Shares in respect of which such dividend was paid).

2.5 Restrictions on Transfer. No Award Recipient shall assign, transfer, otherwise encumber or dispose of ("Transfer") any Award Share prior to the date on which such Award Share vests.

2.6 Death or Disability.

2.6.1 Notwithstanding any other provision herein, prior to the Valuation Date if an Award Recipient's employment by the Company shall terminate or cease as a result of the death or Disability of such Award Recipient, then (i) such Award Recipient shall automatically and immediately be granted an Award calculated as if a Change of Control had occurred (with respect to such Award Recipient only) on the date of death or Disability and (ii) all of the Award Shares comprising such Award shall automatically and immediately vest and be Transferable for all purposes hereunder.

2.6.2 Notwithstanding any other provision herein, on or after the Valuation Date if an Award Recipient's employment by the Company shall terminate or cease as a result of the death or Disability of such Award Recipient, then all of such Award Recipient's Award Shares shall automatically and immediately vest and be Transferable for all purposes hereunder.

ARTICLE 3

MISCELLANEOUS

3.1 Amendments. This 2003 Outperformance Plan and any Award Agreement may be amended or modified only with the consent of the Company acting through the Compensation Committee of the Board; provided that any amendment or modification which adversely affects an Award Recipient must be consented to by such Award Recipient to be effective as against him. The Compensation Committee shall have the authority to award Shares to effect the spirit and intent of this Outperformance Program in the event it determines that the Award Shares to be granted, if any, based upon the formulas set forth herein would not reflect the outperformance of the Company relative to industry indices and the purposes for which the Program was implemented.

3.2 Incorporation of Plan. The provisions of the Plan are hereby incorporated by reference as if set forth herein.

3.3 Stock Certificates; Restrictive Legends

3.3.1 On any date of issuance of Award Shares or as soon as practicable thereafter, the Company shall issue a stock certificate to each Award Recipient receiving Award Shares hereunder. Each such certificate shall be registered in the name of the appropriate Award Recipient. The certificates issued hereunder shall bear a legend referring to the terms, conditions and restrictions applicable to such Award Shares hereunder, substantially in the following form (in addition to any other legend the Committee may determine to be necessary or appropriate):

> THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE RESTRICTED BY AND SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE SL GREEN REALTY CORP. 2003 LONG-TERM OUTPERFORMANCE COMPENSATION PROGRAM. COPIES OF SUCH PROGRAM ARE ON FILE IN THE OFFICES OF SL GREEN REALTY CORP. AT 420 LEXINGTON AVENUE, NEW YORK, NEW YORK 10170.

3.3.2 The Committee shall require that the stock certificates evidencing the Award Shares be held in custody by the Company until the restrictions (including those relating to vesting and transferability) set forth in this Program shall have lapsed, and that, as a condition to the issuance of the Award Shares to any Award Recipient such Award Recipient shall have delivered a stock power, endorsed in blank, relating to such Award Shares. If and when such restrictions lapse, the stock certificates shall be delivered by the Company to the appropriate Award Recipient or his designee.

3.3.3 Any shares of Common Stock or other securities distributed by the Company in respect of the Award Shares shall be subject to this Section 3.3 including the requirement of an appropriate legend, the requirement that the certificates representing such shares of Common Stock or other securities be held in custody by the Company and the condition to distribution that the Award Recipient have delivered a stock power with respect to such shares of Common Stock or other securities.

3.3.4 If the Company shall be consolidated or merged with another corporation, each Award Recipient shall be required, to the extent that the Award Shares remain unvested and/or subject to restrictions or transferability, to deposit with the successor corporation each certificate that such Award Recipient is entitled to receive by reason of the ownership of the Award Shares, and the other provisions of this Section 3.3 shall apply to such certificates.

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* * *

RESTRICTED STOCK AWARD AGREEMENT

Regarding Common Stock of

SL GREEN REALTY CORP.

