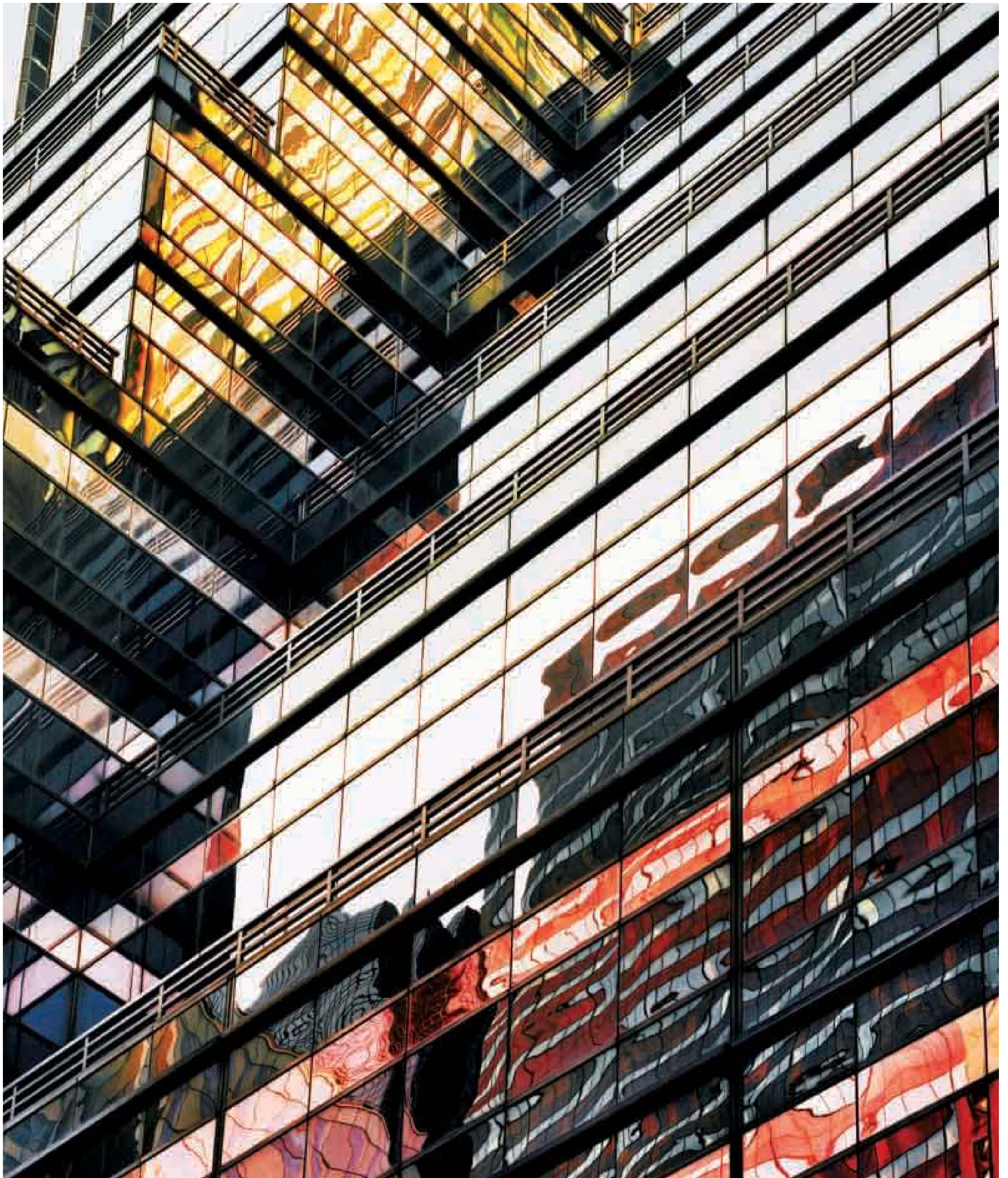
Markets Move / Strength Endures SL Green Realty Corp. 2009 Annual Report



SL Green Realty Corp. is a self-administered and self-managed real estate investment trust, or REIT, that predominantly acquires, owns, repositions and manages Manhattan office properties. The Company is the only publicly held REIT that specializes in this niche. As of December 31, 2009, the Company owned interests in 29 New York City office properties totaling approximately 23,211,200 square feet, making it New York's largest office landlord. In addition, at December 31, 2009, SL Green held investment interests in, among other things, eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests, along with ownership interests in 31 suburban assets totaling 6,804,700 square feet in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey.

Pictured on front cover: 625 Madison Avenue.
Pictured on back cover: 100 Park Avenue.

Markets Move / Strength Endures

Despite market turbulence, the strength of SL Green endures. The collective strength of our experienced leadership, premier assets, efficient operating structure and flexible financial position underlies a resilient, stable platform that allows us to effectively maneuver and prosper throughout all cycles.

What a difference a year can make… At the end of 2008, the commercial real estate markets were reeling from a year-long crisis. This was precipitated by a market-wide breakdown in the credit and derivatives markets. It became nearly impossible to buy and sell assets. In addition, the global economic downturn had caused many office job losses and a corresponding reduction in space demand. Office property values and rents both dropped sharply.

The suddenness of these events drove highly leveraged private equity investments into severe distress. Many of their sponsors were forced out of active participation in the marketplace indefinitely, and some did not survive.

Fortunately, the picture wasn't quite so grim for most real estate investment trusts (REITs), as they tended to be less leveraged and more liquid at both the property and corporate levels, but, regardless, the sudden market turmoil prompted investors to flee from REIT stocks.

REITs with substantial New York City exposure, like SL Green, were hit especially hard. The financial services industry had shed tens of thousands of jobs and pundits predicted continuing misery. So, despite reporting record earnings for 2008 and exceeding virtually all of its operating objectives, SL Green saw its share price plummet.

In retrospect, we can now see that Wall Street overreacted. Commercial real estate markets clearly had been overheated and the bursting of the financial bubble that had formed was inevitable. However, the underlying strength of most office REITs, along with the long-term nature of their income streams and their unique ability to raise capital in both the equity and debt markets, eventually cushioned the blow and enabled them to survive and make the right adjustments to their balance sheets. And while New York City's job losses proved to be painful, there were far fewer such losses than predicted.

Moving into 2009, there certainly was no broad economic recovery. Real estate market liquidity remained a problem, and both high-leverage borrowers and their lenders continued to struggle. But, the dust did begin to settle and commercial real estate did begin to stabilize by midyear. The stage was set for value recovery on behalf of REIT shareholders and, once again, SL Green led the way – having forged and executed a set of strategies that propelled it back to the head of the class among U.S. office REITs.

Strong Leasing Activity

Among our many 2009 accomplishments was the successful implementation of our "Nobody Gets Out" plan – a lighthearted name for a serious, intensive program to retain virtually every tenant in our portfolio.

One of SL Green's great strengths is its ability to find a way to meet a tenant's evolving needs – whether that way is through space expansion, space reduction, movement to another property in the portfolio or dealing with other special situations requiring modifications of lease terms. At the beginning of 2009, we had already begun to challenge our teams to aggressively engage tenants well in advance of their contractual lease expirations and find ways to ensure that they would stay with us. This program resulted in a retention rate of nearly 80 percent[1] among those tenants making leasing decisions in 2009.

Our financial strength helps us greatly in this area. We are often able to trump our peers when competing for tenants because of our ability to fund capital commitments that can make a difference in a tenant's decision. At a different level, tenants tend to gravitate toward strong landlords anyway, in order to avoid the uncertainties that can pop up when a property or its owner is in financial distress.

Overall, we completed 1.5 million square feet of office leasing transactions during the year – well in excess of our 768,000 square feet of 2009 contractual lease expirations. We ended the year at 95.0 percent occupancy in our New York City portfolio – down slightly from the end of 2008, but still far ahead of the market and many of our major direct competitors. Likewise, our suburban portfolio outperformed the markets where our properties are located, with portfolio occupancy standing at 88.7 percent at year-end.

Even though we were extremely aggressive in a still-soft market, we achieved rent increases across the portfolio. New and renewal office leases signed in 2009 averaged $44.08 per square foot, up 14.9 percent over expiring leases.

Success in Accessing Capital

Our ability to strengthen our balance sheet in 2009 and position SL Green for future opportunities stemmed directly from our success in raising capital:

- At a time when credit availability was virtually nonexistent for most large borrowers, we were able to raise nearly $1 billion by refinancing several properties in the portfolio, including 1515 Broadway, 420 Lexington Avenue, 100 Park Avenue, 625 Madison Avenue and 1551 Broadway. We accomplished this despite the CMBS market shutdown and without utilizing government-sponsored TALF financing. SL Green's market position, financial strength and track record prompted smart lenders to step up.
- We realized gross proceeds of over $400 million from our May common stock offering.
- Despite the lack of market liquidity, we found buyers for two non-core suburban properties, at attractive prices totaling nearly $260 million. We also realized nearly $60 million in gross proceeds from the selective sales of structured finance investments.
- And we maximized retained cash flow by reducing our dividend while still meeting statutory requirements.

Non-Core Programs Add Substantial Value

Our retail investment program also saw several successes. We finished the ground-up development of 1551 Broadway – turning the former Howard Johnson site into American Eagle Outfitters' flagship store. On 34th Street, we completed and opened the glass-box retail buildings that now host upscale Geox and Aldo stores. At 141 Fifth Avenue, we upgraded by buying out a previous tenant and landing Cole Haan, at a 250 percent rent increase. And, perhaps our most visible retail leasing success was worked on in 2009 and completed right after the end of the year, when we combined the former MTV Studio with recaptured ground-floor corner retail

[1] Exclusive of 333 West 34th Street planned vacancy and inclusive of agreements for expiring space immediately leased.

Stephen Green,
Chairman of the Board &
Marc Holliday,
Chief Executive Officer

space at Times Square's 1515 Broadway and leased it to Aeropostale for a high-profile, flagship store to open late in 2010/early 2011.

Another value-add business that in 2009 became increasingly profitable for SL Green was Green Loan Services (GLS), our special servicing arm. We developed in-house special servicing capabilities several years ago to handle the needs of both SL Green as a structured finance lender and our then-affiliate, Gramercy Capital Corporation. Subsequently, we decided to expand and take on third-party businesses. In early 2009, GLS managed on behalf of lenders what was probably the year's highest-profile foreclosure of the debt backed by Boston's John Hancock Tower. The Hancock foreclosure sale confirmed GLS as a nationally recognized expert servicer for savvy clients seeking a hands-on approach to restructurings and exercise of remedies. The unit has taken on several subsequent third-party assignments.

Investor Interest on the Rise

Our success in raising capital, as discussed, followed by our repurchase of liabilities at a discount, enabled us to delever by approximately $1.3 billion. We also set the stage for further deleveraging in 2010.

In addition, we reduced certain overhead costs and capital expenditures, although not in ways that would hinder us in pursuing business opportunities. Nor did it hurt our quality of service – as evidenced by the high satisfaction ratings we received once again from tenants surveyed by Kingsley Associates.

We also managed our structured finance portfolio closely – while reducing the size of it. We restructured certain loans to strengthen our position, and moved to take over ownership of a high-potential property at 100 Church Street that had underperformed under previous ownership.

It was these and other moves during the course of the year that helped investors become increasingly comfortable again with SL Green's ability to outperform the competition in the New York commercial real estate market and to enhance that success through its value-add initiatives. As a result, SL Green's share price recovered substantially in 2009 and shareholders enjoyed a 101.6 percent total return for the year, despite the fact that the company's dividend was reduced to conserve cash in the near term. The Company's long-term goal is to restore the dividend to an appropriate sustainable level as market conditions warrant.

Aqueduct

Our one major disappointment in 2009 was the failure of our good-faith efforts to win the right to redevelop the Aqueduct Race Track site and establish a gaming operation there.

We believe that the current Aqueduct property and the surrounding area represent one of New York City's best sites, which could be redeveloped quickly and fairly easily for the good of the immediate neighborhood. In 2009 we worked hard with our partner, Hard Rock Entertainment, a world-class casino operator, and others to develop the best plan that could serve the community's interests while maximizing revenues for the state. If New York State leaders had made their decision when expected, and if they had chosen our proposal on the merits, Aqueduct's gaming operation would already be producing substantial revenues, local business opportunities and jobs.

As this Annual Report goes to press, the selection process is back in a state of uncertainty. We don't know what will happen next, but we remain hopeful that matters can be resolved and that this project will become a reality, with the community's and the taxpayers' needs being met. We stand ready to take on the project if we are selected to do so.

On the Horizon

At the close of 2009, we expressed confidence that New York City would bounce back and lead the nation's commercial real estate sector out of recession and back to good health. And already we are seeing promising signs of that happening, with improving fundamentals across the board.

In Midtown Manhattan, vacancy appears to have peaked at about 13 percent, and should begin dropping again as sublet space is absorbed. This trend will be accelerated by the overall business climate improvement, job creation, and growing demand for Class A office space with very little new supply being delivered over the next five years. Net effective rents, which have stabilized and are already beginning to improve, should begin to climb again.

Clearly, those investors who wrote off New York City in 2008 and 2009 – and consequently reduced their participation in the commercial real estate sector – failed to take into account the City's legendary resilience. New York City remains a global leader in financial services, publishing, entertainment, communications and other major industries. That's not going to change any time soon. The world's businesses and investors recognize it and continue to bring their dollars and operations to work here.

We have positioned SL Green to succeed in good times and bad by utilizing our superior market knowledge, our dominant Midtown Manhattan presence, the industry's finest professional staff, our financial strength and our never-blinking focus. The reality is that this company has weathered the downturn in good shape and in many ways has emerged stronger. So, while it's true that markets do fluctuate, it's also true that strength endures.

In closing, thank you for your investment and your confidence in SL Green and its management team. Now, more than ever. We will continue to work hard on your behalf to deliver the kind of results you expect from us.

Marc Holliday
Chief Executive Officer
Executive Comittee

Executive Management
Clockwise from top left

Marc Holliday
Chief Executive Officer

Andrew W. Mathias
President and
Chief Investment Officer

Gregory F. Hughes
Chief Financial Officer and
Chief Operating Officer

Andrew S. Levine
Chief Legal Officer

Neil H. Kessner
Executive Vice President,
General Counsel –
Real Property

Edward V. Piccinich
Executive Vice President,
Property Management and
Construction

Steven M. Durels
Executive Vice President,
Director of Leasing and
Real Property

Senior Management
Clockwise from top left

David M. Schonbraun
Managing Director

Isaac Zion
Managing Director

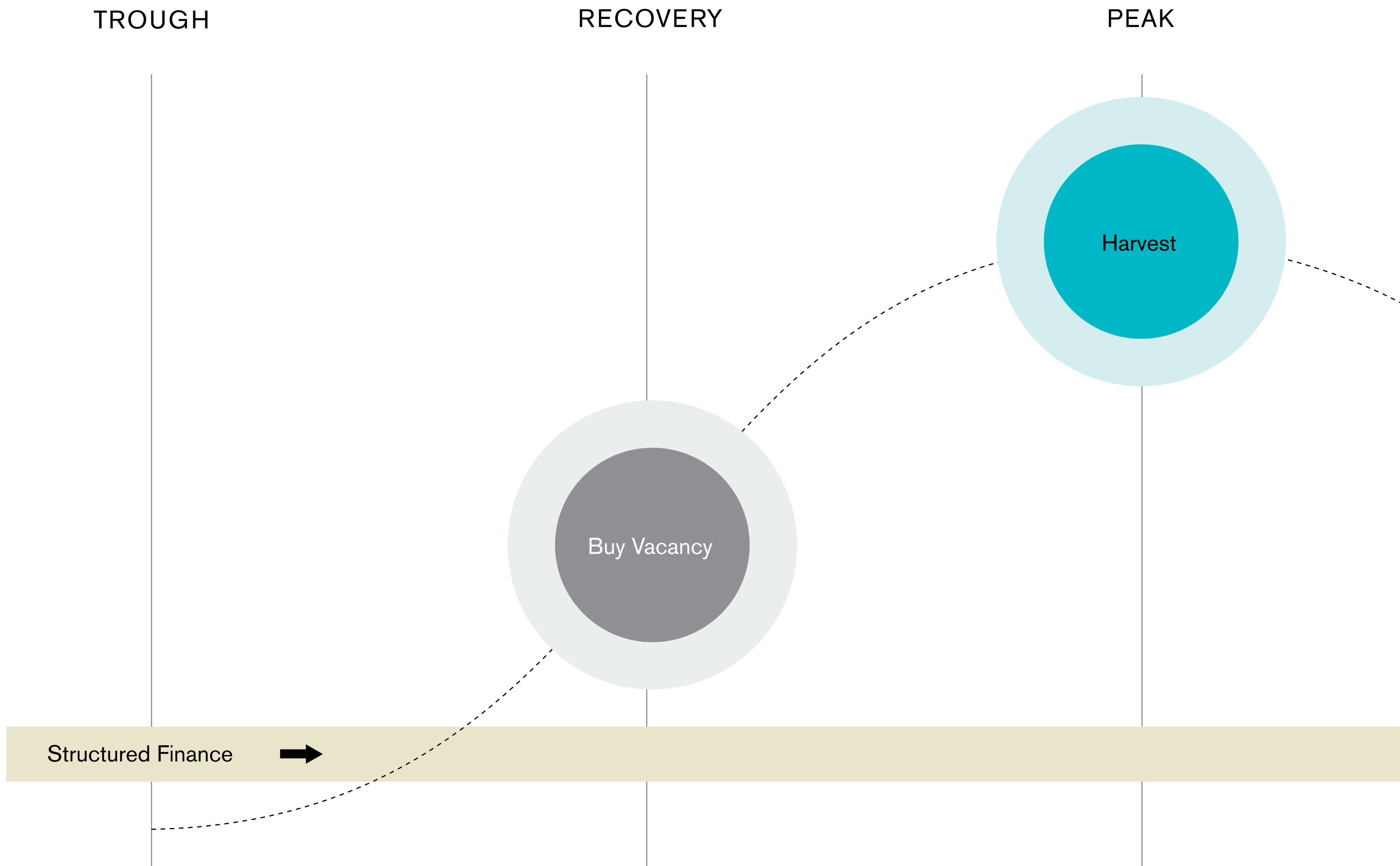
Matthew J. DiLiberto
Chief Accounting Officer

A Long-Term Perspective

Combining strong vision with a firm grasp of fundamentals and solid financial footing is key to a long-term, successful strategy in real estate. The ability to remain disciplined and execute that strategy, despite the many ups and downs of the business cycle, is what makes a great real estate company. No company illustrates this better than SL Green.

ALLOCATING CAPITAL THROUGHOUT THE BUSINESS CYCLE

A keen sense of the market and a honed ability to maneuver seamlessly between cyclical phases allow SL Green to effectively invest and operate throughout the entire business cycle. Tactical shifts in its capital allocation plan at specific times in the market contribute substantially to the long-term success and stability of the Company. Throughout the last business cycle, from 2001 to the present, SL Green meticulously employed its well-tailored strategy and is now ideally positioned to take advantage of the widely- anticipated market recovery.



2001

Opportunistic Activity

A $53.5M preferred equity investment was made in The News Building. Shortly thereafter in a privately negotiated transaction we acquired the 1.1 million square foot landmark building.

2004

Acquired TIAA Complex

485 Lexington Ave. and 750 Third Ave. were acquired knowing that lease expirations would soon leave the assets 100% and 75% vacant, respectively. SL Green seized the opportunity to upgrade the combined property and apply its superior leasing know-how. By 2006 both assets were nearly full and generating substantial rental income.

2006–2009

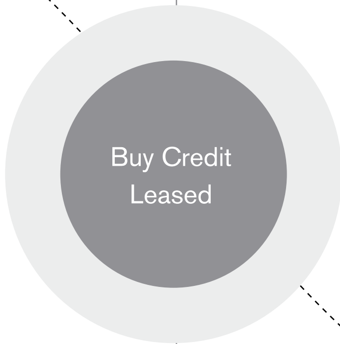
Sold ~$3Billion in Assets

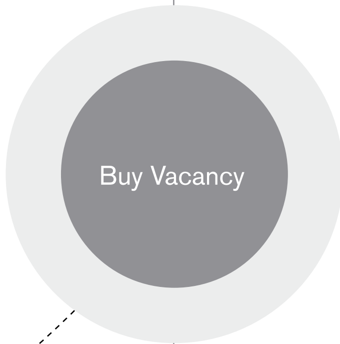
Throughout the market crest, matured, non-core Class B-assets were sold at peak cap-rates. Proceeds were deployed into defensive Class A-assets featuring improved tenant quality and cash flows.

RECESSION

TROUGH

RECOVERY





Structured Finance

2007

Acquired 388 Greenwich

A 13-Year triple-net lease, featuring annual rent increases, to the global financial services giant Citigroup at its Tribeca complex has proven to be a solid, long-term investment.

2009–2010

Opportunistic Activity

The foreclosure of the senior mezzanine loan secured by 100 Church Street yielded SL Green ownership of the property. With a low cost basis, substantial reserves and a targeted repositioning campaign, the asset's potential is promising. SL Green also purchased the mortgage and mezzanine loan secured by 510 Madison Avenue.

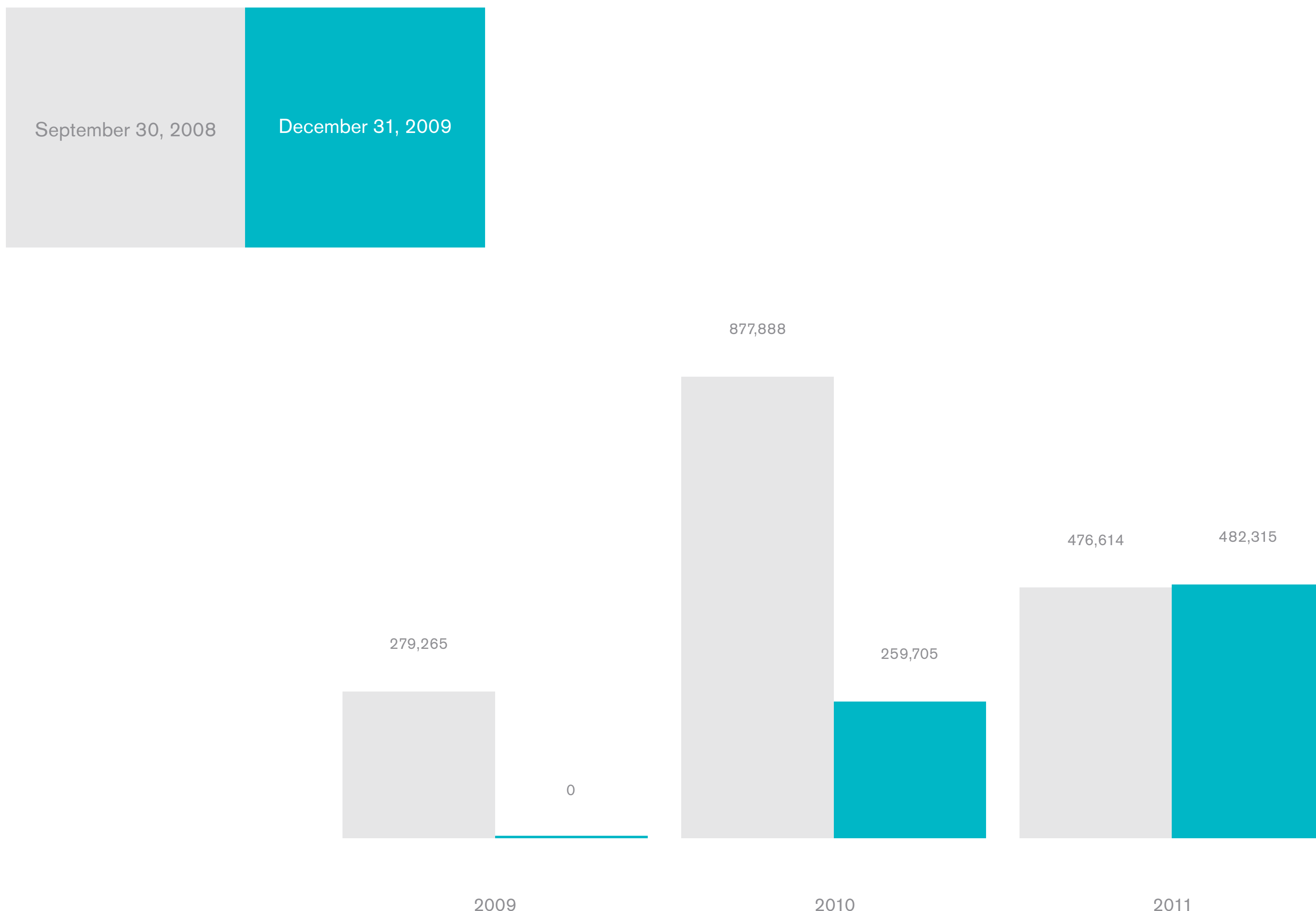
Future Strategy

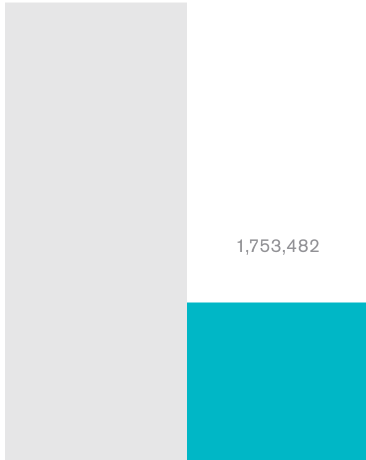
SL Green is well positioned to take advantage of the next cycle – already beginning to show signs of its arrival. We will strive to outperform and deliver shareholder value by employing our strategic vision and effectively utilizing our solid capital base and strong operational infrastructure.

DELEVERAGING THE BALANCE SHEET

The international financial crisis provided an unusual backdrop for balance sheet enhancement – however, that is exactly what SL Green has accomplished. In late 2008, SL Green instituted a corporate debt repurchasing program that led to the retirement of more than $1 billion of corporate debt* through the end of 2009 at a sizable discount. Funding for this lucrative activity came from a variety of sources, including select asset sales, financings, refinancings and a temporary dividend reduction, along with a $405.7 million common stock issuance in May 2009. These steps enabled SL Green to significantly reduce its near term debt maturities while simultaneously improving SL Green's balance sheet and readying the Company for future growth opportunities in the next market cycle.

*As of December 31, 2009. Balances shown are SLG's share of consolidated and unconsolidated joint venture debt.

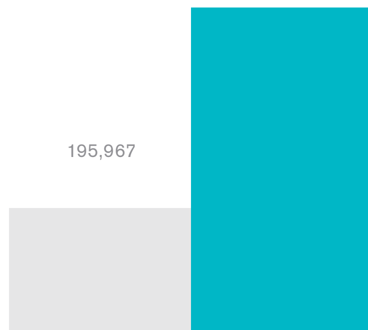


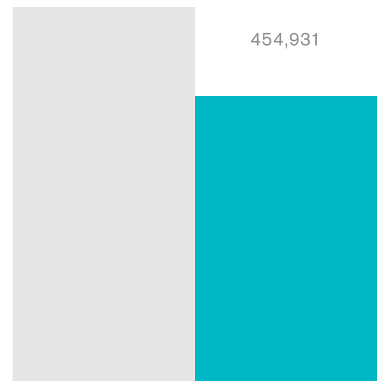


The Revolving Credit Facility Due 2012

Approximately 8.3 million square feet of unencumbered assets generating more than $211 million of annual NOI support the $1.5 billion line of credit.

Reflects 2010 projected GAAP NOI





2012 2013 2014 2015

MANAGING LEASE EXPIRATIONS

For many years, SL Green has led the New York City commercial office market in keeping its buildings occupied by quality tenants. This also has been true for the suburban portfolio since we acquired it in 2007. In 2009, SL Green once again outperformed. Our goal of keeping our properties well leased is achieved time and again because we constantly review our portfolio and we proactively manage our lease roll. By communicating with in-place tenants throughout their entire lease term, we are able to know of, and stay ahead of, their future needs. When attracting new tenants, we utilize highly competitive pre-built projects and build-to-suit programs that give us a leg up on our less well capitalized competitors. These defensive actions, when effectively employed, encourage early renewals and pre-lease of potential vacancies and significantly reduce scheduled rollovers.

TOTAL OCCUPIED SQUARE FEET
28,050,073*

2010	2011	2012	2013
7.1% 1,984,582	6.3% 1,761,801	5.8% 1,628,583	9.2% 2,571,974

* Combined Manhattan and suburban portfolios

2014
2015
2016
2017
2018
BEYOND 2018
5.8%
1,620,955
8.7%
2,444,892
5.9%
1,662,428
6.9%
1,945,148
7.1%
1,988,563
37.2%
10,441,147

Strength in Numbers

Success comes from superior execution on all fronts – investing, financing, operating and leasing. SL Green consistently delivers top-tier performance across the board. The proof is in our numbers.

24

MILLION SQUARE FEET OF RENTABLE SPACE

In the SL Green Manhattan portfolio, inclusive of 100 Church Street

102

PERCENT TOTAL RETURN IN 2009*

*Stifel Nicolaus Weekly Office Scorecard, December 31, 2009

406

MILLION DOLLARS

Of common stock issued in May 2009

8

MILLION SQUARE FEET

Total unencumbered square footage

11

BILLION DOLLARS

Total market capitalization as of year end

165

MILLION DOLLARS

Cash retained through effective tax planning and strategic dividend management

59

MILLION DOLLARS

Gross proceeds generated through select dispositions from the structured finance portfolio

260

MILLION DOLLARS

Gross proceeds generated through the disposition of suburban properties and investments

500

MILLION DOLLARS

Cash on hand

30

OFFICE BUILDINGS

In the Manhattan portfolio, inclusive of 100 Church Street

1

BILLION DOLLARS

Gross proceeds generated by refinancing or expanding five first mortgages in 2009

31

OFFICE BUILDINGS

In the suburban portfolio

15

PERCENT AVERAGE

Increase in mark-to-market on new leases signed in Manhattan portfolio in 2009

95

PERCENT OCCUPANCY

Occupancy in Manhattan

1

BILLION DOLLARS

Total revenue in 2009

319

MILLION DOLLARS

Funds from operations in 2009

93

PERCENT TENANT SATISFACTION

Tenant satisfaction with overall building management in the Manhattan portfolio—
based on Kingsley Associates 2009 Tenant Satisfaction Assessment

217

OFFICE LEASES COMMENCED

In 2009, portfolio wide

Solid and Stable

Buildings made of steel and glass, bricks and mortar, each with its own identity, presence and intensity, towering over major thoroughfares in New York City, Westchester, and Connecticut. This is the SL Green portfolio – a carefully assembled set of durable assets that delivers solid income.

800 Third Avenue

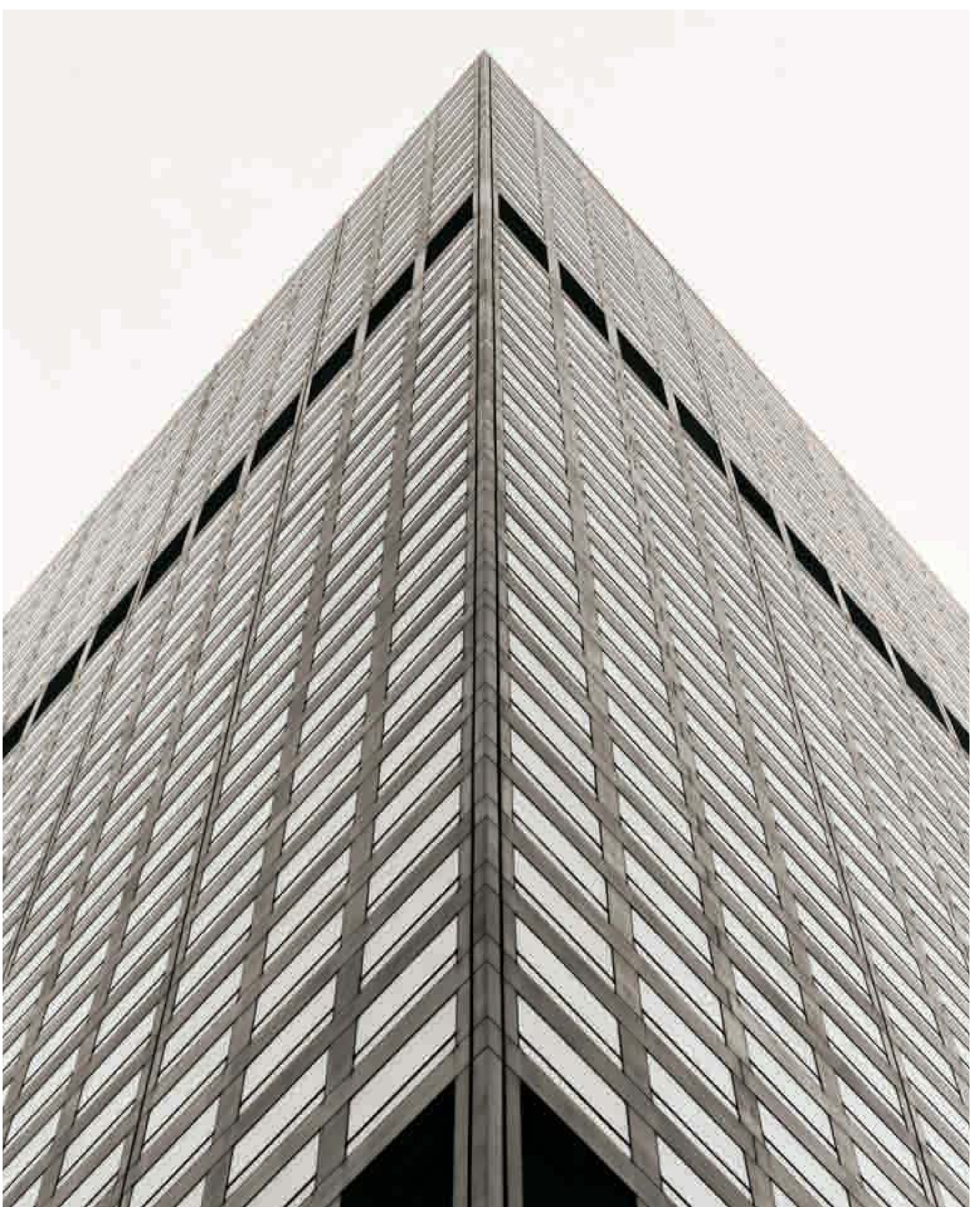
810 Seventh Avenue

1221 Avenue of the Americas

One Landmark Square, Stamford

750 Third Avenue & 485 Lexington Avenue

500 West Putnam Avenue, Stamford



919 Third Avenue

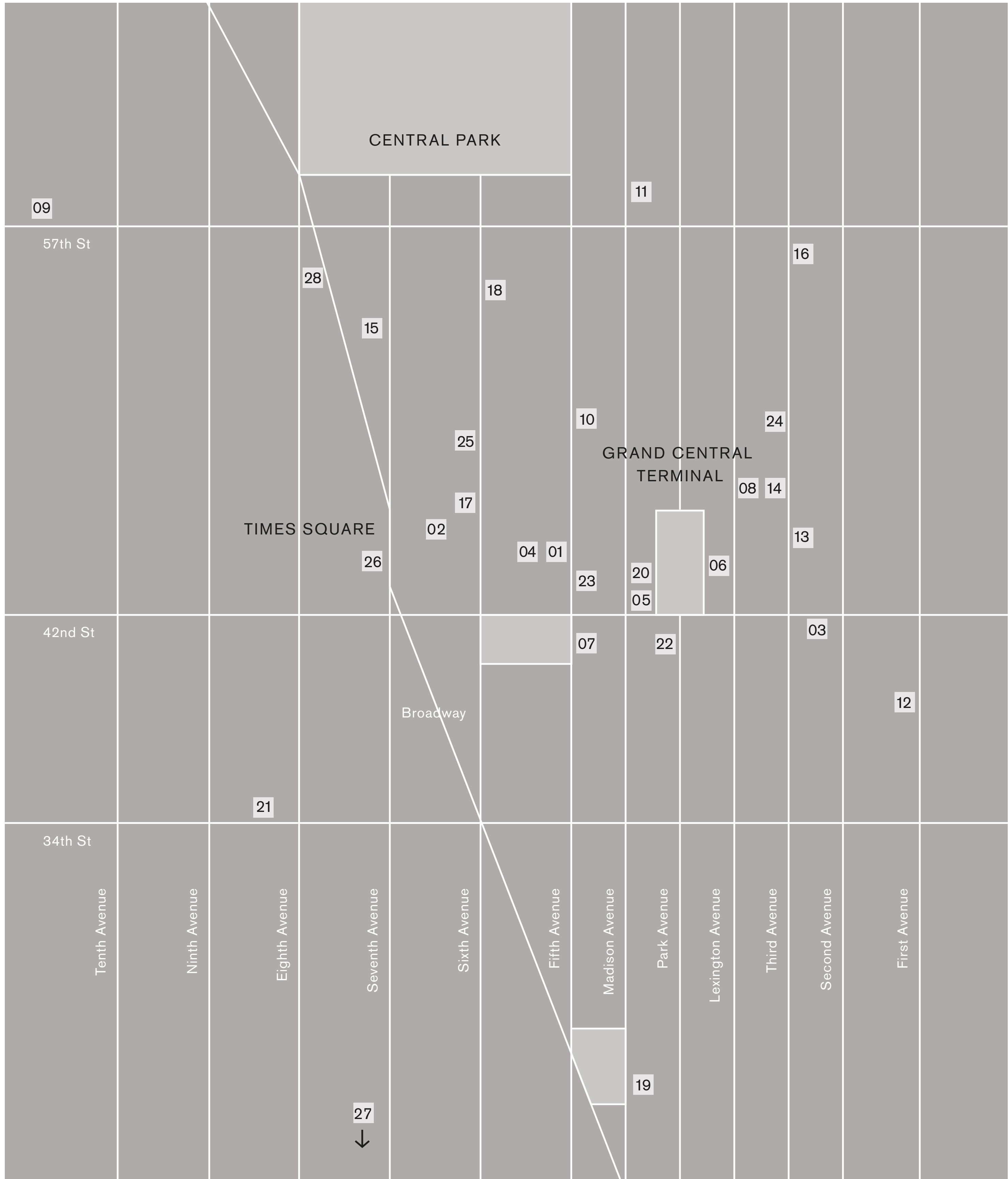
1350 Avenue of the Americas

The SL Green Portfolio

Through good times and bad, New York City functions as the world's financial capital. SL Green began assembling its premier collection of properties here in 1997 and it has grown to become the City's largest commercial office landlord. Complementing our New York City portfolio is a selection of premier suburban office properties, primarily located in Westchester and Stamford, Connecticut.

The New York City Portfolio

Numbers correspond to pages 36 and 37.



The Suburban Portfolio

Numbers correspond to pages 38 and 39.
Suburban properties not shown: One Court Square, Long Island City, NY;
The Meadows, Rutherford, NJ; 16 Court Street, Brooklyn, NY; Jericho Plaza, Jericho, NY

CONNECTICUT
12
14 09
11 13 STAMFORD
10
GREENWICH
15

WESTCHESTER
05
06 04 03
VALHALLA
02
TARRYTOWN
CONNECTICUT
01
07
08
RYE BROOK
WHITE PLAINS

Key	Properties	SubMarket	Ownership	Total Acquired Sq. Feet	Percent of Total Sq. Feet	Occupancy Percent 12/31/09
	CONSOLIDATED PROPERTIES					
	"Same Store"					
01	19 West 44th Street	Midtown	Fee Interest	292,000	1	96.9
02	120 West 45th Street	Midtown	Fee Interest	440,000	1	97.6
03	220 East 42nd Street	Grand Central	Fee Interest	1,135,000	4	94.8
04	28 West 44th Street	Midtown	Fee Interest	359,000	1	91.4
05	317 Madison Avenue	Grand Central	Fee Interest	450,000	1	85.1
06	420 Lexington Ave (Graybar)	Grand Central	Leasehold Interest	1,188,000	4	94.1
07	461 Fifth Avenue(3)	Midtown	Leasehold Interest	200,000	1	98.8
08	485 Lexington Avenue	Grand Central	Fee Interest	921,000	3	96.8
09	555 West 57th Street	Midtown West	Fee Interest	941,000	3	98.9
10	609 Fifth Avenue	Rockefeller Center	Fee Interest	160,000	1	97.5
11	625 Madison Avenue	Plaza District	Leasehold Interest	563,000	2	99.8
12	673 First Avenue	United Nations	Leasehold Interest	422,000	1	99.7
13	711 Third Avenue(1)	Grand Central	Operating Sublease	524,000	2	89.1
14	750 Third Avenue	Grand Central	Fee Interest	780,000	3	95.2
15	810 Seventh Avenue	Times Square	Fee Interest	692,000	2	88.8
16	919 Third Avenue(2)	Midtown	Fee Interest	1,454,000	5	99.9
17	1185 Avenue of the Americas	Rockefeller Center	Leasehold Interest	1,062,000	4	98.9
18	1350 Avenue of the Americas	Rockefeller Center	Fee Interest	562,000	2	89.2
19	1 Madison Avenue	Park Avenue South	Fee Interest	1,176,900	4	99.8
20	331 Madison Avenue	Grand Central	Fee Interest	114,900	0	100.0
	Subtotal/Weighted Average			13,436,800	45	96.0
	Adjustments					
21	333 West 34th Street	Penn Station	Fee Interest	345,400	1	41.5
	Subtotal/Weighted Average			345,400	1	41.5
	Total/Weighted Average Manhattan Consolidated Properties			13,782,200	46	94.6

(1) Including Ownership of 50% in Building Fee.
(2) SL Green holds a 51% interest in this consolidated joint venture asset.
(3) SL Green holds an option to acquire the fee interest on this building.

Key	Properties	SubMarket	Ownership	Usable Sq. Feet	Percent of Total Sq. Feet	Occupancy Percent 12/31/09
	UNCONSOLIDATED PROPERTIES					
	"Same Store"					
22	100 Park Avenue – 50%	Grand Central	Fee Interest	834,000	3	84.3
23	521 Fifth Avenue – 50.1%(1)	Grand Central	Leasehold Interest	460,000	2	81.5
24	800 Third Avenue – 42.95%	Grand Central	Fee Interest	526,000	2	96.1
25	1221 Avenue of the Americas – 45%	Rockefeller Center	Fee Interest	2,550,000	8	94.3
26	1515 Broadway – 68.45%	Times Square	Fee Interest	1,750,000	6	98.0
27	388 & 390 Greenwich Street – 50.6%	Downtown	Fee Interest	2,635,000	9	100.0
28	1745 Broadway – 32.3%	Midtown	Fee Interest	674,000	2	100.0
	Total/Weighted Average Unconsolidated Properties			9,429,000	31	95.6
	Manhattan Grand Total/Weighted Average			23,211,200	77	95.0
	Manhattan Same Store Occupancy % – Combined			22,865,800	99	95.8
	Overall Portfolio Grand Total			30,015,900	100	93.4

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

Key	Properties	SubMarket	Usable Ownership	Percent of Sq. Feet	Occupancy Percent Total Sq. Feet	12/31/09
	CONSOLIDATED PROPERTIES					
	"Same Store" Westchester, NY					
01	1100 King Street	Rye Brook, Westchester	Fee Interest	540,000	9	88.2
02	520 White Plains Road	Tarrytown, Westchester	Fee Interest	180,000	3	93.2
03	115–117 Stevens Avenue	Valhalla, Westchester	Fee Interest	178,000	3	67.0
04	100 Summit Lake Drive	Valhalla, Westchester	Fee Interest	250,000	4	86.4
05	200 Summit Lake Drive	Valhalla, Westchester	Fee Interest	245,000	4	93.5
06	500 Summit Lake Drive	Valhalla, Westchester	Fee Interest	228,000	3	56.4
07	140 Grand Street	White Plains, Westchester	Fee Interest	130,100	2	96.6
08	360 Hamilton Avenue	White Plains, Westchester	Fee Interest	384,000	6	100.0
	Westchester, NY Subtotal/Weighted Average			2,135,100	31	86.5
	"Same Store" Connecticut					
09	Landmark Square	Stamford, Connecticut	Fee Interest	826,000	12	81.2
10	680 Washington Boulevard(1)	Stamford, Connecticut	Fee Interest	133,000	2	84.5
	750 Washington Boulevard(1)	Stamford, Connecticut	Fee Interest	192,000	3	97.4
12	1055 Washington Boulevard	Stamford, Connecticut	Leasehold Interest	182,000	4	87.2
13	300 Main Street	Stamford, Connecticut	Fee Interest	130,000	2	92.8
14	1010 Washington Boulevard	Stamford, Connecticut	Fee Interest	143,400	2	54.3
15	500 West Putnam Avenue	Greenwich, Connecticut	Fee Interest	121,500	2	83.2
	Connecticut Subtotal/Weighted Average			1,727,900	25	82.7
	Total/Weighted Average Consolidated Properties			3,863,000	67	84.8
	UNCONSOLIDATED PROPERTIES					
	"Same Store"					
16	One Court Square – 30%	Long Island City, New York	Fee Interest	1,402,000	21	100.0
17	The Meadows – 25%	Rutherford, New Jersey	Fee Interest	582,100	9	84.9
18	16 Court Street – 35%	Brooklyn, New York	Fee Interest	317,600	5	84.1
19	Jericho Plaza – 20.26%	Jericho, New York	Fee Interest	640,000	9	92.8
	Total/Weighted Average Unconsolidated Properties			2,941,700	43	93.7
	Suburban Grand Total/Weighted Average			6,804,700	23	88.7
	Suburban Same Store Occupancy % – Combined			6,804,700	100	88.7

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

Key	Properties	SubMarket	Ownership	Sq. Feet	Total Sq. Feet	12/31/09
	RETAIL, DEVELOPMENT & LAND					
	125 Chubb Way	Lyndhurst, NJ	Fee Interest	278,000	36	10.7
	150 Grand Street	White Plains, NY	Fee Interest	85,000	11	20.6
	141 Fifth Avenue – 50%	Flatiron	Fee Interest	21,500	3	100.0
	1551–1555 Broadway – 10%	Times Square	Fee Interest	25,600	3	100.0
	1604 Broadway – 63%	Times Square	Leasehold Interest	29,876	4	23.7
	180–182 Broadway – 50%	Cast Iron/Soho	Fee Interest	70,580	9	49.0
	21–25 West 34th Street – 50%	Herald Square/Penn Station	Fee Interest	30,100	4	100.0
	27–29 West 34th Street – 50%	Herald Square/Penn Station	Fee Interest	15,600	2	100.0
	379 West Broadway – 45%(1)	Cast Iron/Soho	Leasehold Interest	62,006	8	100.0
	717 Fifth Avenue – 32.75%	Midtown/Plaza District	Fee Interest	119,550	15	75.8
	7 Landmark Square	Stamford, Connecticut	Fee Interest	36,800	5	10.8
	2 Herald Square – 55%	Herald Square/Penn Station	Fee Interest	N/A	N/A	N/A
	885 Third Avenue – 55%	Midtown/Plaza District	Fee Interest	N/A	N/A	N/A
	Total/Weighted Average Retail/Development Properties			**774,612**	**100**	N/A

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

100 Church Street

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

In connection with this Annual Report on Form 10-K, we are restating our historical audited consolidated financial statements as a result of classifying certain properties as held for sale. As a result, we have reported revenue and expenses from these properties as discontinued operations for each period presented in our Annual Report on Form 10-K. These reclassifications had no effect on our reported net income or funds from operations.