Issued Pursuant to the
SL Green Realty Corp. 2003 Long-Term
Outperformance Compensation Program
(Constituted Under the SL Green
Realty Corp. Amended 1997 Stock
Option and Incentive Plan)

This certifies that (the "Grantee") is an Award Recipient (as defined herein) under the SL Green Realty Corp. 2003 Long-Term Outperformance Compensation Program (the "Program"). Capitalized terms used but not defined herein shall have the meanings given to those terms in the Program. The Grantee's percentage for purposes of Section 2.1.1 of the Program is %, which percentage may be increased from time to time as provided in the Program.

This certificate is issued pursuant to and is subject to all of the terms and conditions of the Program and all of the terms and conditions of the Plan, in each case the terms and conditions of which are hereby incorporated as though set forth herein, and the receipt of a copy of which the Grantee hereby acknowledges by his receipt of this certificate.

A determination of the Committee under the Program as to any questions which may arise with respect to the interpretation of the provisions of this certificate and of the Program shall be final. The Committee may authorize and establish such rules, regulations and revisions thereof, not inconsistent with the provisions of the Program and the Plan, as it may deem advisable.

WITNESS the signature of the Company's duly authorized officer.

Dated: , 2003

SL GREEN REALTY CORP.

By: ____________________
Name:
Title:

FIRST AMENDMENT TO

AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT (this "Amendment") is made as of the 5th day of June, 2003, by and among (i) SL GREEN OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower"), (ii) SL GREEN REALTY CORP., a Maryland corporation (the "Company", and a "Guarantor"), (iii) each of the direct and indirect Subsidiaries of Borrower or the Company that is a signatory hereto under the caption "Guarantors" on the signature pages hereto, (iv) each of the financial institutions that is a signatory hereto under the caption "Lenders" on the signature pages hereto (individually, a "Lender" and, collectively, the "Lenders"), (v) WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as administrative agent for the Lenders hereunder (in such capacity, "Agent") and as arranger (in such capacity, "Arranger"), (vi) COMMERZBANK AG NEW YORK BRANCH, as syndication agent for the Lenders and (vii) EUROHYPO AG, NEW YORK BRANCH, as documentation agent for the Lenders, and is made with reference to that certain Amended and Restated Credit and Guaranty Agreement dated as of February 6, 2003, by and among Borrower, Guarantors, the lenders signatory thereto (the "Existing Lenders"), Agent, Arranger, syndication agent and documentation agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, under the terms of the Credit Agreement, the Existing Lenders provide to Borrower an unsecured term loan facility in the maximum amount of $150,000,000 (the "Facility"); and

WHEREAS, under the terms of the Credit Agreement, the Obligations of Borrower are jointly and severally unconditionally guaranteed by Guarantors, including, without limitation, with respect to certain Guarantors, pursuant to that certain Instrument of Adherence executed by said Guarantors dated as of March 17, 2003 (the "Instrument of Adherence"); and

WHEREAS, Borrower has requested, pursuant to § 2.2 of the Credit Agreement, that the Total Commitment be increased to $200,000,000, and certain Existing Lenders have agreed to increase their Commitments and a Lender not an Existing Lender has agreed to make a Commitment such that the Total Commitment shall be $200,000,000; and

WHEREAS, at the request of Borrower, Lenders have agreed to amend the Credit Agreement and Schedule 1.2 thereto in accordance with § 2.2(e) of the Credit Agreement in order to reflect the increase in Total Commitment and to make certain other

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amendments to the Credit Agreement, including, without limitation, to extend the Maturity Date and substitute the Lenders for the Existing Lenders; and

WHEREAS, the parties hereto intend that this Amendment not constitute a novation or satisfaction of the Obligations or be deemed to evidence or constitute a repayment of all or any portion of such Obligations.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENT OF CREDIT AGREEMENT AND RELATED MATTERS.

1.1. Definitions. The definition of "Maturity Date" in § 1.1 of the Credit Agreement is hereby deleted in its entirety and the following substituted in its place and stead:

"Maturity Date. June 5, 2008, or such earlier date on which the Loans shall become due and payable pursuant to the terms hereof."