We are also providing updated summary selected financial information, which is included below reflecting the prior period reclassification as discontinued operations of the property classified as held for sale during 2009.

	Year Ended December 31,				
OPERATING DATA (In thousands, except per share data)	2009	2008	2007	2006	2005
Total revenue	$1,010,659	$1,079,422	$974,830	$451,022	$339,799
Operating expenses	217,559	228,191	207,978	102,548	77,541
Real estate taxes	141,723	126,304	120,972	62,915	45,935
Ground rent	31,826	31,494	32,389	20,150	19,250
Interest expense, net of interest income	236,300	291,536	256,941	89,394	71,752
Amortization of deferred finance costs	7,947	6,433	15,893	4,424	4,461
Depreciation and amortization	226,545	216,583	174,257	62,523	46,670
Loan loss and other investment reserves	150,510	115,882	–	–	–
Marketing, general and administration	73,992	104,583	93,045	57,850	36,826
Total expenses	1,086,402	1,121,006	901,475	399,804	302,435
Equity in net income of unconsolidated joint ventures	62,878	59,961	46,765	40,780	49,349
Income (loss) before gains on sale	(12,865)	18,377	120,120	91,998	86,713
Gain on early extinguishment of debt	86,006	77,465	–	–	–
Loss on equity investment in marketable securities	(396)	(147,489)	–	–	–
Gain on sale of properties/partial interests	6,691	103,056	31,509	3,451	11,550
Income from continuing operations	79,436	51,409	151,629	95,449	98,263
Discontinued operations	(7,771)	352,639	531,068	141,909	67,309
Net income	71,665	404,048	682,697	237,358	165,572
Net income attributable to noncontrolling interest in operating partnership	(1,221)	(14,561)	(26,084)	(11,429)	(8,222)
Net income attributable to noncontrolling interests in other partnerships	(12,900)	(8,677)	(10,383)	(5,210)	69
Net income attributable to SL Green	57,544	380,810	646,230	220,719	157,419
Preferred dividends	(19,875)	(19,875)	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	$ 37,669	$ 360,935	$626,355	$200,844	$137,544
Net income per common share – Basic	$ 0.54	$ 6.22	$ 10.66	$ 4.50	$ 3.29
Net income per common share – Diluted	$ 0.54	$ 6.20	$ 10.54	$ 4.38	$ 3.20
Cash dividends declared per common share	$ 0.6750	$ 2.7375	$ 2.89	$ 2.50	$ 2.22
Basic weighted average common shares outstanding	69,735	57,996	58,742	44,593	41,793
Diluted weighted average common shares and common share equivalents outstanding	72,044	60,598	61,885	48,495	45,504

BALANCE SHEET DATA (In thousands)	As of December 31, 2009	2008	2007	2006	2005
Commercial real estate, before accumulated depreciation	$ 8,257,100	$ 8,201,789	$ 8,622,496	$3,055,159	$2,222,922
Total assets	10,487,577	10,984,353	11,430,078	4,632,227	3,309,777
Mortgage notes payable, revolving credit facility, term loans, unsecured notes and trust preferred securities	4,892,688	5,581,559	5,658,149	1,815,379	1,542,252
Noncontrolling interests in operating partnership	84,618	87,330	81,615	71,731	74,049
Equity	4,913,129	4,481,960	4,524,600	2,451,045	1,484,453

OTHER DATA (In thousands)	Year Ended December 31, 2009	2008	2007	2006	2005
Funds from operations available to common stockholders[1]	$ 318,817	$ 344,856	$ 343,186	$ 223,634	$ 189,513
Funds from operations available to all stockholders[1]	318,817	344,856	343,186	223,634	189,513
Net cash provided by operating activities	275,211	296,011	406,705	225,644	138,398
Net cash (used in) provided by investment activities	(345,379)	396,219	(2,334,337)	(786,912)	(465,674)
Net cash (used in) provided by financing activities	(313,006)	(11,305)	1,856,418	654,342	315,585

(1) Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002 defines FFO as net income (loss) (computed in accordance with generally accepted accounting principles, or 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 present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITS, particularly those that own and operate commercial office properties. We also use FFO as one of several criteria to determine performance based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

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

OVERVIEW

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

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in Item 8 of our Annual Report on Form 10-K.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P. or ROP. We paid approximately $6.0 billion, inclusive of debt assumed and transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson's former executive management, or the Buyer, for a total consideration of approximately $2.0 billion.

The commercial real estate market is now in its third year of severe constraints on lending activity, resulting in continued illiquidity and reduced asset values.

Beginning in the third quarter of 2007, the sub-prime residential lending and single family housing markets in the U.S. began to experience significant default rates, declining real estate values and increasing backlog of housing supply. As a result of the poor credit performance in the residential markets, other lending markets experienced higher volatility and decreased liquidity. The residential sector capital markets issues quickly spread into the asset-backed commercial real estate, corporate and other credit and equity markets. Substantially reduced mortgage loan originations and securitizations continued through 2008 and 2009, and caused more generalized credit market dislocations and a significant contraction in available credit. As a result, most commercial real estate owners, operators, investors and lenders continue to find it extremely difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt. In the few instances in which debt is available, it is at a cost much higher than in the recent past.

Credit spreads on commercial mortgages (i.e., the interest rate spread over given benchmarks such as LIBOR or U.S. Treasury securities) are significantly influenced by: (a) supply and demand for such mortgage loans; (b) perceived risk of the underlying real estate collateral cash flow; and (c) capital markets execution for the sale or financing of such commercial mortgage assets. In the case of (a), the number of potential lenders in the marketplace and the amount of funds they are willing to devote to commercial mortgage assets will impact credit spreads. As liquidity increases, spreads on equivalent commercial mortgage loans will decrease. Conversely, a lack of liquidity will result in credit spreads increasing. During periods of volatility, such as the markets are currently experiencing, the number of lenders participating in the market may change at an accelerated pace.

For existing loans, when credit spreads widen, the fair value of these existing loans decreases. If a lender were to originate a similar loan today, such loan would carry a greater credit spread than the existing loan. Even though a loan may be performing in accordance with its loan agreement and the underlying collateral has not changed, the fair value of the loan may be negatively impacted by the incremental interest foregone from the widened credit spread. Accordingly, when a lender wishes to sell or finance the loan, the reduced value of the loan will impact the total proceeds that the lender will receive.

The recent credit crisis has put many borrowers, including some borrowers in our structured finance investment portfolio, under increasing amounts of financial and capital distress. For the year ended December 31, 2009, we recorded a gross provision for loan losses and charge offs of approximately $146.5 million. Much of it related to non-New York City structured finance investments.

At the same time, we recognized that the market's distress was creating attractive new strategic investment opportunities for those with the capital available to take new debt positions. Such opportunities sometimes involved investing in debt at attractive discounts—which offered the ability to control and benefit from restructuring efforts and potentially even take equity ownership under attractive terms. We made new structured finance investments totaling $254.3 million in 2009. Our structured finance portfolio included a position in the debt backed by 100 Church Street in Manhattan, New York City, which we subsequently converted to full operational control and then full ownership in 2010.

During the past two years, the New York City real estate market saw an increase in the direct vacancy rate, as well as an increase in the amount of sublease space on the market, which largely subsided by late 2009. When the market absorbs sublease space, rents usually stabilize and occupancy begins to improve. We expect that total vacancy in Manhattan has now reached, or is close to reaching, its inflection point and will improve in 2010, although probably very slowly at first. Along with rent stabilization and slow recovery, we anticipate a gradual reduction in the need to provide a long free rent period and large tenant improvement allowances used to attract tenants.

Property sales continue to lag, as noted above. New York City sales activity in 2009 decreased by approximately $16.9 billion when compared to 2008, as total volume only reached approximately

$3.5 billion. We believe that this is primarily due to a lack of financing for purchasers. However, we have been able to access capital for refinancing purposes which we believe primarily results from the asset quality of our portfolio and our ability to create and preserve asset value.

Leasing activity for Manhattan, a borough of New York City, totaled approximately 16.3 million square feet compared to approximately 19.1 million square feet in 2008. Of the total 2009 leasing activity in Manhattan, the Midtown submarket accounted for approximately 11.3 million square feet, or 69.1%. Midtown's overall vacancy increased from 8.5% at December 31, 2008 to 12.0% at December 31, 2009, after reaching as high as 13.4% in October 2009.

Overall asking rents for direct space in Midtown decreased from $72.08 at year-end 2008 to $57.32 at year-end 2009, a decrease of 20.5%. The decrease in rents has been driven by increased vacancy resulting from the financial crisis. Management believes that rental rates will begin to moderate and concession packages will decline during 2010 as vacancy shrinks.

During 2009, minimal new office space was added to the Midtown office inventory. In a supply-constrained market, there is only 2.0 million square feet under construction in Midtown as of year-end and which becomes available in the next two years, only 7.3% of which is pre-leased.

We saw significant fluctuations in short-term interest rates, although they still remain low compared to historical levels. The 30-day LIBOR rate ended 2009 at 0.23%, a 21 basis point decrease from the end of 2008. Ten-year US Treasuries ended 2009 at 3.83%, a 162 basis point increase from the end of 2008.

Our activities for 2009 included:

- Acquired two sub-leasehold positions at 420 Lexington Avenue for approximately $15.9 million;
- Sold two properties for an aggregate gross sales price of approximately $135.7 million generating losses to us of approximately $7.1 million;
- Signed 217 office leases totaling 2.1 million square feet during 2009 while increasing the cash rents paid by new tenants on previously occupied space by 14.8% and decreasing cash rents by 2.4% over the most recent cash rent paid by the previous tenants for the same space for the Manhattan and Suburban properties, respectively;
- Sold 19,550,000 shares of our common stock, generating net proceeds of approximately $387.1 million;
- Repurchased approximately $564.6 million of our exchangeable and non-exchangeable notes and a portion of our 2007 unsecured revolving credit facility, realizing gains on early extinguishment of debt of approximately $86.0 million;
- Originated or acquired approximately $184.3 million of new structured finance investments, net of redemptions and recorded approximately $146.5 million in loan loss reserves and charge offs; and
- Closed on approximately $1.0 billion of mortgage financings.

As of December 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	21	13,782,200	94.6%
	Unconsolidated properties	8	9,429,000	95.6%
Suburban	Consolidated properties	25	3,863,000	84.8%
	Unconsolidated properties	6	2,941,700	93.7%
		60	30,015,900	93.4%

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

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we 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.

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties

and discounted for unconsolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred and is determined to be other than temporary, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the value of any of our consolidated rental properties or equity investments in rental properties was impaired at December 31, 2009 and 2008.

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

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

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence, but do not control these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures which are VIEs and where we are considered to be the primary beneficiary, even though we do not control the entity. In all these joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us 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 our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us.

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, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield. Fees on commitments that expire unused are recognized at expiration.

Income recognition is generally suspended for structured finance investments at the earlier of the date at which payments become

90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required 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 loan. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $38.4 million and $45.8 million in loan loss reserves and charge offs during the years ended December 31, 2009 and 2008, respectively, on investments being held to maturity.

Structured finance investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the loan will be reclassified at its net carrying value to structured finance investments held to maturity. During the quarter ended September 30, 2009, we reclassified loans with a net carrying value of approximately $56.7 million from held for sale to held to maturity. For these reclassified loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the loan. As of December 31, 2009, one loan with a net carrying value of approximately $1.0 million had been designated as held for sale. We recorded a mark-to-market adjustment of approximately $69.1 million against our held for sale investment during the year ended December 31, 2009.

Derivative Instruments

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

Comparison of the year ended December 31, 2009 to the year ended December 31, 2008

The following comparison for the year ended December 31, 2009, or 2009, to the year ended December 31, 2008, or 2008, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2008 and at December 31, 2009 and total 45 of our 60 consolidated and unconsolidated properties, representing approximately 74% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2008 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale are excluded from the following discussion.

RENTAL REVENUES (in millions)	2009	2008	$ Change	% Change
Rental revenue	$773.2	$774.0	$ (0.8)	(0.1)%
Escalation and reimbursement revenue	124.5	123.0	1.5	1.2
Total	$897.7	$897.0	$ 0.7	0.1%
Same-Store Properties	$884.7	$865.8	$ 18.9	2.2%
Acquisitions	7.0	25.7	(18.7)	(72.8)
Other	6.0	5.5	0.5	9.1
Total	$897.7	$897.0	$ 0.7	0.1%

Occupancy in the Same-Store Properties was 93.2% at December 31, 2009 and 95.3% at December 31, 2008. The decrease in the Acquisitions is primarily due to certain properties being deconsolidated in 2008, and therefore, not included in the 2009 consolidated results.

At December 31, 2009, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 4.9% and 4.5% higher, respectively, than the existing in-place fully escalated rents. Approximately 9.0% of the space leased at our consolidated properties expires during 2010.

The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties ($1.3 million) and the Acquisitions and Other ($0.2 million). The increase in recoveries at the Same-Store Properties was primarily due to increases in real estate tax escalations ($10.1 million). This was partially offset by reductions in operating expense escalations ($7.0 million) and electric reimbursements ($1.8 million).

During the year ended December 31, 2009, we signed or commenced 140 leases in the Manhattan portfolio totaling 1,366,625 square feet, of which 113 leases and 1,301,358 square feet represented office leases. Average starting Manhattan office rents of $44.85 per rentable square foot on the 1,301,358 square feet of leases signed or commenced during the year ended December 31, 2009 represented a 14.8% increase over the previously fully escalated rents. The average lease term was 8.5 years and average tenant concessions were 3.6 months of free rent with a tenant improvement allowance of $33.36 per rentable square foot.

INVESTMENT AND OTHER INCOME (in millions)	2009	2008	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ 62.9	$ 60.0	$ 2.9	4.8%
Investment and preferred equity income	65.6	110.9	(45.3)	(40.9)
Other income	47.4	71.5	(24.1)	(33.7)
Total	$175.9	$242.4	$(66.5)	(27.4)%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions from 1515 Broadway ($8.5 million), 16 Court Street ($1.3 million), 521 Fifth Avenue ($1.6 million), 100 Park Avenue ($1.4 million), 1 Madison Avenue ($0.8 million), Mack-Green ($2.8 million), 1221 Avenue of the Americas ($4.3 million) and 1604 Broadway ($1.3 million). This was partially offset by lower net income contributions primarily from our investments in Gramercy ($13.6 million), 388 Greenwich Street ($3.1 million), 1250 Broadway ($2.6 million) and 717 Fifth Avenue ($1.7 million). Occupancy at our joint venture properties was 95.1% at December 31, 2009 and 95.0% at December 31, 2008. At December 31, 2009, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 10.4% and 0.3% higher, respectively, than then existing in-place fully escalated rents. Approximately 6.5% of the space leased at our joint venture properties expires during 2010.

Investment and preferred equity income decreased during 2009 when compared to the prior year. The weighted average investment balance outstanding and weighted average yields were $652.9 million and 8.4%, respectively, for 2009 compared to $816.9 million and 10.5%, respectively, for 2008. The decrease was primarily due to the sale of structured finance investments as well as certain loans being placed on non-accrual status in 2009.

The decrease in other income was primarily due to reduced fee income earned by GKK Manager, a former affiliate of ours and the former external manager of Gramercy ($5.1 million). In addition, in 2008, we earned an incentive distribution upon the sale of 1250 Broadway ($25.0 million) as well as an advisory fee paid to us in connection with Gramercy closing its acquisition of AFR (approximately $6.6 million). This was partially offset by the recognition in 2009 of an incentive fee ($4.8 million) upon the final resolution of our original Bellemead investment and other fee income ($11.0 million).

PROPERTY OPERATING EXPENSES (in millions)	2009	2008	$ Change	% Change
Operating expenses	$217.6	$228.2	$(10.6)	(4.7)%
Real estate taxes	141.7	126.3	15.4	12.2
Ground rent	31.8	31.5	0.3	1.0
Total	$391.1	$386.0	$ 5.1	1.3%
Same-Store Properties	$373.1	$367.5	$ 5.6	1.5%
Acquisitions	3.6	2.9	0.7	24.1
Other	14.4	15.6	(1.2)	(7.7)
Total	$391.1	$386.0	$ 5.1	1.3%

Same-Store Properties operating expenses decreased approximately $9.2 million. There were decreases in repairs and maintenance ($2.9 million), insurance costs ($0.8 million), utilities ($6.6 million) and various other costs ($0.7 million). This was partially offset by an increase in payroll costs ($1.0 million) and ground rent ($0.8 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($14.8 million) due to higher assessed property values and increased rates.

OTHER EXPENSES (in millions)	2009	2008	$ Change	% Change
Interest expense, net of interest income	$244.2	$298.0	$(53.8)	(18.1)%
Depreciation and amortization expense	226.5	216.6	9.9	4.6
Loan loss reserves	150.5	115.9	34.6	29.9
Marketing, general and administrative expense	74.0	104.6	(30.6)	(29.3)
Total	$695.2	$735.1	$(39.9)	(5.4)%

The decrease in interest expense was primarily attributable to lower LIBOR rates in 2009 compared to 2008 as well as the early repurchase of certain of our outstanding senior unsecured notes. The weighted average interest rate decreased from 5.24% for the year ended December 31, 2008 to 4.30% for the year ended December 31, 2009. As a result of the note repurchases and repayments, the weighted average debt balance decreased from $5.7 billion during the year ended December 31, 2008 compared to $5.1 billion during the year ended December 31, 2009.

In 2009, we repurchased approximately $564.6 million of our exchangeable and non-exchangeable notes and a portion of our 2007 unsecured revolving credit facility, realizing gains on early extinguishment of debt of approximately $86.0 million.

The increase in loan loss reserves was primarily due to the realized loss on the sale of a structured finance investment (approximately $38.4 million) in 2009 as well as additional reserves recorded on loans being held to maturity as well as held for sale.

Marketing, general and administrative expenses represented 7.3% of total revenues in 2009 compared to 9.7% in 2008. The decrease is primarily due to reduced stock-based compensation costs in 2009.

Comparison of the year ended December 31, 2008 to the year ended December 31, 2007

The following comparison for the year ended December 31, 2008, or 2008, to the year ended December 31, 2007, or 2007, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2007 and at December 31, 2008 and total 40 of our 49 consolidated properties, inclusive of the Reckson assets (January 2007), representing approximately 69.2% of our share of annualized rental revenue, and the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2007, namely, 300 Main Street, 399 Knollwood (all January 2007), 333 West 34th Street, 331 Madison Avenue and 48 East 43rd Street (April), 1010 Washington Avenue, CT, and 500 West Putnam Avenue, CT (June), and 180 Broadway and One Madison Avenue (August) and (iii) "Other," which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. There were no acquisitions of commercial office properties in 2008. Assets classified as held for sale, are excluded from the following discussion.

RENTAL REVENUES (in millions)	2008	2007	$ Change	% Change
Rental revenue	$774.0	$662.5	$111.5	16.8%
Escalation and reimbursement revenue	123.0	109.0	14.0	12.8
Total	$897.0	$771.5	$125.5	16.3%
Same-Store Properties	$765.3	$691.4	$ 73.9	10.7%
Acquisitions	126.1	74.2	51.9	70.0
Other	5.6	5.9	(0.3)	(5.1)
Total	$897.0	$771.5	$125.5	16.3%

Occupancy in the Same-Store Properties increased from 95.0% at December 30, 2007 to 95.2% at December 31, 2008. The increase in the Acquisitions is primarily due to owning these properties for a period during the year in 2008 compared to a partial period or not being included in 2007. This includes the Reckson properties.

At December 31, 2008, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 20.2% and 14.4% higher, respectively, than then existing in-place fully escalated rents. Approximately 8.1% of the space leased at our consolidated properties was scheduled to expire during 2009.

The increase in escalation and reimbursement revenue was due to the recoveries at the Acquisitions ($0.9 million) and the Same-Store Properties ($13.4 million). The increase in recoveries at the Same-Store Properties was primarily due to operating expense escalations ($9.0 million) and electric reimbursement ($3.7 million) and was primarily offset by decreases in real estate tax recoveries ($0.7 million).

INVESTMENT AND OTHER INCOME (in millions)	2008	2007	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ 60.0	$ 46.8	$ 13.2	28.2%
Investment and preferred equity income	110.9	82.7	28.2	34.1
Other income	71.5	120.7	(49.2)	(40.8)
Total	$242.4	$250.2	$ (7.8)	(3.1)%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions from 388 Greenwich Street ($6.4 million), 1515 Broadway ($11.4 million), 1250 Broadway ($1.7 million), 521 Fifth Avenue ($1.5 million), 2 Herald Square ($1.9 million), One Madison Avenue ($1.0 million), Mack-Green ($1.9 million), 800 Third Avenue ($1.3 million) and 885 Third Avenue ($3.7 million). This was partially offset by lower net income contributions primarily from our investments in 100 Park which was under redevelopment ($3.3 million), Gramercy ($9.9 million) and 16 Court Street ($1.0 million). Occupancy at our joint venture properties decreased from 95.2% in 2007 to 95.0% in 2008. At December 31, 2009, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 25.0% and 6.7% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.8% of the space leased at our joint venture properties expires during 2009.

Investment and preferred equity income increased during the current period. The weighted average investment balance outstanding and weighted average yield were $816.9 million and 10.5%, respectively, for 2008 compared to $717.1 million and 10.3%, respectively, for 2007. During 2008, we sold approximately $99.7 million of structured finance investments and realized net gains of approximately $9.3 million. We also settled the Reckson Strategic Venture Partners investment which resulted in a gain of approximately $6.9 million. No structured finance investments were sold in 2007.

The decrease in other income was primarily due to an incentive distribution earned in 2007 upon the sale of One Park Avenue (approximately $77.2 million) and One Madison Clocktower (approximately $5.1 million) as well as a decrease in fee income earned by GKK Manager LLC, a former affiliate of ours and the former external manager of Gramercy (approximately $3.1 million). This was partially offset by an incentive distribution earned in 2008 upon the sale of 1250 Broadway ($25.0 million) and an advisory fee earned by us in connection with Gramercy closing its acquisition of AFR ($6.6 million). The reduction in fee income from GKK Manager LLC, was primarily due to us waiving our rights to receive incentive fees and CDO Management fees beginning in July 2008. In addition, in 2008 we returned approximately $5.1 million of incentive fees to Gramercy pursuant to a written agreement.

PROPERTY OPERATING EXPENSES (in millions)	2008	2007	$ Change	% Change
Operating expenses	$228.2	$208.0	$20.2	9.7%
Real estate taxes	126.3	121.0	5.3	4.4
Ground rent	31.5	32.4	(0.9)	(2.8)
Total	$386.0	$361.4	$24.6	6.8%
Same-Store Properties	$348.5	$325.1	$23.4	7.2%
Acquisitions	22.0	18.8	3.2	17.0
Other	15.5	17.5	(2.0)	(11.4)
Total	$386.0	$361.4	$24.6	6.8%

Same-Store Properties operating expenses increased approximately $18.7 million. There were increases in payroll expenses ($3.8 million), contract maintenance and repairs and maintenance ($2.1 million), utilities ($8.4 million), insurance ($1.0 million), ground rent expense ($0.3 million) and other miscellaneous expenses ($3.1 million), respectively.

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($4.7 million) due to higher assessed property values and the Acquisitions ($0.8 million).

OTHER EXPENSES (in millions)	2008	2007	$ Change	% Change
Interest expense, net of interest income	$298.0	$272.8	$25.2	9.2%
Depreciation and amortization expense	216.6	174.3	42.3	24.3
Loan loss and other investment reserves	115.9	–	115.9	100.0
Marketing, general and administrative expense	104.6	93.0	11.6	12.5
Total	$735.1	$540.1	$195.0	36.1%

The increase in interest expense was primarily attributable draw downs on our 2007 unsecured revolving credit facility which were done in response to uncertainty in the financial sector. The weighted average interest rate decreased from 5.66% for the year ended December 31, 2007 to 5.24% for the year ended December 31, 2008. As a result of the new investment activity in 2007 and drawing down on our 2007 unsecured revolving credit facility in 2008, the weighted average debt balance increased from $4.7 billion as of December 31, 2007 to $5.7 billion as of December 31, 2008.

In 2008, we recorded approximately $98.9 million in loan loss reserves primarily against our non-New York City structured finance investments. During the fourth quarter of 2008, we entered into an agreement with Gramercy which, among other matters, obligated Gramercy and us to use commercially reasonable efforts to obtain the consents of certain lenders of Gramercy and its subsidiaries to a potential internalization. The internalization occurred in April 2009. We also expensed our approximately $14.9 million investment in GKK Manager LLC.

Marketing, general and administrative expenses, or MG&A, represented 10.8% of total revenues in 2008 compared to 10.3% in 2007. During the fourth quarter, we and certain of our employees agreed to cancel, without compensation, certain employee stock options as well as a portion of our 2006 long-term outperformance plan. These cancellations resulted in a non-cash charge of approximately $18.0 million. MG&A for 2008 includes personnel hired by GKK Manager LLC in connection with the AFR acquisition which added approximately $4.3 million to MG&A. MG&A for 2008 also includes a non-recurring expense of approximately $2.0 million for costs incurred in connection with the pursuit of redevelopment projects.

Due to market conditions, we recognized a loss on our investment in Gramercy of approximately $147.5 million. In addition, we repurchased approximately $262.6 million of our convertible bonds in 2008 and realized approximately $88.5 million of gains due to the early extinguishment of debt.

LIQUIDITY AND CAPITAL RESOURCES

We are currently experiencing a global economic downturn and credit crunch. As a result, many financial industry participants, including commercial real estate owners, operators, investors and lenders continue to find it extremely difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt. When debt is available, it is generally at a cost much higher than in the recent past.

We currently expect that our principal sources of working capital and funds for acquisition and redevelopment of properties, tenant improvements and leasing costs and for structured finance investments will include:

(1) Cash flow from operations;
(2) Cash on hand;
(3) Borrowings under our 2007 unsecured revolving credit facility;
(4) Other forms of secured or unsecured financing;
(5) Net proceeds from divestitures of properties and redemptions, participations and dispositions of structured finance investments; and
(6) Proceeds from common or preferred equity or debt offerings by us or our operating partnership (including issuances of limited partnership units in our operating partnership and trust preferred securities).

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

Our combined aggregate principal maturities of our property mortgages, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2009 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 28,557	$269,185	$ 149,975	$454,396	$ 30,052	$1,663,387	$2,595,552
Corporate obligations	114,821	123,607	1,533,981	–	150,000	374,727	2,297,136
Joint venture debt – our share	115,130	206,951	60,759	6,684	334,499	1,124,699	1,848,722
Total	$258,508	$599,743	$1,744,715	$461,080	$514,551	$3,162,813	$6,741,410

As of December 31, 2009, we had approximately $402.5 million of cash on hand, inclusive of approximately $58.8 million of marketable securities. In May 2009, we reduced the dividend on our common stock from an annualized rate of $1.50 per share to $0.40 per share. In addition, we expect to generate positive cash flow from operations for the foreseeable future. We also have the ability to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us. Management believes that these sources of liquidity if we are able to access them, along with potential refinancing opportunities for secured debt and continued repurchases of our senior unsecured notes at discounted prices, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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

We continue to monitor closely the financial viability of our largest tenant, Citigroup, which accounted for approximately 8.2% of our annualized rent as of December 31, 2009, paying particular attention to the potentially negative effects of its capital position and reductions in its headcount on its tenancy in our portfolio. During 2008 and 2009, Citigroup benefited from substantial U.S. government financial investments, including (i) raising capital through the sale of Citigroup non-voting perpetual, cumulative preferred stock and warrants to purchase common stock issued to the U.S. Department of the Treasury, (ii) entering into a loss-sharing agreement with various U.S. government entities covering certain of Citigroup assets, and (iii) issuing senior unsecured debt guaranteed by the Federal Deposit Insurance Corporation. Most significantly, in December 2009 Citigroup issued approximately $17 billion of common stock and approximately $3.5 billion of tangible equity units representing the largest public equity offering in U.S. capital markets history. The proceeds from this offering were then used to repay the $20 billion Citigroup received from the U.S. government under the Troubled Assets Relief Program, or TARP, and served to significantly improve Citigroup's TIER 1 capital ratio.

We believe that these actions by Citigroup and the U.S. government have served to bolster Citigroup's viability as a tenant and significantly mitigated its short-term capital needs. In addition, while Citigroup has reduced its overall employee base, it has relocated personnel from other New York City properties not owned by us into the two properties where we have the largest exposure to Citigroup, 388–390 Greenwich Street, Manhattan and One Court Square in Queens. Both of these properties are held in joint ventures, however, thereby reducing our exposure to Citigroup from what it would have been had we been the sole owner of these properties.

CASH FLOWS

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

Cash and cash equivalents were $343.7 million and $726.9 million at December 31, 2009 and December 31, 2008, respectively, representing a decrease of $383.2 million. The increase was a result of the following increases and decreases in cash flows (in thousands):

	Year Ended December 31,		
	2009	2008	Increase (Decrease)
Net cash provided by operating activities	$ 275,211	$296,011	$ (20,800)
Net cash (used in) provided by investing activities	$(345,379)	$396,219	$(741,598)
Net cash (used in) provided by financing activities	$(313,006)	$ (11,305)	$(301,701)

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2009, our portfolio was 93.4% occupied. Our structured finance and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2009, when compared to the year ended December 31, 2008, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	$ 51,692
Capital expenditures and capitalized interest	41,404
Escrow cash-capital improvements/acquisition deposits	(16,694)
Joint venture investments	(61,940)
Distributions from joint ventures	(419,390)
Proceeds from sales of real estate	(178,836)
Structured finance and other investments	(157,834)

We generally fund our investment activity through free cash flow, property level financing, our 2007 unsecured revolving credit facility, term loans, senior unsecured notes, construction loans and, from time to time, we issue common or preferred stock. During the year ended December 31, 2009, when compared to the year ended December 31, 2008, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$(1,602,715)
Repayments under our debt obligations	644,340
Proceeds from issuance of common stock	387,138
Repurchases of common stock	151,986
Noncontrolling interests, contributions in excess of distributions	(4,934)
Other financing activities	(6,564)
Dividends and distributions paid	129,048

CAPITALIZATION

As of December 31, 2009, we had 77,514,292 shares of common stock, 1,684,283 units of limited partnership interest in our operating partnership, 6,300,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock and 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, outstanding.

In May 2009, we sold 19,550,000 shares of our common stock. The net proceeds from this offering (approximately $387.1 million) was primarily used to repurchase unsecured debt and for other corporate purposes.

In March 2007, our board of directors approved a stock repurchase plan under which we could buy up to $300.0 million shares of our common stock. This plan expired on December 31, 2008. As of December 31, 2008, we purchased and settled approximately $300.0 million, or 3.3 million shares of our common stock, at an average price of $90.49 per share.

RIGHTS PLAN

We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our common stockholders will be entitled to purchase from us a newly 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, or DRIP, which was declared effective in March 2009. We registered 2,000,000 shares of common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the years ended December 31, 2009 and 2008, we issued approximately 180 and 4,300 shares of our common stock and received approximately $5,000 and $0.3 million of proceeds from dividend reinvestments and/or stock purchases under the DRIP, respectively. DRIP shares may be issued at a discount to the market price.

2003 LONG-TERM OUTPERFORMANCE COMPENSATION PROGRAM

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base share price of $30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess total 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 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2005. In April 2007, the Compensation Committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. The fair value of the award on the date of grant was determined to be $3.2 million. This fair value is expensed over the term of the restricted stock award. Forty percent of the value of the award was amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of $0.1 million, $0.2 million and $0.4 million related to this plan was recorded during the years ended December 31, 2009, 2008 and 2007, respectively.

2005 LONG-TERM OUTPERFORMANCE COMPENSATION PROGRAM

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan would share in a "performance pool" if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeded a cumulative total return to stockholders of 30% during the measurement period over a base share price of $68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30 consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30 day period. Each participant's award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark was achieved. Individual awards would be made in the form of partnership units, or LTIP Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. On June 14, 2006, the compensation committee of our board of directors determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in our operating partnership that, subject to certain conditions, are convertible into shares of the Company's common stock or cash, at our election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period. We recorded approximately $2.3 million, $3.9 million and $2.1 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2005 Outperformance Plan.

2006 LONG-TERM OUTPERFORMANCE COMPENSATION PROGRAM

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan will share in a "performance pool" if our total return to stockholders for the period from August 1, 2006 through July 31, 2009 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of $106.39 per share. The size of the pool will be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum award of $60 million. The maximum award will be reduced by the amount of any unallocated or forfeited awards. In the event the potential performance pool reaches the maximum award before July 31, 2009 and remains at that level or higher for 30 consecutive days, the performance period will end early and the pool will be formed on the last day of such 30-day period. Each participant's award under the 2006 Outperformance Plan will be designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant's participation agreement. Individual awards will be made in the form of partnership units, or LTIP Units, that, subject to vesting and the satisfaction of other conditions, are exchangeable for a per unit value equal to the then trading price of one share of our common stock. This value is payable in cash or, at our election, in shares of common stock. LTIP Units will be granted prior to the determination of the performance pool; however, they will only vest upon satisfaction of performance and time vesting thresholds under the 2006 Outperformance Plan, and will not be entitled to distributions until after the performance pool is established. Distributions on LTIP Units will equal the dividends paid on our common stock on a per unit basis. The 2006 Outperformance Plan provides that if the pool is established, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions will be paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units that are a part of the performance pool, whether vested or unvested. Although the amount of earned awards under the 2006 Outperformance Plan (i.e., the number of LTIP Units earned) will be determined when the performance pool is established, not all of the awards will vest at that time. Instead, one-third of the awards will vest on July 31, 2009 and each of the first two anniversaries thereafter based on continued employment.

In the event of a change in control of our company on or after August 1, 2007 but before July 31, 2009, the performance pool will be calculated assuming the performance period ended on July 31, 2009 and the total return continued at the same annualized rate from the date of the change in control to July 31, 2009 as was achieved from August 1, 2006 to the date of the change in control; provided that the performance pool may not exceed 200% of what it would have been if it was calculated using the total return from August 1, 2006 to the date of the change in control and a pro rated benchmark. In either case, the performance pool will be formed as described above if the adjusted benchmark target is achieved and all earned awards will be fully vested upon the change in control. If a change in control occurs after the performance period has ended, all unvested awards issued under our 2006 Outperformance Plan will become fully vested upon the change in control.

The cost of the 2006 Outperformance Plan (approximately $16.4 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period. We recorded approximately $0.4 million, $12.2 million and $2.5 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan. This charge of approximately $9.2 million is included in the compensation expense above. The performance criteria under the 2006 Outperformance Plan were not met. This plan expired with no value in 2009.

SL GREEN REALTY CORP. 2010 NOTIONAL UNIT LONG-TERM COMPENSATION PLAN

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients may earn, in the aggregate, from approximately $15 million up to approximately $75 million of LTIP Units in our operating partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance has been achieved, approximately $25 million of awards may be earned at any time after the beginning of the second year and an additional approximately $25 million of awards may be earned at any time after the beginning of the third year. The amount of awards earned will range from approximately $15 million if our aggregate stock price appreciation during the performance period is 25% to the maximum amount of approximately $75 million if our aggregate stock price appreciation during the performance period is 50% or greater. No awards will be earned if our aggregate stock price appreciation is less than 25%. After the awards are earned, they will remain subject to vesting, with 50% of any LTIP Units earned vesting on January 1, 2013 and an additional 25% vesting on each of January 1, 2014 and 2015 based, in each case, on continued employment through the vesting date. We will not pay distributions on any LTIP Units until they are earned, at which time we will pay all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period. The compensation committee and its advisors are in the process of finalizing the documentation of the 2010 Long-Term Compensation Plan. We recorded compensation expense of approximately $0.6 million in 2009 related to this plan.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

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

During the year ended December 31, 2009, approximately 26,000 phantom stock units were earned. As of December 31, 2009, there were approximately 48,410 phantom stock units outstanding.

EMPLOYEE STOCK PURCHASE PLAN

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock will be offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2009, approximately 36,313 shares of our common stock had been issued under the ESPP.

AMENDED AND RESTATED 2005 STOCK OPTION AND INCENTIVE PLAN

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 6,000,000 shares, or the Fungible Pool Limit, may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity based awards under the Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At December 31, 2009, approximately 3.0 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 4.2 million shares if all shares available under the 2005 Plan were issued as five-year options.

MARKET CAPITALIZATION

At December 31, 2009, borrowings under our mortgage loans, 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities (including our share of joint venture debt of approximately $1.8 billion) represented 61.4% of our combined market capitalization of approximately $11.0 billion (based on a common stock price of $50.24 per share, the closing price of our common stock on the New York Stock Exchange on December 31, 2009). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our operating partnership, and our share of joint venture debt.

INDEBTEDNESS

The table below summarizes our consolidated mortgage debt, 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2009 and 2008, respectively (dollars in thousands).

	December 31,	
Debt Summary:	2009	2008
Balance		
Fixed rate	$3,256,081	$3,918,454
Variable rate – hedged	60,000	60,000
Total fixed rate	3,316,081	3,978,454
Variable rate	1,110,391	1,427,677
Variable rate – supporting variable rate assets	466,216	175,428
Total variable rate	1,576,607	1,603,105
Total	$4,892,688	$5,581,559
Percent of Total Debt:		
Total fixed rate	67.8%	71.3%
Variable rate	32.2%	28.7%
Total	100.0%	100.0%
Effective Interest Rate for the Year:		
Fixed rate	5.60%	5.37%
Variable rate	1.45%	4.05%
Effective interest rate	4.30%	5.24%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.23% and 0.44% at December 31, 2009 and 2008, respectively). Our consolidated debt at December 31, 2009 had a weighted average term to maturity of approximately 4.9 years.

Certain of our structured finance investments, with a carrying value of approximately $466.2 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2009.

MORTGAGE FINANCING

As of December 31, 2009, our total mortgage debt (excluding our share of joint venture debt of approximately $1.8 billion) consisted of approximately $2.3 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.98% and approximately $262.5 million of variable rate debt with an effective weighted average interest rate of approximately 2.22%.

CORPORATE INDEBTEDNESS

2007 UNSECURED REVOLVING CREDIT FACILITY

We have a $1.5 billion unsecured revolving credit facility, or the 2007 unsecured revolving credit facility. The 2007 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR which, based on our leverage ratio is currently 90 basis points. This facility matures in June 2011 and has a one-year as-of-right extension option. The 2007 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2007 unsecured revolving credit facility had approximately $1.37 billion outstanding at December 31, 2009. Availability under the 2007 unsecured revolving credit facility was further reduced at December 31, 2009 by the issuance of approximately $27.1 million in letters of credit. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

In August 2009, we amended our 2007 unsecured revolving credit facility to provide us with the ability to acquire a portion of the loans outstanding under our 2007 unsecured revolving credit facility. In August 2009, a subsidiary of ours repurchased approximately $48.0 million of the total commitment, and we realized gains on early extinguishment of debt of approximately $7.1 million.

TERM LOANS

In December 2007, we closed on a $276.7 million ten-year term loan which carried an effective fixed interest rate of 5.19%. This loan was secured by our interest in 388 and 390 Greenwich Street. This secured term loan, which was scheduled to mature in December 2017, was repaid and terminated in May 2008.

SENIOR UNSECURED NOTES

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2009 (in thousands):

Issuance	Accreted Balance	Coupon Rate(5)	Term (in Years)	Maturity
January 22, 2004(1)(2)	$123,607	5.15%	7	January 15, 2011
August 13, 2004(1)	150,000	5.875%	10	August 15, 2014
March 31, 2006(1)	274,727	6.00%	10	March 31, 2016
June 27, 2005(1)(3)	114,821	4.00%	20	June 15, 2025
March 26, 2007(4)	159,905	3.00%	20	March 30, 2027
	$823,060			

(1) Assumed as part of the Reckson Merger.

(2) During the year ended December 31, 2009, we repurchased approximately $26.4 million of these notes and realized net gains on early extinguishment of debt of approximately $2.5 million.

(3) Exchangeable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491. During the year ended December 31, 2009, we repurchased approximately $69.1 million of these notes and realized net gains on early extinguishment of debt of approximately $1.0 million.

(4) In March 2007, we issued $750.0 million of these convertible notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our operating partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the year ended December 31, 2009, we repurchased approximately $421.1 million of these bonds and realized net gains on early extinguishment of debt of approximately $75.4 million.

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

In March 2009, the $200.0 million, 7.75% unsecured notes, assumed as part of the Reckson Merger, matured and were redeemed at par.

On April 27, 2007, the $50.0 million 6.0% unsecured notes scheduled to mature in June 2007 and the $150.0 million 7.20% unsecured notes scheduled to mature in August 2007, assumed as part of the Reckson Merger, were redeemed.

JUNIOR SUBORDINATE DEFERRABLE INTEREST DEBENTURES

In June 2005, we issued $100.0 million of Trust Preferred Securities, which are reflected on the balance sheet at December 31, 2007 as Junior Subordinate Deferrable Interest Debentures. The proceeds were used to repay our unsecured revolving credit facility. The $100.0 million of junior subordinate deferrable interest debentures have a 30-year term ending July 2035. They bear interest at a fixed rate of 5.61% for the first 10 years ending July 2015. Thereafter, the rate will float at three-month LIBOR plus 1.25%. The securities are redeemable at par beginning in July 2010.

RESTRICTIVE COVENANTS

The terms of our 2007 unsecured revolving credit facility and senior unsecured notes 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 95% of funds from operations for such period, subject to certain other adjustments. As of December 31, 2009 and 2008, we were in compliance with all such covenants.

MARKET RATE RISK

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We 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 2009 and 2008, would increase our annual interest cost by approximately $15.2 million and $15.3 million and would increase our share of joint venture annual interest cost by approximately $6.4 million and $7.4 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 recognized immediately in earnings.

Approximately $3.3 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of December 31, 2009 ranged from LIBOR plus 75 basis points to LIBOR plus 400 basis points.