1.2. Notwithstanding anything in § 2.2 to the contrary, Lenders acknowledge and agree that the (i) increase to the Total Commitment effectuated pursuant to the terms and provisions of this Amendment shall be available to Borrower from time to time for a period of one hundred eighty (180) days from the date of this Amendment, without regard to the Funding Expiry Date and (ii) as a result of the operation of § 2.2(b) a portion of certain Existing Lenders' Commitments shall again be available under the Credit Agreement to the extent of the amount received by such Existing Lender in connection with the reallocation contemplated in said § 2.2(b). Any borrowings with respect to such increase to the Total Commitment shall be subject to the satisfaction of the terms and conditions of the Credit Agreement, including, without limitation, § 2.5. Borrower acknowledges and agrees that the provisions of § 2.2(c) continue to apply, such that, if on the Funding Expiry Date, the Outstanding Obligations are less than $150,000,000, the Total Commitment shall reduce by an amount equal to the excess of (x) $150,000,000 over (y) the Outstanding Obligations on the Funding Expiry Date. In such event, each Lender's Commitment shall be reduced *pro rata* in accordance with its respective Commitment Percentage.

1.3. § 2.3 of the Credit Agreement is hereby amended by the addition of the following paragraph at the end thereof:

> "Upon receipt of an affidavit (including appropriate indemnification) of an officer of any Lender as to the loss, theft, destruction or mutilation of such Lender's Note, and, in the case of such loss, theft, destruction or mutilation, upon cancellation of such Note, Borrower will issue, in lieu thereof, a replacement note in the same principal amount thereof and otherwise of like tenor."

1.4. § 2.4 of the Credit Agreement is hereby amended by the addition of the following clause (d) at the end thereof:

"(d) All agreements between Borrower and Guarantors, on the one hand, and Agent and the Lenders, on the other hand, are expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the Obligations or otherwise, shall the amount paid or agreed to be paid to the Lenders for the use or the forbearance of the Indebtedness evidenced under this Agreement and the Notes exceed the maximum permissible under law. As used herein, the term 'applicable law' shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Agreement and the Notes shall be governed by such new law as of its effective date. If, under or from any circumstances whatsoever, fulfillment of any provision of this Agreement or any other Loan Document at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from any circumstances whatsoever the Lenders should receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount of the Loans then outstanding and not to the payment of interest. In the event that, as a result of this § 2.4(d), the interest rate on any Loans is reduced and, after such reduction, the maximum permissible interest rate under applicable law exceeds the interest rate payable hereunder, the interest rate on the Loans shall be the maximum permissible interest rate under applicable law until the aggregate amount of interest paid equals the aggregate amount of interest that would have been paid but for this § 2.4(d). This provision shall control every other provision of the Loan Documents."

1.5. § 12.1(e) of the Credit Agreement is hereby amended by inserting, immediately following the word "Borrower" and prior to the word "in", the phrase "or any Guarantor".

1.6. § 18.1 is hereby amended by inserting, immediately following the phrase "jointly and severally, unconditionally" each time it appears in the first and second sentences, the phrase "and irrevocably".

1.7. The Credit Agreement is hereby amended by the addition of the following new § 30 immediately following the existing § 29 thereof:

"SECTION 30. <u>TAX SHELTER PROVISIONS</u>. None of Borrower, the Company, any other Guarantor or any Related Company intends to treat the Facility or the transactions contemplated by this Agreement and the other Loan Documents as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). If Borrower, any Guarantor or any Related Company determines to take any action inconsistent with such intention, Borrower will promptly notify Agent thereof, who shall in turn, promptly notify