CONTRACTUAL OBLIGATIONS

Combined aggregate principal maturities of mortgages and notes payable, 2007 unsecured revolving credit facility, senior unsecured notes (net of discounts), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense, and our obligations under our capital and ground leases, as of December 31, 2009 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 28,557	$269,185	$ 149,975	$454,396	$ 30,052	$1,663,387	$2,595,552
Revolving Credit Facility	–	–	1,374,076	–	–	–	1,374,076
Trust Preferred Securities	–	–	–	–	–	100,000	100,000
Senior Unsecured Notes	114,821	123,607	159,905	–	150,000	274,727	823,060
Capital lease	1,451	1,555	1,555	1,555	1,555	45,649	53,320
Ground leases	31,053	28,929	28,179	28,179	28,179	580,600	725,119
Estimated interest expense	211,080	185,262	158,456	142,484	126,509	308,931	1,132,722
Joint venture debt	115,130	206,951	60,759	6,684	334,499	1,124,699	1,848,722
Total	$502,092	$815,489	$1,932,905	$633,298	$670,794	$4,097,993	$8,652,571

OFF-BALANCE SHEET ARRANGEMENTS

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

CAPITAL EXPENDITURES

We estimate that for the year ending December 31, 2010, we will incur, approximately $107.9 million of capital expenditures which are net of loan reserves, (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties which are net of loan reserves, will be approximately $31.6 million. We expect to fund these capital expenditures with operating cash flow, property level financings and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect our capital needs will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

DIVIDENDS

We expect to pay dividends to our stockholders based on the distributions we receive from the 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 $0.40 per share, we would pay approximately $31.0 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable. We reduced our annual dividend from $3.15 in 2008 in order to conserve liquidity.

RELATED PARTY TRANSACTIONS

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. First Quality also provides additional services directly to tenants on a separately negotiated basis. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corp. has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to tenants above the base services specified in their lease agreements. The Service Corp. received approximately $1.6 million, $1.4 million and $0.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. First Quality leases 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We received approximately $75,000 in rent from Alliance in 2007. We sold this property in March 2007. We paid Alliance approximately $14.9 million, $15.1 million and $14.8 million for three years ended December 31, 2009, respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is $35,516 per year. From February 2007 through December 2008, Nancy Peck and Company leased 507 square feet of space at 420 Lexington Avenue pursuant to a lease which provided for annual rental payments of approximately $15,210. Prior to February 2007, Nancy Peck and Company leased 2,013 square feet of space at 420 Lexington Avenue, pursuant to a lease that expired on June 30, 2005 and which provided for annual rental payments of approximately $66,000. The rent due pursuant to that lease was offset against a consulting fee of $11,025 per month an affiliate paid to her pursuant to a consulting agreement, which was canceled in July 2006.

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 $351,700 in 2009, $353,500 in 2008 and $297,100 in 2007.

Brokerage Services

Cushman & Wakefield Sonnenblick-Goldman, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the refinancing of 420 Lexington Avenue. In 2007, we paid approximately $2.0 million to Sonnenblick in connection with the financings obtained for 388–390 Greenwich Street, 16 Court Street, 485 Lexington Avenue and 1604 Broadway.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 13, "Related Party Transactions" in the accompanying financial statements. Management has evaluated its investment in Gramercy in accordance with notice 2008–234 issued by the joint SEC Office of the Chief Accountant and the FASB Staff which provided further guidance on fair value accounting. Management evaluated (1) the length of time and the extent to which the market value of our investment in Gramercy has been less than cost, (2) the financial condition and near-term prospects of Gramercy, the issuer, and (3) the intent and ability of SL Green, the holder, to retain its investment for a period of time sufficient enough to allow for anticipated recovery. Based on this evaluation, we recognized a loss on our investment in Gramercy of approximately $147.5 million in the fourth quarter of 2008.

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $450.0 million for acts of terrorism. This policy expires in December 31, 2010. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2010. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2010.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont was formed in an effort to, among other reasons; stabilize to some extent the fluctuations of insurance market conditions. Belmont is licensed in New York to write Terrorism, NBCR (nuclear, biological, chemical, and radiological), General Liability, Environmental Liability and D&O coverage.

- Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective September 1, 2009, Belmont increased its terrorism coverage from $250 million to $400 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.
- NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio.
- General Liability: Belmont insures a deductible on the general liability insurance with a $150,000 deductible per occurrence and a $2.2 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $150,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.2 million. Belmont has retained a third-party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.
- Environmental Liability: Belmont insures a deductible of $1 million per occurrence on a $30 million environmental liability policy covering the entire portfolio.

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

TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of foreign and domestic terrorism. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases and our 2007 unsecured revolving credit facility, 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

and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing $1.0 billion of "all-risk" property insurance, including terrorism coverage, and a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of "all-risk" property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388 and 390 Greenwich Street, where we participate with SITQ, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

FUNDS FROM OPERATIONS

Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002 defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles, or 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 present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties.

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

FFO for the years ended December 31, 2009, 2008 and 2007 are as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Net income attributable to SL Green common stockholders	$ 37,669	$360,935	$ 626,355
Add:			
Depreciation and amortization	226,545	216,583	174,593
Discontinued operations depreciation adjustment	708	6,656	12,456
Unconsolidated joint ventures depreciation and noncontrolling interests adjustment	39,964	42,559	27,538
Net income attributable to noncontrolling interests	14,121	23,238	36,467
Loss on equity investment in marketable securities	396	147,489	–
Less:			
Gain (loss) on sale of discontinued operations	(6,841)	348,573	501,812
Gain on sale of joint venture property/partial interest	6,691	103,056	31,509
Depreciation on non-rental real estate assets	736	975	902
Funds from Operations – available to common stockholders	318,817	344,856	343,186
Dividends on convertible preferred shares	–	–	–
Funds from Operations – available to all stockholders	$ 318,817	$344,856	$ 343,186
Cash flows provided by operating activities	$ 275,211	$296,011	$ 406,705
Cash flows (used in) provided by investing activities	$(345,379)	$396,219	$(2,334,337)
Cash flows (used in) provided by financing activities	$(313,006)	$ (11,305)	$ 1,856,418

INFLATION

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

ACCOUNTING STANDARDS UPDATES

The Accounting Standards Updates are discussed in Note 2, "Significant Accounting Policies—Accounting Standards Updates" in the accompanying financial statements.

FORWARD-LOOKING INFORMATION

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, or the Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or 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, Westchester County, Connecticut, Long Island and New Jersey office markets, 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 or business (particularly real estate) conditions, either nationally or in the New York Metro area being less favorable than expected if the credit crisis continues;
- reduced demand for office space;
- risks of real estate acquisitions;
- risks of structured finance investments and borrowers;
- availability and creditworthiness of prospective tenants and borrowers;
- tenant bankruptcies;
- adverse changes in the real estate markets, including increasing vacancy, increasing availability of sublease space, decreasing rental revenue and increasing insurance costs;
- availability, terms and deployment of capital (debt and equity);
- unanticipated increases in financing and other costs, including a rise in interest rates;
- our ability to comply with financial covenants in our debt instruments;
- declining real estate valuations and impairment charges;
- market interest rates could adversely affect the market price of our common stock, as well as our performance and cash flows;
- our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes, our operating partnership's ability to satisfy the rules in order for it to qualify as a partnership for federal income tax purposes, the ability of certain of our subsidiaries to qualify as REITs and certain of our subsidiaries to qualify as taxable REIT subsidiaries for federal income tax purposes and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;
- accounting principles and policies and guidelines applicable to REITs;
- competition with other companies;
- availability of and our ability to attract and retain qualified personnel;
- the continuing threat of terrorist attacks on the national, regional and local economies including, in particular, the New York City area and our tenants;
- legislative or regulatory changes adversely affecting REITs and the real estate business; and
- environmental, regulatory and/or safety requirements.

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.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Rate Risk" for additional information regarding our exposure to interest rate fluctuations.

The table below presents principal cash flows based upon maturity dates of our debt obligations and structured finance investments and the related weighted-average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2009 (in thousands):

	Long-Term Debt					Structured Finance	
Date	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate		Amount	Weighted Yield
2010	$ 141,905	5.91%	$ 1,473	1.24%		$413,733	7.72%
2011	368,680	5.90%	24,112	1.23%		7,000	11.71%
2012	251,672	5.88%	1,432,286	2.29%		56,020	8.87%
2013	335,660	5.90%	118,736	2.29%		23,455	13.50%
2014	180,052	5.94%	–	–%		41,791	12.22%
Thereafter	2,038,112	5.96%	–	–%		243,613	8.03%
Total	$3,316,081	5.96%	$1,576,607	1.33%		$785,612(1)	8.80%
Fair Value	$2,917,553		$1,463,825				

(1) Our structured finance investments had an estimated fair value ranging between $471.8 million and $707.2 million at December 31, 2009.

The table below presents the gross principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of December 31, 2009 (in thousands):

	Long-Term Debt			
Date	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
2010	$ 29,410	4.49%	$ 85,720	2.94%
2011	405	4.46%	206,546	3.31%
2012	12,870	4.45%	47,889	2.88%
2013	1,182	4.45%	5,502	3.03%
2014	97,334	4.42%	237,166	3.03%
Thereafter	1,108,698	3.88%	16,000	1.39%
Total	$1,249,899	4.31%	$598,823	3.00%
Fair Value	$1,002,071		$588,574	

The table below lists all of our derivative instruments, which are hedging variable rate debt, including joint ventures, and their related fair value as of December 31, 2009 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	Credit facility	LIBOR	$ 60,000	4.364%	1/2007	5/2010	$ (844)
Interest Rate Swap	Anticipated debt	10-Year Treasury	105,000	4.910%	12/2009	12/2019	(8,271)
Interest Rate Swap	Anticipated debt	10-Year Treasury	100,000	4.705%	12/2009	12/2019	(6,186)
Interest Rate Cap	Mortgage	LIBOR	128,000	6.000%	2/2009	2/2010	–
Interest Rate Cap	Mortgage	LIBOR	128,000	6.000%	2/2010	2/2011	5
Total Consolidated Hedges			$393,000				$(15,296)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps were out of the money and had a value of $4,100 at December 31, 2009. One of our joint ventures had a LIBOR swap in place on a national amount of $560.0 million. This hedge, which matures in December 2017, had a fair value obligation of approximately $17.1 million at December 31, 2009.

Consolidated Balance Sheets

(Amounts in thousands, except per share data)	December 31, 2009	December 31, 2008
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ 1,379,052	$ 1,386,090
Building and improvements	5,585,584	5,544,019
Building leasehold and improvements	1,280,256	1,259,472
Property under capital lease	12,208	12,208
	8,257,100	8,201,789
Less: accumulated depreciation	(738,422)	(546,545)
	7,518,678	7,655,244
Assets held for sale	992	184,035
Cash and cash equivalents	343,715	726,889
Restricted cash	94,495	105,954
Investment in marketable securities	58,785	9,570
Tenant and other receivables, net of allowance of $14,271 and $16,898 in 2009 and 2008, respectively	22,483	30,882
Related party receivables	8,570	7,676
Deferred rents receivable, net of allowance of $24,347 and $19,648 in 2009 and 2008, respectively	166,981	145,561
Structured finance investments, net of discount of $46,802 and $18,764 and allowance of $93,844 and $45,766 in 2009 and 2008, respectively	784,620	679,814
Investments in unconsolidated joint ventures	1,058,369	975,483
Deferred costs, net	139,257	133,052
Other assets	290,632	330,193
Total assets	$10,487,577	$10,984,353
Liabilities		
Mortgage notes payable	$ 2,595,552	$ 2,591,358
Revolving credit facility	1,374,076	1,389,067
Senior unsecured notes	823,060	1,501,134
Accrued interest payable and other liabilities	34,734	70,692
Accounts payable and accrued expenses	125,982	133,100
Deferred revenue/gain	349,669	427,936
Capitalized lease obligation	16,883	16,704
Deferred land leases payable	18,013	17,650
Dividend and distributions payable	12,006	26,327
Security deposits	39,855	34,561
Liabilities related to assets held for sale	–	106,534
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	5,489,830	6,415,063
Commitments and Contingencies	–	–
Noncontrolling interests in operating partnership	84,618	87,330
Equity		
SL Green stockholders equity:		
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 6,300 issued and outstanding at December 31, 2009 and 2008, respectively	151,981	151,981
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 4,000 issued and outstanding at December 31, 2009 and 2008, respectively	96,321	96,321
Common stock, $0.01 par value 160,000 shares authorized and 80,875 and 60,404 issued and outstanding at December 31, 2009 and 2008, respectively (including 3,360 shares at both December 31, 2009 and 2008 held in Treasury, respectively)	809	604
Additional paid-in-capital	3,525,901	3,079,159
Treasury stock at cost	(302,705)	(302,705)
Accumulated other comprehensive loss	(33,538)	(54,747)
Retained earnings	949,669	979,939
Total SL Green stockholders' equity	4,388,438	3,950,552
Noncontrolling interests in other partnerships	524,691	531,408
Total equity	4,913,129	4,481,960
Total liabilities and equity	$10,487,577	$10,984,353

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

(Amounts in thousands, except per share data)	Year Ended December 31, 2009	2008	2007
Revenues			
Rental revenue, net	$ 773,216	$ 773,960	$662,481
Escalation and reimbursement	124,455	123,038	108,954
Preferred equity and investment income	65,609	110,919	82,692
Other income	47,379	71,505	120,703
Total revenues	1,010,659	1,079,422	974,830
Expenses			
Operating expenses including $14,882 (2009), $15,104 (2008) and $14,820 (2007) to affiliates	217,559	228,191	207,978
Real estate taxes	141,723	126,304	120,972
Ground rent	31,826	31,494	32,389
Interest expense, net of interest income	236,300	291,536	256,941
Amortization of deferred financing costs	7,947	6,433	15,893
Depreciation and amortization	226,545	216,583	174,257
Loan loss and other investment reserves	150,510	115,882	–
Marketing, general and administrative	73,992	104,583	93,045
Total expenses	1,086,402	1,121,006	901,475
Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures, gain on sale, noncontrolling interest and discontinued operations	(75,743)	(41,584)	73,355
Equity in net income from unconsolidated joint ventures	62,878	59,961	46,765
Income (loss) from continuing operations before gains, noncontrolling interest and discontinued operations	(12,865)	18,377	120,120
Equity in net gain on sale of interest in unconsolidated joint venture	6,691	103,056	31,509
Loss on equity investment in marketable securities	(396)	(147,489)	–
Gain on early extinguishment of debt	86,006	77,465	–
Income from continuing operations	79,436	51,409	151,629
Net (loss) income from discontinued operations	(930)	4,066	29,256
Gain (loss) on sale of discontinued operations	(6,841)	348,573	501,812
Net income	71,665	404,048	682,697
Net income attributable to noncontrolling interests in the operating partnership	(1,221)	(14,561)	(26,084)
Net income attributable to noncontrolling interests in other partnerships	(12,900)	(8,677)	(10,383)
Net income attributable to SL Green	57,544	380,810	646,230
Preferred stock dividends	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	$ 37,669	$ 360,935	$626,355
Amounts attributable to SL Green common stockholders:			
Income (loss) from continuing operations	$ 38,716	$ (77,085)	$ 86,269
Discontinued operations	(901)	3,908	28,087
Gain (loss) on sale of discontinued operations	(6,630)	335,055	481,750
Gain (loss) on sale of unconsolidated joint ventures/real estate	6,484	99,057	30,249
Net income	$ 37,669	$ 360,935	$626,355
Basic earnings per share:			
Net income (loss) from continuing operations before gain on sale and discontinued operations	$ 0.56	$ (1.33)	$ 1.47
Net (loss) income from discontinued operations, net of noncontrolling interest	(0.01)	0.07	0.47
Gain (loss) on sale of discontinued operations, net of noncontrolling interest	(0.10)	5.77	8.20
Gain on sale of joint venture property/partial interest	0.09	1.71	0.52
Net income attributable to SL Green common stockholders	$ 0.54	$ 6.22	$ 10.66
Diluted earnings per share:			
Net income (loss) from continuing operations before gain on sale and discontinued operations	$ 0.56	$ (1.32)	$ 1.45
Net (loss) income from discontinued operations	(0.01)	0.07	0.47
Gain (loss) on sale of discontinued operations	(0.10)	5.75	8.11
Gain on sale of joint venture property/partial interest	0.09	1.70	0.51
Net income attributable to SL Green common stockholders	$ 0.54	$ 6.20	$ 10.54
Basic weighted average common shares outstanding	69,735	57,996	58,742
Diluted weighted average common shares and common share equivalents outstanding	72,044	60,598	61,885

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

Consolidated Statements of Equity

amounts in thousands, (Unaudited, and amounts in thousands, except per share data)	Series C Preferred Stock	Series D Preferred Stock
Balance at December 31, 2006	$151,981	$96,321
Comprehensive Income:		
Net income		
Net unrealized loss on derivative instruments		
SL Green's share of joint venture net unrealized loss on derivative instruments		
Preferred dividends		
Redemption of units and DRIP proceeds		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Proceeds from stock options exercised		
Common stock issued in connection with Reckson Merger		
Treasury stock—at cost		
Cumulative effect of accounting charge		
Contributions from noncontrolling interests		
Distributions to noncontrolling interests		
Deconsolidation of noncontrolling interests		
Cash distribution declared ($2.89 per common share, none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2007	$151,981	$96,321
Comprehensive Income:		
Net income		
Net unrealized loss on derivative instruments		
SL Green's share of joint venture net unrealized loss on derivative instruments		
Preferred dividends		
Redemption of units and DRIP proceeds		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Proceeds from stock options exercised		
Treasury stock—at cost		
Contributions from noncontrolling interests		
Distributions to noncontrolling interests		
Deconsolidation of noncontrolling interests		
Cash distribution declared ($2.7375 per common share none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2008	$151,981	$96,321
Comprehensive Income:		
Net income		
Net unrealized gain on derivative instruments		
SL Green's share of joint venture net unrealized loss on derivative instruments		
Unrealized gain on investments		
Preferred dividends		
Redemption of units and DRIP proceeds		
Reallocation of noncontrolling interest in the operating partnership		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Net proceeds from common stock offering		
Proceeds from stock options exercised		
Distributions to noncontrolling interests		
Cash distribution declared ($0.675 per common share none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2009	$151,981	$96,321

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

	SL Green Realty Corp. Stockholders								
	Common Stock								
	Shares	Par Value	Additional Paid-In-Capital	Treasury Stock	Accumulated Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total	Comprehensive Income
	49,840	$498	$1,809,893	$ –	$13,971	$ 322,219	$ 56,162	$2,451,045	$225,865
						646,230	17,105	663,335	$663,335
					(9,226)			(9,226)	(9,226)
									(788)
						(19,875)		(19,875)	
	451	5	24,436					24,441	
	418	4	650					654	
			35,907					35,907	
	349	4	12,913					12,917	
	9,013	90	1,048,088					1,048,178	
	(1,312)			(150,719)				(150,719)	
			79,703					79,703	
							582,878	582,878	
							(33,730)	(33,730)	
							9,985	9,985	
						(170,893)		(170,893)	
	58,759	$601	$3,011,590	$(150,719)	$4,745	$ 777,681	$632,400	$4,524,600	$653,321
						380,810	12,505	393,315	$393,315
					(31,120)			(31,120)	(31,120)
					(28,372)			(28,372)	(28,372)
						(19,875)		(19,875)	
	4	–	312					312	
	133	1	583					584	
			59,616					59,616	
	196	2	7,058					7,060	
	(2,048)			(151,986)				(151,986)	
							21,771	21,771	
							(52,031)	(52,031)	
							(83,237)	(83,237)	
						(158,677)		(158,677)	
	57,044	$604	$3,079,159	$(302,705)	$(54,747)	$ 979,939	$531,408	$4,481,960	$333,823
						57,544	12,900	70,444	$ 70,444
					20,359			20,359	20,359
					(233)			(233)	(233)
					1,083			1,083	1,083
						(19,875)		(19,875)	
	653	7	28,560					28,567	
						(23,217)		(23,217)	
	246	2	581					583	
			30,040					30,040	
	19,550	196	386,942					387,138	
	22		619					619	
							(19,617)	(19,617)	
						(44,722)		(44,722)	
	77,515	$809	$3,525,901	$(302,705)	$(33,538)	$ 949,669	$524,691	$4,913,129	$ 91,653

Consolidated Statements of Cash Flows

(Amounts in thousands, except per share data)	Year Ended December 31, 2009	2008	2007
Operating Activities			
Net income	$ 71,664	$ 407,877	$ 682,697
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	235,200	229,510	204,831
(Gain) loss on sale of discontinued operations	6,841	(348,573)	(501,812)
Equity from net income from unconsolidated joint ventures	(62,878)	(59,961)	(46,765)
Distributions of cumulative earnings of unconsolidated joint ventures	40,677	67,136	45,856
Equity in net gain on sale of unconsolidated joint venture/partial interest	(6,691)	(103,056)	(31,509)
Loan loss and other investment reserves	150,510	115,882	–
Loss on equity investment in marketable securities	396	147,489	–
Gain on early extinguishment of debt	(86,006)	(77,465)	–
Deferred rents receivable	(26,267)	(38,866)	(51,863)
Other non-cash adjustments	(2,533)	34,673	51,953
Changes in operating assets and liabilities:			
Restricted cash – operations	16,219	(13,283)	(15,444)
Tenant and other receivables	11,026	11,553	(17,362)
Related party receivables	(894)	5,505	(6,238)
Deferred lease costs	(21,202)	(39,709)	(32,933)
Other assets	(28,863)	(3,594)	37,179
Accounts payable, accrued expenses and other liabilities	(14,761)	(49,295)	83,314
Deferred revenue and land lease payable	(7,227)	10,188	4,801
Net cash provided by operating activities	275,211	296,011	406,705
Investing Activities			
Acquisitions of real estate property	(16,059)	(67,751)	(4,188,318)
Proceeds from Asset Sale	–	–	1,964,914
Additions to land, buildings and improvements	(90,971)	(132,375)	(93,762)
Escrowed cash – capital improvements/acquisitions deposits	(5,318)	11,376	149,337
Investments in unconsolidated joint ventures	(107,716)	(45,776)	(823,043)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	38,846	458,236	82,449
Net proceeds from disposition of real estate/partial interest in property	27,946	206,782	1,021,716
Other investments	(47,719)	8,168	(96,955)
Structured finance and other investments net of repayments/participations	(144,388)	(42,441)	(350,675)
Net cash provided by (used in) investing activities	(345,379)	396,219	(2,334,337)
Financing Activities			
Proceeds from mortgage notes payable	192,399	161,577	809,914
Repayments of mortgage notes payable	(169,688)	(26,233)	(124,339)
Proceeds from revolving credit facility, term loan and senior unsecured notes	30,433	1,663,970	3,834,339
Repayments of revolving credit facility, term loan and senior unsecured notes	(646,317)	(1,434,112)	(2,837,813)
Proceeds from stock options exercised	619	7,372	12,917
Net proceeds from sale of common stock	387,138	–	–
Purchases of Treasury Stock	–	(151,986)	(150,719)
Distributions to noncontrolling interests in other partnerships	(19,617)	(54,566)	(16,497)
Contributions from noncontrolling interests in other partnerships	–	39,883	548,305
Distributions to noncontrolling interests in operating partnership	(2,170)	(6,405)	(6,970)
Dividends paid on common and preferred stock	(78,321)	(203,134)	(181,315)
Deferred loan costs and capitalized lease obligation	(7,482)	(7,671)	(31,404)
Net cash (used in) provided by financing activities	(313,006)	(11,305)	1,856,418
Net increase (decrease) in cash and cash equivalents	(383,174)	680,925	(71,214)
Cash and cash equivalents at beginning of period	726,889	45,964	117,178
Cash and cash equivalents at end of period	$ 343,715	$ 726,889	$ 45,964
Supplemental cash flow disclosures			
Interest paid	$ 257,393	$ 305,022	$ 309,752
Income taxes paid	$ 818	$ 906	$ 1,644

In December 2009, 2008 and 2007, the Company declared quarterly distributions per share of $0.10, $0.375 and $0.7875, respectively. These distributions were paid in January 2010, 2009 and 2008, respectively.

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

NOTE 1 / ORGANIZATION AND BASIS OF PRESENTATION

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

Substantially all of our assets are held by, and our operations are conducted through, the operating partnership. The Company is the sole managing general partner of the operating partnership. As of December 31, 2009, minority investors held, in the aggregate, a 2.1% limited partnership interest in the operating partnership.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. We paid approximately $6.0 billion, inclusive of debt assumed and transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson's former executive management for a total consideration of approximately $2.0 billion.

As of December 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy[1]
Manhattan	Consolidated properties	21	13,782,200	94.6%
	Unconsolidated properties	8	9,429,000	95.6%
Suburban	Consolidated properties	25	3,863,000	84.8%
	Unconsolidated properties	6	2,941,700	93.7%
		60	30,015,900	93.4%

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

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we 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, or the operating partnership agreement, we allocate all distributions and profits and losses in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the operating partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the operating partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to 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 units of limited partnership interests for cash, or if we so elect, shares of our common stock on a one-for-one basis.

NOTE 2 / SIGNIFICANT ACCOUNTING POLICIES

In June 2009, the Financial Accounting Standards Board, or FASB, issued guidance regarding the Accounting Codification and the Hierarchy of Generally Accepted Accounting Principles. This guidance establishes the FASB Accounting Standards Codification, or the Codification, as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP, and states that all guidance contained in the Codification carries equal level of authority. Rules and interpretive releases of the Securities and Exchange Commissions, or SEC, under federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification does not change GAAP, however it does change the way in which it is to be researched and referenced. This guidance is effective for financial statements issued for interim and

annual periods ending after September 15, 2009. We have implemented the Codification in this annual report.

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us or entities which are variable interest entities in which we are the primary beneficiary. See Note 5, Note 6 and Note 7. Entities which we do not control and entities which are variable interest entities, but where we are not the primary beneficiary are accounted for under the equity method. We have two variable interest entities for which we are considered to be the primary beneficiary as a result of loans we made to our joint venture partner to fund his equity in the joint venture. The interest that we do not own is included in "Noncontrolling Interest in Other Partnerships" on the balance sheet. All significant intercompany balances and transactions have been eliminated.

Effective January 1, 2009, we revised the presentation of noncontrolling interests in our consolidated financial statements. A noncontrolling interest in a consolidated subsidiary is defined as "the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent". Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet. In addition, the presentation of net income was modified by requiring earnings and other comprehensive income to be attributed to controlling and noncontrolling interests. Below are the steps we have taken as a result of the implementation of this standard:

- We have reclassified the noncontrolling interests of other consolidated partnerships from the mezzanine section of our balance sheet to equity. This reclassification totaled approximately $531.4 million as of December 31, 2008.
- Noncontrolling interests of our operating partnership will continue to be classified in the mezzanine section of the balance sheet as these redeemable OP Units do not meet the requirements for equity classification. The redemption feature requires the delivery of cash or shares of stock. See Note 15.
- Net income attributable to noncontrolling interests of our operating partnership and of other consolidated partnerships is no longer included in the determination of net income. We reclassified prior year amounts to reflect this requirement. The adoption of this standard had no effect on our earnings per share.
- We adjust the noncontrolling interests of our operating partnership each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption value. Net income is allocated to the noncontrolling partners of our operating partnership based on their weighted average ownership percentage during the period.

When accounting for our joint venture investments we apply the accounting standards which Note that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's business and thereby preclude the general partner from exercising unilateral control over the partnership.

If we retain an interest in the buyer and provide certain guarantees we account for such transaction as a profit-sharing arrangement. For transactions treated as profit-sharing arrangements, we record a profit-sharing obligation for the amount of equity contributed by the other partner and continue to keep the property and related accounts recorded on our books. Any debt assumed by the buyer would continue to be recorded on our books. The results of operations of the property, net of expenses other than depreciation (net operating income), are allocated to the other partner for its percentage interest and reflected as "co-venture expense" in our consolidated financial statements. In future periods, a sale is recorded and profit is recognized when the remaining maximum exposure to loss is reduced below the amount of gain deferred.

Investment in Commercial Real Estate Properties

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the 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.

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

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

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

Depreciation expense (including amortization of the capital lease asset) amounted to approximately $210.4 million, $202.9 million

and $164.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties and discounted for unconsolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred and is considered to be other than temporary, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the value of any of our consolidated rental properties or equity investments in rental properties was impaired at December 31, 2009 and 2008, respectively.

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

Results of operations of properties acquired are included in the Statement of Income from the date of acquisition.

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

We recognized an increase of approximately $24.0 million, $25.3 million and $4.5 million in rental revenue for the years ended December 31, 2009, 2008 and 2007, respectively, for the amortization of aggregate below-market rents in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above market rate mortgages of approximately $2.7 million, $6.9 million and $6.1 for the years ended December 31, 2009, 2008 and 2007, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2009 (in thousands):

	December 31, 2009	December 31, 2008
Identified intangible assets (included in other assets):		
Gross amount	$ 236,594	$ 236,594
Accumulated amortization	(98,090)	(60,074)
Net	$ 138,504	$ 176,520
Identified intangible liabilities (included in deferred revenue):		
Gross amount	$ 480,770	$ 480,770
Accumulated amortization	(164,073)	(101,585)
Net	$ 316,697	$ 379,185

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

2010	$18,068
2011	18,082
2012	16,413
2013	14,329
2014	10,904

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

2010	$6,529
2011	5,311
2012	4,521
2013	3,895
2014	3,411

Cash and Cash Equivalents

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

Investment in Marketable Securities

We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value, based on Level 2 information pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings. At December 31, 2009, we held approximately $58.8 million of marketable securities which were designated as available-for-sale. We recorded a net unrealized gain of approximately $1.1 million in accumulated other comprehensive loss during the year ended December 31, 2009.

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence, but do not control these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures which are VIEs and where we are considered to be the primary beneficiary, even though we do not control the entity. In all these joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us 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 our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us. See Note 6.

Restricted Cash

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

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. A portion of their compensation, approximating $7.9 million, $8.3 million and $7.0 million for the years ended December 31, 2009, 2008 and 2007, 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 in which it is determined that the financing will not close.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. 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.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses

for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations.

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

These escalations are based on actual expenses incurred in the prior calendar year. If the expenses in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

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

Interest income on 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, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield. Fees on commitments that expire unused are recognized at expiration.

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

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

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required 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, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses by loan. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $38.4 million and $45.8 million in loan loss reserves and charge offs during the year ended December 31, 2009 and 2008, respectively, on investments being held to maturity.

Structured finance investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the loan will be reclassified at its net carrying value to structured finance investments held to maturity. During the quarter ended September 30, 2009, we reclassified loans with a net carrying value of approximately $56.7 million from held for sale to held to maturity. For these reclassified loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the loan. As of December 31, 2009, one loan with a net carrying value of approximately $1.0 million had been designated as held for sale. We recorded a mark-to-market adjustment of approximately $69.1 million against our held for sale investment during the year ended December 31, 2009.

Rent Expense

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

Income Taxes

We are taxed as a REIT under Section 856(c) of the Code. As a REIT, we generally are not subject to Federal income tax. To maintain our qualification as a REIT, we must distribute at least 90% of our REIT taxable income to our stockholders and meet certain other requirements.

If we fail to qualify as a REIT in any taxable year, we will be subject to Federal income tax on our taxable income at regular corporate rates. We may also be subject to certain state, local and franchise taxes. Under certain circumstances, Federal income and excise taxes may be due on our undistributed taxable income.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRS's generate income, resulting in Federal income tax liability for these entities. Our TRS's recorded approximately $1.0 million, $(2.0) million and $4.2 million in Federal, state and local tax (benefit)/expense in 2009, 2008 and 2007, respectively, of which $0.8 million, $0.9 million and $1.6 million, respectively, had been paid.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

Underwriting Commissions and Costs

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

Stock Based Employee Compensation Plans

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

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

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

The fair value of each stock option granted is estimated on the date of grant using the Black Scholes option pricing model based on historical information with the following weighted average assumptions for grants in 2009, 2008 and 2007.

	2009	2008	2007
Dividend yield	2.15%	2.99%	2.10%
Expected life of option	5 years	5 years	5 years
Risk-free interest rate	2.17%	3.24%	4.63%
Expected stock price volatility	53.08%	25.47%	21.61%

Derivative Instruments

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

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

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

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

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

Hedges that are reported at fair value and presented on the balance sheet could be characterized as cash flow hedges or fair value hedges. Interest rate caps and collars are examples of cash flow hedges. Cash flow hedges address the risk associated with future cash flows of debt transactions. All hedges held by us are deemed to be fully effective in meeting the hedging objectives established by our 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 income. For derivative instruments not designated as hedging instruments, the gain or loss, resulting from the change in the estimated fair value of the derivative instruments, is recognized in current earnings during the period of change.

Fair Value Measurements

The methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 – Quoted prices in active markets for identical instruments.

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

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

Level 3 – Valuations based significantly on unobservable inputs.

- Level 3A – Valuations based on third-party indications (broker quotes or counterparty quotes) which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 2 valuations.
- Level 3B – Valuations based on internal models with significant unobservable inputs.

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

Earnings Per Share

We present both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during 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. This also includes units of limited partnership interest.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, structured finance investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our structured finance investments is primarily located in the New York Metro area. See Note 5. We perform ongoing credit evaluations of our tenants and require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in these buildings operate in various industries. Other than one tenant who accounts for approximately 8.2% of our share of annualized rent, no single tenant in our portfolio accounted for more than 5.8% of our annualized rent, including our share of joint venture annualized rent, at December 31, 2009. Approximately 10%, 9%, 8%, 8%, 6% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue, 220 East 42nd Street and 485 Lexington Avenue, respectively, for the year ended December 31, 2009. Approximately 10%, 8%, 7%, 8%, and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2008. Approximately 9%, 7%, 7%, 7% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2007. Two borrowers accounted for more than 10.0% of the revenue earned on structured finance investments at December 31, 2009. Currently 75.2% of our workforce which services substantially all of our properties is covered by three collective bargaining agreements.

Reclassification

Certain prior year balances have been reclassified to conform with the current year presentation primarily in order to eliminate discontinued operations from income from continuing operations as well as apply the revised interpretation of accounting for convertible debt investments (see below) and the presentation of noncontrolling interests.

Accounting Standards Updates

In December 2007, the FASB amended the accounting for acquisitions specifically eliminating the step acquisition model, changing the recognition of contingent consideration from being recognized when it is probable to being recognized at the time of acquisition, disallowing the capitalization of transaction costs and delays when restructurings related to acquisitions can be recognized. The standard is effective for fiscal years beginning after December 15, 2008 and will only impact the accounting for acquisitions we make after our adoption of this standard. We adopted this standard on January 1, 2009.

In May 2008, the FASB clarified its guidance on accounting for convertible debt instruments that may be settled in cash upon conversion. The issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion is required to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. The resulting debt discount will be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. This amount (before netting) will increase in subsequent reporting periods through the first optional redemption date as the debt accretes to its par value over the same period. This amendment is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption was not permitted. Upon adoption, companies are required to retrospectively apply the requirements of the pronouncement to all periods presented. Adoption of this amendment had the following impact on our consolidated financial statements (in thousands):

	December 31, 2008 As Reported	December 31, 2008 As Restated	December 31, 2007 As Reported	December 31, 2007 As Restated
Senior unsecured notes	$1,535,948	$1,501,134	$2,069,938	$2,005,005
Total liabilities	6,449,875	6,415,063	6,888,796	6,823,863
Additional paid-in-capital	2,999,456	3,079,159	2,931,887	3,011,590
Retained earnings	1,023,071	979,939	791,861	777,681

	Year Ended December 31, 2008 As Reported	Year Ended December 31, 2008 As Restated	Year Ended December 31, 2007 As Reported	Year Ended December 31, 2007 As Restated
Interest expense	$281,766	$300,808	$251,537	$266,308
Net income attributable to SL Green common stockholders	$389,884	$360,935	$640,535	$626,355
Net income per share attributable to common stockholders—basic	$ 6.72	$ 6.22	$ 10.90	$ 10.66
Net income per share attributable to common stockholders—diluted	$ 6.69	$ 6.20	$ 10.78	$ 10.54

The FASB provided guidance to address whether instruments granted in share based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share, or EPS, under the two-class method. We adopted this guidance on January 1, 2009. It did not have any effect on our consolidated financial statements.

In April 2009, the FASB provided additional guidance on estimating fair value when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. This update also provides additional guidance on circumstances that may indicate that a transaction is not orderly. Additional disclosures about fair value measurements in annual and interim reporting periods are also required. This guidance was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our financial statements.

In March 2008, the FASB issued guidance which requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. This guidance was effective on January 1, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued guidance on accounting for transfers of financial assets. This guidance amends various components of the existing guidance governing sale accounting, including the recognition of assets obtained and liabilities assumed as a result of a transfer, and considerations of effective control by a transferor over transferred assets. In addition, this guidance removes the exemption for qualifying special purpose entities from the consolidation guidance. This guidance is effective January 1, 2010, with early adoption prohibited. While the amended guidance governing sale accounting is applied on a prospective basis, the removal of the qualifying special purpose entity exception will require us to evaluate certain entities for consolidation. While we are evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statement.

In June 2009, the FASB amended the guidance for determining whether an entity is a variable interest entity, or VIE, and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. This guidance is effective for the first annual reporting period that begins after November 15, 2009, with early adoption prohibited. While we are currently evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statements.

NOTE 3 / PROPERTY ACQUISITIONS

2009 Acquisitions

During 2009, we acquired the sub-leasehold positions at 420 Lexington Avenue for an aggregate purchase price of approximately $15.9 million.

2008 Acquisitions

In February 2008, we, through our joint venture with Jeff Sutton, acquired the properties located at 182 Broadway and 63 Nassau Street for approximately $30.0 million in the aggregate. These properties are located adjacent to 180 Broadway which we acquired in August 2007. As part of the acquisition we also closed on a $31.0 million loan which bears interest at 225 basis points over the 30-day LIBOR. The loan has a three-year term and two one-year extensions. We drew down $21.1 million at the closing to pay the balance of the acquisition costs.

During the second quarter of 2008, we, through a joint venture with NYSTERS, acquired various interests in the fee positions at 919 Third Avenue for approximately $32.8 million. As a result, our joint venture controls the entire fee position.

2007 Acquisitions

In January 2007, we acquired Reckson for approximately $6.0 billion, inclusive of transaction costs. Simultaneously, we sold approximately $2.0 billion of the Reckson assets to an asset purchasing venture led by certain of Reckson's former executive management. The transaction included the acquisition of 30 properties encompassing approximately 9.2 million square feet, of which five properties encompassing approximately 4.2 million square feet are located in Manhattan.

The following summarizes our allocation of the purchase price to the assets and liabilities acquired from Reckson (in thousands):

Land	$ 766,727
Building	3,724,962
Investment in joint venture	65,500
Structured finance investments	136,646
Acquired above-market leases	24,661
Other assets, net of other liabilities	30,473
Acquired in-place leases	175,686
Assets acquired	4,924,655
Acquired below-market leases	422,177
Minority interest	401,108
Liabilities acquired	823,285
Net assets acquired	$4,101,370

In January 2007, we acquired 300 Main Street in Stamford, Connecticut and 399 Knollwood Road in White Plains, New York for approximately $46.6 million, from affiliates of RPW Group. These commercial office buildings encompass 275,000 square feet, inclusive of 50,000 square feet of garage parking at 300 Main Street.

In April 2007, we completed the acquisition of 331 Madison Avenue and 48 East 43rd Street for a total of $73.0 million. Both 331 Madison Avenue and 48 East 43rd Street are located adjacent to 317 Madison Avenue, a property that we acquired in 2001. 331 Madison Avenue is an approximately 92,000-square-foot, 14-story office building. The 22,850-square-foot 48 East 43rd Street property is a seven-story loft building that was later converted to office use.

In April 2007, we acquired the fee interest in 333 West 34th Street for approximately $183.0 million from Citigroup Global Markets Inc. The property encompasses approximately 345,000 square feet. At closing, Citigroup entered into a full building triple net lease through August 2009.

In June 2007, we, through a joint venture, acquired the second and third floors in the office tower at 717 Fifth Avenue for approximately $16.9 million.

In June 2007, we acquired 1010 Washington Avenue, CT, a 143,400-square-foot office tower. The fee interest was purchased for approximately $38.0 million.

In June 2007, we acquired an office property located at 500 West Putnam Avenue in Greenwich, Connecticut. The Greenwich property, a four-story, 121,500-square-foot office building, was purchased for approximately $56.0 million.

In August 2007, we acquired Gramercy Capital Corp. (NYSE: GKK), or Gramercy's, 45% equity interest in the joint venture that owns the 1,176,000-square-foot office building located at One Madison Avenue, or One Madison, for approximately $147.2 million and the assumption of their proportionate share of the debt encumbering the property of approximately $305.3 million. We previously acquired our 55% interest in the property in April 2005.

In August 2007, we, through a joint venture with Jeff Sutton, acquired the fee interest in a building at 180 Broadway for an aggregate purchase price of $13.7 million, excluding closing costs. The building comprises approximately 24,307 square feet. We own approximately 50% of the equity in the joint venture. We loaned approximately $6.8 million to Jeff Sutton to fund a portion of his equity. This loan is secured by a pledge of Jeff Sutton's partnership interest in the joint venture. As we have been designated as the primary beneficiary of the joint venture we have consolidated the accounts of the joint venture.

NOTE 4 / PROPERTY DISPOSITIONS AND ASSETS HELD FOR SALE

In January 2009, we, along with our joint venture partner, Gramercy sold 100% of our interests in 55 Corporate Drive, NJ for $230.0 million. The property is approximately 670,000 square feet. We recognized a gain of approximately $4.6 million in connection with the sale of our 50% interest in the joint venture, which is net of a $2.0 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In August 2009, we sold the property located at 399 Knollwood Road, Westchester, for $20.7 million. The property is approximately 145,000 square feet and is encumbered by an $18.5 million mortgage. We recognized a loss on the sale of approximately $11.4 million.

In January 2008, we sold the fee interest in 440 Ninth Avenue for approximately $160.0 million, excluding closing costs. The property is approximately 339,000 square feet. We recognized a gain on sale of approximately $106.0 million.

In August 2008, we sold 80% of our interest in the joint venture that owns 1551/1555 Broadway to Jeff Sutton for approximately $17.0 million and the right to future asset management, leasing and construction fees. We recognized a gain on sale of approximately $9.5 million. As a result of this transaction, we deconsolidated this investment and account for it under the equity method of accounting. See Note 6.

In October 2008, we sold 100/120 White Plains Road, Westchester for $48.0 million, which approximated our book basis in these properties. Our share of the net sales proceeds was approximately $24.0 million.

In February 2007, we sold the fee interests in 70 West 36th Street for approximately $61.5 million, excluding closing costs. The property is approximately 151,000 square feet. We recognized a gain on sale of approximately $47.2 million.

In June 2007, we sold our office condominium interest in floors six through eighteen at 110 East 42nd Street for approximately $111.5 million, excluding closing costs. The property encompasses approximately 181,000 square feet. The sale does not include approximately 112,000 square feet of developable air rights, which we retained along with the ability to transfer these rights off-site. We recognized a gain on sale of approximately $84.0 million, which is net of a $1.0 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In June 2007, we sold our condominium interests in 125 Broad Street for approximately $273.0 million, excluding closing costs. The property is approximately 525,000 square feet. We recognized a gain on sale of approximately $167.9 million, which is net of a $1.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In July 2007, we sold our property located at 292 Madison Avenue for approximately $140.0 million, excluding closing costs. The property encompasses approximately 187,000 square feet. The sale generated a gain of approximately $99.8 million, of which $15.7 million was deferred as a result of financing provided to the buyer by Gramercy, which is net of a $1.0 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In July 2007, we sold an 85% interest in 1372 Broadway, New York, to Wachovia Corporation (NYSE:WB), for approximately $284.8 million. This sale generated a gain of $254.4 million, which is net of a $1.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale. We retained a 15% interest in the property. We had the ability to earn incentive fees based on the financial performance of the property. We were accounting for this property as a profit sharing arrangement. We deferred recognition of the gain on sale due to our continuing involvement with the property and because we had an option to reacquire the property under certain limited circumstances. As the property was unencumbered at the time of sale, no debt was recorded on our books. The co-venture expense was included in operating expenses in the Consolidated Statements of Income. The equity contributed by our partner was included in Deferred Revenue on our Consolidated Balance Sheets. In July 2007, the joint venture that now owned 1372 Broadway closed on a $235.2 million, five-year, floating rate mortgage. The mortgage carried an interest rate of 125 basis points over the 30-day LIBOR. This mortgage was recorded off-balance sheet. The joint venture sold the property in October 2008. As a result of the sale, we recognized a gain on sale of approximately $238.6 million, which is net of a $3.5 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In November 2007, we sold our property located at 470 Park Avenue South for approximately $157.0 million. The property encompasses approximately 260,000 square feet. The sale generated a gain, net of minority interest, of approximately $114.7 million.