the Lenders. If Borrower so notifies Agent, Borrower acknowledges that Agent and each of the Lenders may treat its respective Commitment Percentage of the Loans as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Agent and any such Lender will maintain the lists and other records, including the identity of any applicable Persons, as required by such Treasury Regulation. Notwithstanding anything to the contrary set forth herein or in any other written or oral understanding or agreement entered into in connection with the transactions contemplated in this Agreement, Borrower, each Guarantor, each Lender and Agent acknowledge and agree that (i) any obligations of confidentiality contained herein or in any such understanding or agreement do not apply to the tax treatment and tax structure of the transactions contemplated by the Loan Documents (and any related transactions or arrangements), and each of Borrower, any Guarantor, any Lender and Agent (and each of their respective employees, representatives, or other agents) may disclose to any and all required Persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by the Loan Documents and all materials of any kind (including opinions or other tax analyses) that are provided to any such Person relating to such tax treatment and tax structure, all within the meaning of Treasury Regulations Section 1.6011-4; provided, however, that each such Person recognizes that the privilege each has to maintain, in its sole discretion, the confidentiality of a communication relating to the transactions contemplated by the Loan Documents, including a confidential communication with its attorney or a confidential communication with a federally authorized tax practitioner under Section 7525 of the Internal Revenue Code, is not intended to be affected by the foregoing. The authorization to disclose granted pursuant to the preceding sentence is subject to compliance with any applicable federal or state securities laws, and is not intended to permit disclosure of any other information, including without limitation, (A) any portion of any materials to the extent not required in order to analyze the tax treatment or tax structure of the transactions contemplated by the Loan Documents, (B) the identities of participants or potential participants in said transactions, except in compliance with any list maintenance obligation imposed by Treasury Regulations Section 301.6112-1, (C) the existence or status of any negotiations, (D) any pricing or financial information, except to the extent such information is required in order to analyze the tax treatment or tax structure of said transactions, or (E) any other term or detail not required in order to analyze the tax treatment or tax structure of said transactions."

1.8. Schedule 1 to the Credit Agreement is hereby amended and restated in its entirety in the form attached as Exhibit A hereto.

1.9. Schedule 1.2 to the Credit Agreement is hereby amended and restated in its entirety in the form attached as Exhibit B hereto.

SECTION 2. <u>BORROWER'S REPRESENTATIONS AND WARRANTIES</u>.

In order to induce the Lenders to enter into this Amendment and to amend the Credit Agreement and the Schedules thereto in the manner provided herein, Borrower and Guarantors jointly and severally represent and warrant to each Lender that the following statements are true, correct and complete:

(i) each of Borrower and each Guarantor has all requisite corporate, limited liability company, or partnership power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Credit Agreement as amended by this Amendment (the "Amended Agreement");

(ii) the execution and delivery of this Amendment and the performance of the Amended Agreement have been authorized by all necessary corporate, limited liability company, or partnership action (as the case may be) on the part of Borrower and each Guarantor;

(iii) the execution and delivery by Borrower and each Guarantor of this Amendment and the performance by Borrower and each Guarantor of the Amended Agreement (i) are within the authority of Borrower or such Guarantor, (ii) have been duly authorized by all necessary proceedings on the part of Borrower or such Guarantor, (iii) do not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which Borrower or such Guarantor is subject or any judgment, order, writ, injunction, license or permit applicable to Borrower or such Guarantor and (iv) do not conflict with any provision of Borrower or such Guarantor's charter documents or by-laws, partnership agreement, limited liability company agreement, operating agreement, declaration of trust, or any agreement (except agreements as to which such a conflict would not result in a Material Adverse Effect) or other instrument binding upon Borrower or such Guarantor or to which any of Borrower's or Guarantor's properties are subject;

(iv) the execution and delivery by Borrower and each Guarantor of this Amendment and the performance by Borrower and each Guarantor of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body;

(v) this Amendment and the Amended Agreement have been duly executed and delivered by Borrower and each Guarantor and are legally valid and binding obligations of Borrower and each Guarantor, enforceable against Borrower and each Guarantor in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability; and

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(vi) no event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute a Default or an Event of Default.

SECTION 3. CONDITIONS TO EFFECTIVENESS.