Discontinued operations included the results of operations of real estate assets under contract or sold prior to December 31, 2009. This included 125 Broad Street and 110 East 42nd Street sold in June 2007, 292 Madison Avenue, which was sold in July 2007, 470 Park Avenue South, which was sold in November 2007, 440 Ninth Avenue, which was sold in January 2008, 100/120 White Plains Road and 1372 Broadway, which were sold in October 2008, 55 Corporate Drive, NJ, which was sold in January 2009, the membership interests in GKK Manager LLC which were sold in April 2009 (see Note 6) and 399 Knollwood, CT which was sold in August 2009.

The following table summarizes income from discontinued operations (net of noncontrolling interest) and the related realized gain on sale of discontinued operations for the years ended December 31, 2009, 2008 and 2007 (in thousands).

	Year Ended December 31,		
	2009	2008	2007
Revenues			
Rental revenue	$ 2,905	$ 31,108	$ 67,317
Escalation and reimbursement revenues	316	4,239	12,378
Other income	6,517	24,632	32,579
Total revenues	9,738	59,979	112,274
Operating expense	1,010	7,404	20,077
Real estate taxes	580	5,168	11,344
Interest expense, net of interest income	1,071	17,946	17,040
Depreciation and amortization	708	6,491	13,919
Marketing, general and administrative	7,299	15,076	13,916
Total expenses	10,668	52,085	76,296
Income (loss) from discontinued operations	(930)	7,894	35,978
(Loss) gain on disposition of discontinued operations	(6,841)	348,573	501,812
Noncontrolling interest in other partnerships	–	(3,828)	(6,722)
Net income (loss) from discontinued operations	$ (7,771)	$352,639	$531,068

Note 5 / Structured Finance Investments

During the years ended December 31, 2009 and 2008, our structured finance and preferred equity investments, including investments classified as held-for-sale, (net of discounts) increased approximately $254.3 million and $238.5 million, respectively, due to originations, purchases and accretion of discounts. There were approximately $216.5 million and $295.9 million in repayments, participations, sales and loan loss reserves recorded during those periods, respectively, which offset the increases in structured finance investments.

As of December 31, 2009 and 2008, we held the following structured finance investments, excluding preferred equity investments, with an aggregate weighted average current yield of approximately 7.78% (in thousands):

Loan Type	Gross Investment	Senior Financing	2009 Principal Outstanding	2008 Principal Outstanding	Initial Maturity Date
Other Loan[1]	$ 3,500	$ 15,000	$ 3,500	$ 3,500	September 2021
Mezzanine Loan[1][2][13]	–	–	–	95,626	–
Mezzanine Loan[1][11]	60,000	235,000	58,760	58,349	February 2016
Mezzanine Loan[1]	25,000	200,000	25,000	25,000	May 2016
Mezzanine Loan[1]	35,000	165,000	39,125	38,332	October 2016
Mezzanine Loan[1][3][9][10][11]	75,000	4,254,623	70,092	70,092	December 2016
Other Loan[1][5][9][11]	5,000	–	5,350	5,350	May 2011
Whole Loan[2][3]	9,815	–	9,636	10,126	February 2010
Mezzanine Loan[1][2][4][9]	25,000	311,215	26,605	27,742	January 2013
Mezzanine Loan[1]	16,000	90,000	15,697	15,670	August 2017
Mezzanine Loan[3][15]	41,398	221,549	40,938	40,171	August 2009
Other Loan[1]	1,000	–	1,000	1,000	January 2010
Other Loan	–	–	–	500	–
Junior Participation[1][6][9][11]	14,189	–	9,938	9,938	April 2008
Mezzanine Loan[1][12]	67,000	1,139,000	84,636	75,856	March 2017
Mezzanine Loan[9][16][17]	23,145	365,000	35,908	24,961	July 2010
Mezzanine Loan[3][9][14]	–	–	–	46,372	–
Mezzanine Loan[3][9][11][17]	22,644	7,099,849	–	23,847	–
Junior Participation[1][9]	11,000	53,000	11,000	11,000	November 2011
Junior Participation[7][9]	12,000	61,250	10,875	10,875	June 2010
Junior Participation[9][11]	9,948	48,198	5,866	5,866	December 2010
Junior Participation[8]	50,000	2,230,083	47,691	48,709	April 2010
Mezzanine Loan[2][3]	90,000	325,000	104,431	92,325	July 2010
Whole Loan[1][3]	9,375	–	9,902	9,324	February 2015
Junior Participation	11,700	210,000	30,548	–	January 2012
Whole loan[18]	167,717	–	167,717	–	March 2010
Loan loss reserve[9]	–	–	(101,866)	(74,666)	–
	$785,431	$17,023,767	$ 712,349	$675,865	

(1) This is a fixed rate loan.
(2) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(3) Gramercy holds a pari-passu interest in this asset.
(4) This loan had been in default since December 2007. We reached an agreement with the borrower to, amongst other things, extend the maturity date to January 2013.
(5) The original loan which was scheduled to mature in February 2010 was replaced with two loans which mature in May 2011. The total principal balance remained unchanged. Approximately $10.4 million was redeemed in October 2008.
(6) This loan is in default. The lender has begun foreclosure proceedings. Another participant holds a $12.2 million pari-passu interest in this loan.
(7) This loan was extended for two years to June 2010.
(8) Gramercy is the borrower under this loan. This loan consists of mortgage and mezzanine financing.
(9) This represents specifically allocated loan loss reserves. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses. This includes a $69.1 million mark-to-market adjustment against our held for sale investment during the year ended December 31, 2009.
(10) This investment was classified as held for sale at December 31, 2009.
(11) This loan is on non-accrual status.

(12) Interest is added to the principal balance for this accrual only loan.
(13) This loan was sold in June 2009, resulting in a realized loss of approximately $38.4 million. This realized loss is included in loan loss reserves.
(14) As part of a restructuring, this mezzanine loan was converted to preferred equity in July 2009. This investment had been classified as held for sale at December 31, 2008.
(15) This loan was in default as it was not repaid upon maturity. We were designated as special servicer for this loan and took over management and leasing of the property under a forbearance agreement. We foreclosed on this property in January 2010.
(16) We acquired Gramercy's interest in this investment in July 2009 for approximately $16.0 million.
(17) This loan was classified as held for sale at June 30, 2009, but as held-to-maturity at December 31, 2009.
(18) We have a committment to fund up to an additional $75.9 million.

Preferred Equity Investments

As of December 31, 2009 and 2008 we held the following preferred equity investments (in thousands) with an aggregate weighted average current yield of approximately 8.4% (in thousands):

Type	Gross Investment	Senior Financing	2009 Amount Outstanding	2008 Amount Outstanding	Initial Mandatory Redemption
Preferred equity(1)(3)	$ 15,000	$2,350,000	$ 15,000	$ 15,000	February 2015
Preferred equity(1)(2)(3)(6)(7)	51,000	210,216	41,791	51,000	February 2014
Preferred equity(3)(5)	34,120	88,000	31,178	30,268	March 2010
Preferred equity(4)	44,733	990,635	46,372	–	August 2012
Loan loss reserve(3)	–	–	(61,078)	(24,250)	–
	$144,853	$3,638,851	$ 73,263	$ 72,018	

(1) This is a fixed rate investment.
(2) Gramercy holds a mezzanine loan on the underlying asset.
(3) This represents specifically allocated loan loss reserves. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.
(4) This loan was converted from a mezzanine loan to preferred equity in July 2009.
(5) This investment is on non-accrual status.
(6) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(7) This investment was classified as held for sale at June 30, 2009, but as held-to-maturity at December 31, 2009. The reserve previously taken against this loan is being accreted up to the face amount through the maturity date.

The following table is a rollforward of our total loan loss reserves at December 31, 2009 and 2008 (in thousands):

	2009	2008
Balance at beginning of year	$ 98,916	$ –
Expensed	145,855	101,166
Charge-offs	(150,927)	(2,250)
Balance at end of period	$ 93,844	$ 98,916

At December 31, 2009, 2008 and 2007 all structured finance investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

NOTE 6 / INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

We have investments in several real estate joint ventures with various partners, including The Rockefeller Group International Inc., or RGII, The City Investment Fund, or CIF, SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ, a fund managed by JP Morgan Investment Management, or JP Morgan, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, and Gramercy, as well as private investors. As we do not control these joint ventures, we account for them under the equity method of accounting.

We assess the accounting treatment for each joint venture on a stand-alone basis. This includes a review of each joint venture or partnership LLC agreement to determine which party has what rights and whether those rights are protective or participating. In situations where our

minority partner approves the annual budget, receives a detailed monthly reporting package from us, meets with us on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount of space relative to the total rentable space at each property we do not consolidate the joint venture as we consider these to be substantive participation rights. Our joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

The table below provides general information on each joint venture as of December 31, 2009 (in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price(1)
1221 Avenue of the Americas(2)	RGII	45.00%	45.00%	2,550	12/03	$1,000,000
1515 Broadway(3)	SITQ	55.00%	68.45%	1,750	05/02	$ 483,500
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	$ 95,800
379 West Broadway	Sutton	45.00%	45.00%	62	12/05	$ 19,750
21 West 34th Street(4)	Sutton	50.00%	50.00%	30	07/05	$ 22,400
800 Third Avenue(5)	Private Investors	42.95%	42.95%	526	12/06	$ 285,000
521 Fifth Avenue	CIF	50.10%	50.10%	460	12/06	$ 240,000
One Court Square	JP Morgan	30.00%	30.00%	1,402	01/07	$ 533,500
1604–1610 Broadway(6)	Onyx/Sutton	45.00%	63.00%	30	11/05	$ 4,400
1745 Broadway(7)	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	04/07	$ 520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	$ 210,000
2 Herald Square(8)	Gramercy	55.00%	55.00%	354	04/07	$ 225,000
885 Third Avenue(9)	Gramercy	55.00%	55.00%	607	07/07	$ 317,000
16 Court Street	CIF	35.00%	35.00%	318	07/07	$ 107,500
The Meadows(10)	Onyx	50.00%	50.00%	582	09/07	$ 111,500
388 and 390 Greenwich Street(11)	SITQ	50.60%	50.60%	2,600	12/07	$1,575,000
27–29 West 34th Street(12)	Sutton	50.00%	50.00%	41	01/06	$ 30,000
1551–1555 Broadway(13)	Sutton	10.00%	10.00%	26	07/05	$ 80,100
717 Fifth Avenue(14)	Sutton/Nakash	32.75%	32.75%	120	09/06	$ 251,900

(1) Acquisition price represents the actual or implied purchase price for the joint venture.
(2) We acquired our interest from The McGraw-Hill Companies, or MHC. MHC is a tenant at the property and accounted for approximately 14.7% of the property's annualized rent at December 31, 2009. We do not manage this joint venture.
(3) 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 2011. One tenant, whose leases primarily ends in 2015, represents approximately 77.4% of this joint venture's annualized rent at December 31, 2009.
(4) Effective November 2006, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary. Both partners had the same amount of equity at risk and neither partner controlled the joint venture.
(5) We invested approximately $109.5 million in this asset through the origination of a loan secured by up to 47% of the interests in the property's ownership, with an option to convert the loan to an equity interest. Certain existing members have the right to re-acquire approximately 4% of the property's equity. These interests were re-acquired in December 2008 and reduced our interest to 42.95%
(6) Effective April 2007, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary. Both partners had the same amount of equity at risk and neither partner controlled the joint venture.
(7) We have the ability to syndicate our interest down to 14.79%.
(8) We, along with Gramercy, together as tenants-in-common, acquired a fee interest in 2 Herald Square. The fee interest is subject to a long-term operating lease.
(9) We, along with Gramercy, together as tenants-in-common, acquired a fee and leasehold interest in 885 Third Avenue. The fee and leasehold interests are subject to a long-term operating lease.
(10) We, along with Onyx acquired the remaining 50% interest on a pro-rata basis in September 2009.
(11) The property is subject to a 13-year triple-net lease arrangement with a single tenant.
(12) Effective May 2008, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary. Both partners had the same amount of equity at risk and neither partner controlled the joint venture.
(13) Effective August 2008, we deconsolidated this investment. As a result of the sale of 80% of our interest, the joint venture was no longer a VIE.
(14) Effective September 2008, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary.

In May 2008, we, along with our joint venture partner SITQ, closed on the sale of the 39-story, 670,000 square foot Class A office tower located at 1250 Broadway in Manhattan for $310.0 million. We recognized an incentive distribution of approximately $25.0 million in addition to our share of the gain on sale of approximately $93.8 million, which is net of a $1.0 million employee compensation award accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In March 2007, a joint venture between our company, SITQ and SEB Immobilier – Investment GmbH sold One Park Avenue for $550.0 million. We received approximately $108.7 million in proceeds from the sale, approximately $77.2 million of which represented an incentive distribution under our joint venture arrangement with SEB and the balance of approximately $31.5 million was recognized as gain on sale.

In June 2007, a joint venture between our company, Ian Schrager, RFR Holding LLC and Credit Suisse sold Five Madison Avenue-Clock Tower for $200.0 million. We realized an incentive distribution of approximately $5.5 million upon the winding down of the joint venture.

In August 2007, we acquired Gramercy's 45% equity interest in the joint venture that owns One Madison Avenue for approximately $147.2 million (and the assumption of Gramercy's proportionate share of the debt encumbering the property of approximately $305.3 million). In August 2007, an affiliate of ours loaned approximately $146.7 million to GKK Capital L.P. This loan was to be repaid with interest at an annual rate of 5.80% on the earlier of September 1, 2007 or the closing of our purchase from Gramercy of its 45% interest in One Madison Avenue. As a result of our acquisition of Gramercy's interest in August 2007, the loan was repaid with interest on such date. As a result of the acquisition of this interest we own 100% of One Madison Avenue. We accounted for our share of the incentive fee earned from Gramercy of approximately $19.0 million as well as our proportionate share of the gain on sale of approximately $18.3 million as a reduction in the basis of One Madison. See Note 3.

We finance our joint ventures with non-recourse debt. The first mortgage notes payable collateralized by the respective joint venture properties and assignment of leases at December 31, 2009 and 2008, respectively, are as follows (in thousands):

Property	Maturity date	Interest rate[1]	2009	2008
1221 Avenue of the Americas[2]	12/2010	2.75%	$ 170,000	$ 170,000
1515 Broadway[3]	12/2014	3.15%	$ 475,000	$ 625,000
100 Park Avenue[4]	09/2014	6.64%	$ 200,000	$ 175,000
379 West Broadway	07/2011	1.89%	$ 20,991	$ 20,991
21 West 34th Street	12/2016	5.76%	$ 100,000	$ 100,000
800 Third Avenue	08/2017	6.00%	$ 20,910	$ 20,910
521 Fifth Avenue	04/2011	1.24%	$ 140,000	$ 140,000
One Court Square	09/2015	4.91%	$ 315,000	$ 315,000
2 Herald Square	04/2017	5.36%	$ 191,250	$ 191,250
1604–1610 Broadway[5]	04/2012	5.66%	$ 27,000	$ 27,000
1745 Broadway	01/2017	5.68%	$ 340,000	$ 340,000
1 and 2 Jericho Plaza	05/2017	5.65%	$ 163,750	$ 163,750
885 Third Avenue	07/2017	6.26%	$ 267,650	$ 267,650
The Meadows	09/2012	1.59%	$ 85,478	$ 84,527
388 and 390 Greenwich Street[6]	12/2017	5.08%	$1,138,379	$1,138,379
16 Court Street	10/2010	1.84%	$ 88,573	$ 83,658
27–29 West 34th Street[7]	05/2011	1.89%	$ 54,800	$ 38,596
1551–1555 Broadway[8]	10/2011	3.71%	$ 133,600	$ 106,222
717 Fifth Avenue[9]	09/2011	5.25%	$ 245,000	$ 245,000

(1) Interest rate represents the effective all-in weighted average interest rate for the quarter ended December 31, 2009.
(2) This loan has an interest rate based on the 30-day LIBOR plus 75 basis points. $65.0 million of this loan has been hedged through December 2010. The hedge fixed the LIBOR rate at 4.8%.
(3) The $625.0 million interest only loan carried an interest rate of 90 basis points over the 30-day LIBOR. The mortgage was subject to a one-year as-of-right renewal option through November 2010. In December 2009 the $625.0 million mortgage was repaid and replaced with a $475.0 million mortgage. In connection with the refinancing, the partners made a $163.9 million capital contribution to the joint venture.
(4) This loan was refinanced in September 2009, and replaced a $175.0 million construction loan which was scheduled to mature in November 2015 and which carried a fixed interest rate of 6.52%. The new loan has a committed amount of $215.0 million.
(5) This loan went into default in November 2009 due to the non-payment of debt service. The joint venture is in discussions with the special servicer to resolve this default.
(6) Comprised of a $576.0 million mortgage and a $562.4 million mezzanine loan, both of which are fixed rate loans, except for $16.0 million of the mortgage and $15.6 million of the mezzanine loan which are floating. Up to $200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us. We believe it is unlikely that we will required to perform under this guarantee.
(7) This construction facility had a committed amount of $55.0 million. This loan was fully funded in September 2009.
(8) This construction loan had a committed amount of $138.6 million. This loan was fully funded in September 2009 at the reduced committed amount of $133.6 million.
(9) This loan has a committed amount of $285.0 million.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 1221 Avenue of the Americas, 800 Third Avenue, 1 and 2 Jericho Plaza and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately $19.0 million, $16.4 million and $13.3 million from these services for the years ended December 31, 2009, 2008 and 2007 respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

In April 2009, we sold our remaining 50 percent partnership interest in 55 Corporate Drive, NJ (pad IV) to Mack-Cali Realty Corporation (NYSE: CLI). We received total proceeds of $4.5 million and recognized a gain on sale of approximately $4.0 million. In connection with this transaction, we also sold our interest in the Mack-Green joint venture to Mack-Cali for $500,000.

In June 2009, we sold an equity interest in 1166 Avenue of the Americas for $5.0 million and recognized a loss of approximately $5.2 million on the sale.

Gramercy Capital Corp.

In April 2004, we formed Gramercy. Gramercy is an integrated commercial real estate specialty finance and property investment company. Gramercy's commercial real estate finance business, which operates under the name Gramercy Finance, focuses on the direct origination and acquisition of whole loans, subordinate interests in whole loans, mezzanine loans, preferred equity, commercial mortgage-backed securities and other real estate related securities. Gramercy's property investment business, which operates under the name Gramercy Realty, focuses on the acquisition and management of commercial properties net leased primarily to financial institutions and affiliated users throughout the United States. Gramercy qualified as a REIT for federal income tax purposes and expects to qualify for its current fiscal year. During the term of the origination agreement between Gramercy and us, which was terminated as of April 24, 2009 in connection with Gramercy's internalization of GKK Manager LLC, or the Manager, (our former wholly-owned subsidiary which was the external manager to Gramercy) which we refer to as the GKK Internalization, we had the right to purchase up to 25% of the shares in any future offering of Gramercy's common stock in order to maintain our percentage ownership interest in Gramercy. At December 31, 2009, we held 6,219,370 shares, or approximately 12.47% of Gramercy's common stock. Our total investment had a net book value of zero at December 31, 2009. The market value of our common stock investment in Gramercy was approximately $16.1 million at December 31, 2009. Gramercy is a variable interest entity, but we are not the primary beneficiary.

In connection with Gramercy's initial public offering, the Manager, which at the time was an affiliate of ours, entered into a management agreement with Gramercy, which provided for an initial term through December 2007, with automatic one-year extension options and certain termination rights. In April 2006, we and Gramercy entered into an amended and restated management agreement, and Gramercy's board of directors approved, among other things, an extension of the management agreement through December 2009. The management agreement was further amended in September 2007 and amended and restated in October 2008 and was subsequently terminated on April 24, 2009 in connection with the GKK Internalization. Prior to the GKK Internalization, Gramercy paid the Manager an annual management fee equal to 1.75% (1.50% effective October 1, 2008) of their gross stockholders' equity (as defined in the management agreement), inclusive of trust preferred securities issued by Gramercy or its affiliates. In addition, Gramercy also paid the Manager a collateral management fee (as defined in the management agreement). In connection with any and all collateralized debt obligations, or CDOs, except for the 2005 CDO, or other securitization vehicles formed, owned or controlled, directly or indirectly, by Gramercy, which provided for a collateral manager to be retained, the Manager with respect to such CDOs and other securitization vehicles, received management, service and similar fees equal to (i) 0.25% per annum of the principal amount outstanding of bonds issued by a managed transitional CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own loans secured by transitional properties, (ii) 0.15% per annum of the book value of the principal amount outstanding of bonds issued by a managed non-transitional CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own loans secured by non-transitional properties, (iii) 0.10% per annum of the principal amount outstanding of bonds issued by a static CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own non-investment grade bonds, and (iv) 0.05% per annum of the principal amount outstanding of bonds issued by a static CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own investment grade bonds. For the purposes of the management agreement, a "managed transitional" CDO meant a CDO that is actively managed, has a reinvestment period and is structured to own debt collateral secured primarily by non-stabilized real estate assets that are expected to experience substantial net operating income growth, and a "managed non-transitional" CDO meant a CDO that is actively managed, has a reinvestment period and is structured to own debt collateral secured primarily by stabilized real estate assets that are not expected to experience substantial net operating income growth. Both "managed transitional" and "managed non-transitional" CDOs may at any given time during the reinvestment period of the respective vehicles invest in and own non-debt collateral (in limited quantity) as defined by the respective indentures. In connection with the closing of Gramercy's first CDO in July 2005, Gramercy entered into a collateral management agreement with the Manager. Pursuant to the collateral management agreement, the Manager agreed to provide certain advisory and administrative services in relation to the collateral debt securities and other eligible investments securing the CDO notes. The collateral management agreement provided for a senior collateral management fee, payable quarterly in accordance with the priority of payments as set forth in the indenture,

equal to 0.15% per annum of the net outstanding portfolio balance, and a subordinate collateral management fee, payable quarterly in accordance with the priority of payments as set forth in the indenture, equal to 0.25% per annum of the net outstanding portfolio balance. Net outstanding portfolio balance is the sum of the (i) aggregate principal balance of the collateral debt securities, excluding defaulted securities, (ii) aggregate principal balance of all principal proceeds held as cash and eligible investments in certain accounts, and (iii) with respect to the defaulted securities, the calculation amount of such defaulted securities. As compensation for the performance of its obligations as collateral manager under the first CDO, Gramercy's board of directors had allocated to the Manager the subordinate collateral management fee paid on securities not held by Gramercy. The senior collateral management fee and balance of the subordinate collateral management fee was allocated to Gramercy. For the years ended December 31, 2009, 2008 and 2007 we received an aggregate of approximately none, $21.1 million and $13.1 million, respectively, in fees under the management agreement and none, $2.6 million and $4.7 million, respectively, under the collateral management agreement. Fees payable to the Manager under the collateral management agreement were remitted to Gramercy for all periods subsequent to June 30, 2008.