Section 1 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the "First Amendment Effective Date"):

(i) On or before the First Amendment Effective Date, Borrower and each Guarantor shall have delivered to the Lenders (or to Agent for the Lenders with sufficient originally executed copies, where appropriate, for each Lender and its counsel) executed originals of this Amendment;

(ii) On or before the First Amendment Effective Date, Borrower shall execute and deliver to Agent new Notes for each Lender whose Commitment (as reflected on Schedule 1.2, as amended pursuant to this Amendment) has changed so that the maximum principal amount of such Lender's Note shall equal its Commitment;

(iii) On or before the First Amendment Effective Date, Agent shall have received (a) a certificate of the Company to the effect that each of the certifications made in the Member's Certificate dated March 17, 2003 which was delivered in connection with the Instrument of Adherence are remade on and as of the date of the certificate described in this clause (a), (b) a certificate of the Company to the effect that each of the certifications, including, without limitation, as to incumbency of authorized officers, made in the Secretary's Certificate dated March 17, 2003 which was delivered in connection with the Instrument of Adherence are remade on and as of the date of the certificate described in this clause (b), except that new resolutions adopted by the Company's Board of Directors authorizing the transactions described herein shall be attached to such certificate and certified by its secretary to be true and complete and in effect on the date hereof, (c) originally executed copies of a written opinion of counsel, addressed to the Lenders and Agent, relating to the due authorization, execution and delivery of this Amendment and of such new Notes and the enforceability thereof, substantially in the form of the relevant portions of the opinion delivered pursuant to § 10.6 of the Credit Agreement and (d) a Compliance Certificate dated the date hereof; and

(iv) Borrower (x) shall have paid to Agent all fees due and payable by Borrower pursuant to § 4.1 of the Credit Agreement and pursuant to the fee agreement with respect to the Additional Commitment between Wells and Borrower dated April 22, 2003 and (y) shall have paid all other expenses as provided in § 15 of the Credit Agreement due and payable by Borrower as of the First Amendment Effective Date.

In furtherance of the foregoing clause (ii), each Lender receiving a replacement Note pursuant to the foregoing clause (ii) covenants that it shall promptly surrender to Agent, and Agent covenants that it shall promptly thereafter return to Borrower for cancellation, such Lender's existing Note replaced thereby.

SECTION 4. ACKNOWLEDGMENT AND CONSENT.

Each of Borrower, the Company and each other Guarantor (each individually a "Credit Support Party" and, collectively, the "Credit Support Parties") hereby acknowledges that it has reviewed the terms and provisions of the Credit Agreement and this Amendment and consents to the amendment of the Credit Agreement and Schedule 1.2 thereto effected pursuant to this Amendment. Each Credit Support Party hereby confirms that each Loan Document to which it is a party or otherwise bound will continue to guaranty or secure, as the case may be, to the fullest extent possible the payment and performance of all Obligations of Borrower now or hereafter existing under or in respect of the Credit Agreement and the Notes.

SECTION 5. MISCELLANEOUS.

(a) Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(i) On and after the effective date of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement and each reference in the other Loan Documents to the "Credit

Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any of the other Loan Documents.

(b) Expenses. Borrower acknowledges and agrees that all costs, fees and expenses as described in § 15 of the Credit Agreement incurred by Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(d) New Lender. Any Lender not an Existing Lender (a “New Lender”) (i) represents and warrants that it is legally authorized to enter into this Amendment; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referenced therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment; (iii) acknowledges and agrees that it has made and will make such inquiries and has taken and will take such care on its own behalf as would have been the case had it made a Loan directly to Borrower without the intervention of any Existing Lender, Agent or any other Person; (iv) acknowledges and agrees that it will perform in accordance with their terms all of the obligations that, by the terms of any Loan Document, are required to be performed by it as a Lender; (v) agrees that it will, independently and without reliance upon any Existing Lender, Agent or any other Person which is or has become a Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (vi) appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to Agent by the terms thereof, together with such powers under the Credit Agreement as are incidental thereto; (vii) agrees that it will be bound by the provisions of the Amended Agreement and will perform in accordance with its terms all the obligations which by the terms of the Amended Agreement are required to be performed by it as a Lender including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to the Amended Agreement to deliver the forms prescribed by the Internal Revenue Service of the United States certifying as to its exemption from United States withholding taxes with respect to all payments to be made to it under the Amended Agreement, or such other documents as are necessary to indicate that all such payments are subject to such tax at a rate reduced by an applicable tax treaty; (viii) confirms that it is an “Eligible Assignee” under the terms of the Amended Agreement; (ix) acknowledges and agrees that no Existing Lender nor Agent makes any representation or warranty or assumes any responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant thereto or the authorization, execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant thereto; and (x) acknowledges and agrees that no Existing Lender nor Agent makes any representation or warranty or assumes any responsibility with respect to the financial condition or creditworthiness of Borrower, any Guarantor or any other Person or the performance or observance by Borrower, any Guarantor or any other Person of any obligations under any Loan Document or any other instrument or document furnished pursuant thereto. From and after the First Amendment Effective Date, (i) any New Lender shall be deemed to be a party to the Amended Agreement and have the rights and obligations of Lender thereunder and under the other Loan Documents and shall be bound by the provisions thereof, and (ii) any such New Lender shall become a Lender for all purposes of the Credit Agreement and the other Loan Documents, and execution of this Amendment by such New Lender shall be deemed to be execution of the Credit Agreement.

(e) **APPLICABLE LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.**

(f) Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment (other than the provisions of Section 1 hereof, the effectiveness of which is governed by Section 3 hereof) shall become effective upon the execution of a counterpart hereof by Borrower, the Lenders and each of the Credit Support Parties and receipt by Agent of written or telephonic notification of such execution and authorization of delivery thereof. Section 1 of this Amendment shall become effective only in the manner set forth in Section 3 of this Amendment.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as a sealed instrument as of the date first set forth above.

BORROWER:

SL GREEN OPERATING PARTNERSHIP,

L.P.

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GUARANTORS:

SL GREEN REALTY CORP.

By ______________________________
Name:
Title:

NEW GREEN 1140 REALTY LLC

By: SL Green Operating Partnership, L.P., its manager

By SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

SLG 17 BATTERY LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

SL GREEN MANAGEMENT LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

SLG IRP REALTY LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:

Title:

GREEN 286 MADISON LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GREEN 1370 BROADWAY LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GREEN 292 MADISON LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GREEN 110 EAST 42ND LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GREEN 1372 BROADWAY LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:

Title:

GREEN 1466 BROADWAY LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GREEN 440 NINTH LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

GREEN 470 PAS LLC

By: SL Green Operating Partnership, L.P., its manager

By: SL Green Realty Corp., its general partner

By ______________________________
Name:
Title:

ADMINISTRATIVE AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION, As Administrative Agent

By ______________________________
Christopher B. Wilson
Vice President

LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By ______________________________
Christopher B. Wilson
Vice President

LENDER:

COMMERZBANK AG NEW YORK
BRANCH

By ____
Name:
Title:

By ____
Name:
Title:

LENDER:

EUROHYPO AG, NEW YORK BRANCH

By ____
Name:
Title:

By ____
Name:
Title:

LENDER:

PB CAPITAL CORPORATION

By ____
Name:
Title:

By ____
Name:
Title:

LENDER:

KEYBANK NATIONAL ASSOCIATION

By ____
Name:
Title:

LENDER:

HSH NORDBANK AG, NEW YORK
BRANCH

By ____
Name:
Title:

By ________________________________
Name:
Title:

EXHIBIT A

LENDERS; DOMESTIC AND LIBOR LENDING OFFICES

WELLS FARGO BANK, NATIONAL ASSOCIATION

Notices:
40 West 57th Street
New York, New York 10019
Attention: Mr. Mauricio J. Maldonado
Loan Administrator
Telephone: 212/315-7271
Telefax: 212/581-0979

Funding/Payments/Rate Options:
2120 East Park Place, Suite 100
El Segundo, California 90245
Attention: Ms. Shirley Williams (Funding/Payments)
Telephone: 310/335-9475
Telefax: 310/615-1014

Attention: Mr. Don Munoz (Rate Options)
Telephone: 310/335-9442
Telefax: 310/615-1014

COMMERZBANK AG NEW YORK BRANCH

Notices:
2 World Financial Center
New York, New York 10281
Attention: Mr. David Schwarz
Senior Vice President
Telephone: 212/266-7632
Telefax: 212/266-7565

Funding/Payments/Rate Options:
Attention: Mr. Massimo Ippolito (Administration)
Telephone: 212/266-7707
Telefax: 212/266-7772

EUROHYPO AG, NEW YORK BRANCH

Notices:
1114 Avenue of the Americas, 29th Floor
New York, New York 10036
Attention: Mr. Alfred R. Koch
Telephone: 212/479-5705
Telefax: 212/479-5800

Funding/Payments/Rate Options:
Attention: Ms. Stephanie Ortega (Operations/Administration)
Telephone: 212/479-5738
Telefax: 212/479-5803

PB CAPITAL CORPORATION

Notices:
590 Madison Avenue, 30th Floor
New York, New York
Attention: Ms. Connie Pun
Telephone: 212/756-5626
Telefax: 212/756-5536

Funding/Payments/Rate Options:
Attention: Ms. Sharon Fong (Operations/Administration)
Telephone: 212/756-5503
Telefax: 212/756-5536

KEYBANK NATIONAL ASSOCIATION

Notices:
575 Fifth Avenue, 38th Floor
New York, New York 10017
Attention: Mr. Timothy J. Mertens
Vice President
Telephone: 917/368-2390
Telefax: 917/368-2370

1146 19th Street, N.W., Suite 400
Washington, District of Columbia
Attention: Ms. Jennifer Dakin
Telephone: 202/452-4940
Telefax: 202/452-4925

Funding/Payments/Rate Options:
127 Public Square
OH-01-27-0839
Cleveland, Ohio 44114
Attention: Mr. R. J. Quinn (Operations/Administration)
Telephone: 216/689-4343
Telefax: 216/689-4721

HSH NORDBANK AG, NEW YORK BRANCH

Notices:
Martensdamm 6
24103 Kiel, Germany
Attention: Ms. Heidrun Meyer
Telephone: 011-49-431-900-12364
Telefax: 011-49-431-900-34123

Funding/Payments/Rate Options:
590 Madison Avenue, 28th Floor
New York, New York 10022
Attention: Mr. Faustino Lugo (Operations/Administration)
Ms. Madeleine Ricci (Operations/Administration)
Telephone: 212/407-6124 / 212/407-6123
Telefax: 212/407-6133

EXHIBIT B

SCHEDULE 1.2

COMMITMENTS AND COMMITMENT PERCENTAGES

Financial Institution	Commitment	Commitment Percentage
Wells Fargo Bank, National Association	$ 74,000,000	37.0%
Commerzbank AG New York Branch	34,000,000	17.0%
Eurohypo AG, New York Branch	29,000,000	14.5%
PB Capital Corporation	24,000,000	12.0%
KeyBank National Association	19,000,000	9.5%
HSH Nordbank AG, New York Branch	20,000,000	10.0%

	$ 200,000,000	100.0%

Exhibit 31.1

CERTIFICATION

I, Stephen L. Green, Chairman of the Board and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SL Green Realty Corp. (the “registrant”);

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation ; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 12, 2003

	/s/ Stephen L. Green
Name:	Stephen L. Green
Title:	Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas E. Wirth, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SL Green Realty Corp. (the “registrant”);

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 12, 2003

/s/ Thomas E. Wirth

Name: Thomas E. Wirth
Title: Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of SL Green Realty Corp. (the “Company”) on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen L. Green, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

/s/ Stephen L. Green
Stephen L. Green
Chief Executive Officer

August 12, 2003

A signed original of this written statement required by Section 906 has been provided to SL Green Realty Corp. and will be retained by SL Green Realty Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of SL Green Realty Corp. (the “Company”) on Form 10-Q for the quarter ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas E. Wirth, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

/s/ Thomas E. Wirth

Thomas E. Wirth
Executive Vice President and Chief Financial Officer

August 12, 2003

A signed original of this written statement required by Section 906 has been provided to SL Green Realty Corp. and will be retained by SL Green Realty Corp. and furnished to the Securities and Exchange Commission or its staff upon request.