In 2008, we, as well as Gramercy, each formed special committees comprised solely of independent directors to consider whether the GKK Internalization and/or amendment to the management agreement would be in the best interest of each company and its respective shareholders. The GKK Internalization was completed on April 24, 2009 through the direct acquisition by Gramercy of the Manager.

On October 27, 2008, the Manager entered into a Second Amended and Restated Management Agreement (the "Second Amended Management Agreement") with Gramercy and GKK Capital LP. The Second Amended Management Agreement generally contained the same terms and conditions as the Amended and Restated Management Agreement, dated as of April 19, 2006, except for the following material changes: (i) reduced the annual base management fee payable by Gramercy to the Manager to 1.50% of Gramercy's stockholders' equity (effective October 1, 2008); (ii) reduced the termination fee to an amount equal to the management fee earned by the Manager during the 12-month period immediately preceding the effective date of the termination; and (iii) provided that all management, service and similar fees relating to Gramercy's CDOs that the Manager was entitled to receive were to be remitted by the Manager to Gramercy for any period subsequent to July 1, 2008. The Second Amended Management Agreement was terminated in connection with the GKK Internalization.

In September 2007, the Manager earned a $1.0 million collateral selection fee payable by Nomura International plc. Gramercy purchased $18.0 million of par of the same securities from which the collateral selection fee was earned. As part of the closing on the securities purchased, Gramercy collected and immediately remitted the fee due to the Manager.

Prior to the GKK Internalization, to provide an incentive for the Manager to enhance the value of Gramercy's common stock, we, along with the other holders of Class B limited partner interests in Gramercy's operating partnership, were entitled to an incentive return payable through the Class B limited partner interests in Gramercy's operating partnership, equal to 25% of the amount by which funds from operations (as defined in Gramercy's amended and restated partnership agreement) plus certain accounting gains exceed the product of the weighted average stockholders' equity of Gramercy multiplied by 9.5% (divided by four to adjust for quarterly calculations). We recorded distributions on the Class B limited partner interests as incentive distribution income in the period when earned and when receipt of such amounts became probable and reasonably estimable in accordance with Gramercy's amended and restated partnership agreement as if such agreement had been terminated on that date. We earned approximately none, $5.1 million and $13.3 million under this agreement for the years ended December 31, 2009, 2008 and 2007, respectively. The $5.1 million incentive fee was returned to Gramercy in the fourth quarter of 2008. During the fourth quarter of 2008, we entered into an agreement with Gramercy which, among other matters, obligated Gramercy and us to use commercially reasonable efforts to obtain the consents of certain lenders to Gramercy and its subsidiaries to the GKK Internalization. Consent was received by Gramercy and the GKK Internalization was completed in April 2009. Amounts payable to the Class B limited partner interests were waived since July 1, 2008. We also expensed our approximately $14.9 million investment in GKK Manager, LLC. The 2007 incentive fees exclude approximately $19.0 million of incentive fees earned upon the sale of a 45% equity interest in One Madison Avenue by Gramercy to us. We accounted for this incentive fee as a reduction of the basis in One Madison.

On October 27, 2008, the Manager entered into a letter agreement (the "Letter Agreement") with the operating partnership, Gramercy, GKK Capital LP and the individual limited partners of GKK Capital LP party thereto, pursuant to which the holders of the Class B limited partner interests of GKK Capital LP agreed to waive their respective rights to receive distributions payable on the Class B limited partner interests in respect of the period commencing July 1, 2008 and ending on December 31, 2008. For all periods from and after January 1, 2009, the holders of the Class B limited partner interests were entitled to receive distributions from GKK Capital LP in accordance with the partnership agreement of GKK Capital LP, except that Gramercy could, at its option, elect to assume directly and satisfy the right of the holders to receive distributions, if permissible under applicable law or the requirements of the exchange on which the shares of common stock trade, in shares of common stock. In addition, the Letter Agreement provided that Gramercy would not amend certain provisions of its charter and bylaws related to indemnification of directors and officers in a manner that was adverse to the operating partnership or any of the individuals party to the Letter Agreement, other than any amendments that would only apply to acts or omissions occurring after the date of such amendment.

In May 2005, our Compensation Committee approved long-term incentive performance awards pursuant to which certain of our officers and employees, including some of whom are our senior executive

officers, were awarded a portion of the interests previously held by us in the Manager, which at the time was an affiliate of ours, as well as in the Class B limited partner interests in Gramercy's operating partnership. The vesting of these awards was dependent upon, among other things, tenure of employment and the performance of our investment in Gramercy. These awards vested in May 2008. We recorded compensation expense of approximately none, $0.9 million and $2.9 million for the years ended December 31, 2009, 2008 and 2007, respectively, related to these awards. The officers and employees who received the awards owned 15.6 units, or 15.6%, of the Class B limited partner interests and 15.6% of the Manager. During the second quarter of 2008, we acquired an additional 12.42% ownership interest in the Manager. Pursuant to an agreement dated December 30, 2008, all the Class B limited partner interests and the remaining 15.6% interest in the Manager were transferred to us. On April 24, 2009, Gramercy acquired all the interests in the Manager and all the Class B limited partner interests from us for no consideration.

Prior to the GKK Internalization, Gramercy was obligated to reimburse the Manager for its costs incurred under an asset servicing agreement and an outsourcing agreement between the Manager and us. The asset servicing agreement, which was amended and restated in April 2006, provided for an annual fee payable to us of 0.05% of the book value of all Gramercy's credit tenant lease assets and non-investment grade bonds and 0.15% of the book value of all other Gramercy assets. The outsourcing agreement provided for a fee of $2.7 million per year, increasing 3% annually over the prior year. For the years ended December 31, 2009, 2008 and 2007, the Manager received an aggregate of approximately $1.0 million, $6.3 million and $4.9 million, respectively, under the outsourcing and asset servicing agreements. On October 27, 2008, the Manager and SLG Gramercy Services LLC (the "Servicer") entered into an agreement, which was also acknowledged and agreed to by Gramercy, to terminate, effective as of September 30, 2008, the Amended and Restated Asset Servicing Agreement, dated as of April 19, 2006. On October 27, 2008, the Manager and the operating partnership entered into an agreement to terminate, effective as of September 30, 2008, the Amended and Restated Outsource Agreement, dated as of April 19, 2006.

On October 27, 2008, we, Gramercy and GKK Capital LP entered into a services agreement (the "Services Agreement") pursuant to which we provided consulting and other services to Gramercy. We made certain members of management available in connection with the provision of the services until the completion of the GKK Internalization on April 24, 2009. In consideration for the consulting services, we received from Gramercy a fee of $200,000 per month, payable, at Gramercy's option, in cash or, if permissible under applicable law or the requirements of the exchange on which the shares of Gramercy's common stock trade, in shares of common stock. We also provided Gramercy with certain other services described in the Services Agreement for a fee of $100,000 per month in cash until April 24, 2009. The Services Agreement was terminated in connection with the GKK Internalization. Since October 27, 2008, an affiliate of ours has served as special servicer for certain assets held by Gramercy or its affiliates and assigned its duties to a subsidiary of the Manager.

All fees earned from Gramercy are included in Other Income in the accompanying Statements of Income.

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

Gramercy holds tenancy-in-common interests along with us in 2 Herald Square and 885 Third Avenue. See Note 5 for information on our structured finance investments in which Gramercy also holds an interest.

An affiliate of ours held an investment in Gramercy's preferred stock with a book value of approximately $0.6 million at December 31, 2009.

In April 2008, Gramercy completed the acquisition of American Financial Realty Trust, or AFR, in a transaction with a total value of approximately $3.3 billion. In addition, Gramercy assumed an aggregate of approximately $1.3 billion of AFR secured debt. We provided $50.0 million of financing as part of an $850.0 million loan to Gramercy in connection with this acquisition (See Note 5). As a result of this acquisition, the Board of Directors of Gramercy awarded 644,787 restricted shares of Gramercy's common stock to us, subject to a one-year vesting period, in respect of services rendered. We recognized income of approximately $6.6 million from these shares, which was recorded in other income in the accompanying Statements of Income.

On October 27, 2008, Marc Holliday, our Chief Executive Officer, Andrew Mathias, our President and Chief Investment Officer and Gregory F. Hughes, our Chief Financial Officer and Chief Operating Officer resigned as Chief Executive Officer, Chief Investment Officer and Chief Credit Officer, respectively, of Gramercy. Mr. Holliday also resigned as President of Gramercy effective as of October 28, 2008. Mr. Holliday and Mr. Mathias will remain as consultants to Gramercy through the earliest of (i) September 30, 2009, (ii) the termination of the Second Amended Management Agreement or (iii) the termination of their respective employment with us. This agreement was terminated in connection with the GKK Internalization.

On October 28, 2008, Gramercy announced the appointment of Roger M. Cozzi, as President and Chief Executive Officer, effective immediately. Effective as of November 13, 2008, Timothy J. O'Connor was appointed as President of Gramercy. Mr. Holliday remains a board member of Gramercy.

In 2009, we, as well as an affiliate of ours, entered into consulting agreements with Gramercy who will provide services required for the evaluation, acquisition, disposition and portfolio management of

CMBS investments. We will pay 10 basis points and our affiliate will pay 25 basis points of the principal amount of all trades executed. We, as well as our affiliate, paid an aggregate of approximately $0.1 million for such services in 2009.

The condensed combined balance sheets for the unconsolidated joint ventures at December 31, 2009 and 2008, are as follows (in thousands):

	2009	2008
Assets		
Commercial real estate property, net	$6,095,668	$ 9,739,017
Structured finance investments	–	3,226,922
Other assets	665,065	1,556,593
Total assets	$6,760,733	$14,522,532
Liabilities and members' equity		
Mortgages payable	$4,177,382	$ 6,768,594
Other loans	–	3,026,262
Other liabilities	276,805	1,458,256
Members' equity	2,306,546	3,269,420
Total liabilities and members' equity	$6,760,733	$14,522,532
Company's net investment in unconsolidated joint ventures	$1,058,369	$ 975,483

The condensed combined statements of operations for the unconsolidated joint ventures from acquisition date through December 31, 2009 are as follows (in thousands):

	2009	2008	2007
Total revenues	$689,087	$1,357,219	$876,819
Operating expenses	120,215	395,872	201,125
Real estate taxes	84,827	109,002	79,182
Interest	208,295	499,710	371,632
Depreciation and amortization	156,470	210,425	108,187
Total expenses	569,807	1,215,009	760,126
Net income before gain on sale	$119,280	$ 142,210	$116,693
Company's equity in net income of unconsolidated joint ventures	$ 62,878	$ 59,961	$ 46,765

NOTE 7 / INVESTMENT IN AND ADVANCES TO AFFILIATES

Service Corporation

Income from management, leasing and construction contracts from third parties and joint venture properties is realized by the Service Corporation. In order to maintain our qualification as a REIT, we, through our operating partnership, own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation. Our operating partnership receives substantially all of the cash flow from the Service Corporation's operations through dividends on its equity interest. All of the voting common stock of the Service Corporation (representing 5% of the total equity) is held by our affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. Effective July 1, 2003, we consolidated the operations of the Service Corporation because it is considered to be a variable interest entity and we are the primary beneficiary. For the years ended December 31, 2009, 2008 and 2007, the Service Corporation earned approximately $13.8 million, $11.6 million and $12.9 million of revenue and incurred approximately $11.4 million, $10.5 million and $10.3 million in expenses, respectively. Effective January 1, 2001, the Service Corporation elected to be treated as a TRS.

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

eEmerge

In May 2000, our operating partnership formed eEmerge, Inc., a Delaware corporation, or eEmerge. eEmerge is a separately managed, self-funded company that provides fully-wired and furnished office space, services and support to businesses.

In March 2002, we acquired all the voting common stock of eEmerge Inc. As a result, we control all the common stock of eEmerge.

Effective with the quarter ended March 31, 2002, we consolidated the operations of eEmerge. Effective January 1, 2001, eEmerge elected to be taxed as a TRS.

In June 2000, eEmerge and Eureka Broadband Corporation, or Eureka, formed eEmerge.NYC LLC, a Delaware limited liability company, or ENYC, in which eEmerge had a 95% interest and Eureka had a 5% interest in ENYC. During the third quarter of 2006, ENYC acquired the interest held by Eureka. As a result, eEmerge owns 100% of ENYC. ENYC operates a 71,700-square-foot fractional office suites business. In 2000, ENYC entered into a 10-year lease with our operating partnership for its 50,200-square-foot premises, which is located at 440 Ninth Avenue, Manhattan. In 2005 ENYC entered into another 10-year lease with our operating partnership for its 21,500-square-foot premises at 28 West 44th Street, 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, we consolidated the operations of ENYC.

NOTE 8 / DEFERRED COSTS

Deferred costs at December 31 consisted of the following (in thousands):

	2009	2008
Deferred financing	$ 68,181	$ 63,262
Deferred leasing	163,372	146,951
	231,553	210,213
Less accumulated amortization	(92,296)	(77,161)
Total deferred costs	$139,257	$133,052

NOTE 9 / MORTGAGE NOTES PAYABLE

The first mortgage notes payable collateralized by the respective properties and assignment of leases at December 31, 2009 and 2008, respectively, were as follows (in thousands):

Property	Maturity Date	Interest Rate[2]	2009	2008
711 Third Avenue[1]	06/2015	4.99%	$ 120,000	$ 120,000
420 Lexington Avenue[1][8]	09/2016	7.52%	150,561	110,013
673 First Avenue[1]	02/2013	5.67%	31,608	32,388
220 East 42nd Street[1]	11/2013	5.24%	198,871	202,780
625 Madison Avenue[1][9]	11/2015	7.22%	135,117	97,583
609 Fifth Avenue[1]	10/2013	5.85%	97,952	99,319
609 Partners, LLC[1][11]	07/2014	5.00%	41,391	63,891
485 Lexington Avenue[1]	02/2017	5.61%	450,000	450,000
120 West 45th Street[1]	02/2017	6.12%	170,000	170,000
919 Third Avenue[1][3]	08/2011	6.87%	224,104	228,046
300 Main Street[1]	02/2017	5.75%	11,500	11,500
399 Knollwood Rd[1][10]	–	–	–	18,728
500 West Putnam[1]	01/2016	5.52%	25,000	25,000
141 Fifth Avenue[1][4]	06/2017	5.70%	25,000	25,000
One Madison Avenue[1][5]	05/2020	5.91%	651,917	663,071
Total fixed rate debt			2,333,021	2,317,319
180/182 Broadway[1][6]	02/2011	2.49%	22,534	21,183
Landmark Square[1][7]	02/2010	2.09%	116,517	128,000
28 West 44th Street[1]	08/2013	2.29%	123,480	124,856
Total floating rate debt			262,531	274,039
Total mortgage notes payable			$2,595,552	$2,591,358

(1) Held in bankruptcy remote special purpose entity.
(2) Effective interest rate for the quarter ended December 31, 2009.
(3) We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us.
(4) We own a 50% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. This loan was refinanced in June 2007.
(5) From April 2005 until August 2007, we held a 55% partnership interest in the joint venture that owned this property. We now own 100% of the property.
(6) We own a 50% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us.
(7) This loan has two one-year as-of-right renewal options. In June 2009, we paid this loan down by approximately $8.9 million.
(8) The $108.1 million loan which had an original maturity date in November 2010 and carried a fixed interest rate of 8.44% was repaid in August 2009. The new loan was upsized by $6.0 million in November 2009.
(9) In July 2009, we upsized this loan by $40.0 million resulting in a blended fixed interest rate of 7.22%.
(10) This loan was assumed by the purchaser upon sale of the property in August 2009.
(11) This loan was paid down by $22.5 million in August 2009.

At December 31, 2009 and 2008 the gross book value of the properties collateralizing the mortgage notes was approximately $4.5 billion and $4.6 billion, respectively.

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

	Years Ended December 31,		
	2009	2008	2007
Interest expense	$240,605	$299,706	$265,247
Interest income	(4,305)	(8,170)	(8,306)
Interest expense, net	$236,300	$291,536	$256,941
Interest capitalized	$ 98	$ 2,375	$ 11,351

NOTE 10 / CORPORATE INDEBTEDNESS

2007 Unsecured Revolving Credit Facility

We have a $1.5 billion unsecured revolving credit facility, or the 2007 unsecured revolving credit facility. The 2007 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over LIBOR, based on our leverage ratio. This facility matures in June 2011 and has a one-year as-of-right extension option. The 2007 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2007 unsecured revolving credit facility had approximately $1.37 billion outstanding and carried a spread over LIBOR of 90 basis points at December 31, 2009. Availability under the 2007 unsecured revolving credit facility was further reduced at December 31, 2009 by the issuance of approximately $27.1 million in letters of credit. The effective all-in interest rate on the 2007 unsecured revolving credit facility was 1.35% for the year ended December 31, 2009. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

In August 2009, we amended our 2007 unsecured revolving credit facility to provide us with the ability to acquire a portion of the loans outstanding under our 2007 unsecured revolving credit facility. In August 2009, a subsidiary of ours repurchased approximately $48.0 million of the total commitment, and we realized gains on early extinguishment of debt of approximately $7.1 million.

Term Loans

In December 2007, we closed on a $276.7 million ten-year term loan which carried an effective fixed interest rate of 5.19%. This loan was secured by our interest in 388 and 390 Greenwich Street. This secured term loan, which was scheduled to mature in December 2017, was repaid and terminated in May 2008.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2009 (in thousands):

Issuance	Accreted Balance	Coupon Rate[5]	Term (in Years)	Maturity
January 22, 2004[1][2]	$123,607	5.15%	7	January 15, 2011
August 13, 2004[1]	150,000	5.875%	10	August 15, 2014
March 31, 2006[1]	274,727	6.00%	10	March 31, 2016
June 27, 2005[1][3]	114,821	4.00%	20	June 15, 2025
March 26, 2007[4]	159,905	3.00%	20	March 30, 2027
	$823,060			

(1) Assumed as part of the Reckson Merger.

(2) During the year ended December 31, 2009, we repurchased approximately $26.4 million of these notes and realized net gains on early extinguishment of debt of approximately $2.5 million.

(3) Exchangeable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491. During the year ended December 31, 2009, we repurchased approximately $69.1 million of these bonds and realized net gains on early extinguishment of debt of approximately $1.0 million. On the date of the Merger $13.1 million was recorded in equity. As of December 31, 2009, approximately $1.2 million remained unamortized.

(4) In March 2007, we issued $750.0 million of these convertible bonds. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our operating partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the year ended December 31, 2009, we repurchased approximately $421.1 million of these bonds and realized net gains on early extinguishment of debt of approximately $75.4 million. On the issuance date, $66.6 million was recorded in equity. As of December 31, 2009, approximately $8.7 million remained unamortized.

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

In March 2009, the $200.0 million, 7.75% unsecured notes, assumed as part of the Reckson Merger, matured and were redeemed at par.

Restrictive Covenants

The terms of the 2007 unsecured revolving credit facility and senior unsecured notes 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 95% of funds from operations for such period, subject to certain other adjustments. As of December 31, 2009 and 2008, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued $100.0 million in unsecured floating rate trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust that is a wholly-owned subsidiary of our operating partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015, a period of up to eight consecutive quarters if our operating partnership exercises its right to defer such payments. The trust preferred securities are redeemable, at the option of our operating partnership, in whole or in part, with no prepayment premium any time after July 2010. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our balance sheet and the related payments are classified as interest expense.

Principal Maturities

Combined aggregate principal maturities of mortgages and notes payable, 2007 unsecured revolving credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of December 31, 2009, including as-of-right extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2010	$28,557	$ –	$ –	$ –	$114,821	$ 143,378	$ 115,130
2011	29,995	239,190	–	–	123,607	392,792	206,951
2012	33,459	116,516	1,374,076	–	159,905	1,683,956	60,759
2013	34,086	420,310	–	–	–	454,396	6,684
2014	30,052	–	–	–	150,000	180,052	334,499
Thereafter	170,636	1,492,751	–	100,000	274,727	2,038,114	1,124,699
	$326,785	$2,268,767	$1,374,076	$100,000	$823,060	$4,892,688	$1,848,722

NOTE 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 as discussed in Note 2. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and cash equivalents, accounts receivable and accounts payable balances reasonably approximate their fair values due to the short maturities of these items. Mortgage notes payable, junior subordinate deferrable interest debentures and the senior unsecured notes had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $2.9 billion, compared to the book value of the related fixed rate debt of approximately $3.3 billion. Our floating rate debt, inclusive of our 2007 unsecured revolving credit facility, had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $1.5 billion, compared to the book value of approximately $1.6 billion. Our structured finance investments had an estimated fair value ranging between $471.8 million and $707.2 million, compared to the book value of approximately $785.6 million at December 31, 2009.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of December 31, 2009. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 12 / RENTAL INCOME

The operating partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from January 1, 2010 to 2037. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at December 31, 2009 for the consolidated properties, including consolidated joint venture properties, and our share of unconsolidated joint venture properties are as follows (in thousands):

	Consolidated Properties	Unconsolidated Properties
2010	$ 710,928	$ 247,279
2011	671,363	244,416
2012	633,502	245,023
2013	582,121	241,049
2014	526,223	220,899
Thereafter	2,496,055	991,846
	$5,620,192	$2,190,512

NOTE 13 / RELATED PARTY TRANSACTIONS

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. First Quality also provides additional

services directly to tenants on a separately negotiated basis. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corp. has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to tenants above the base services specified in their lease agreements. The Service Corp. received approximately $1.6 million, $1.4 million and $0.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. First Quality leases 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We received approximately $75,000 in rent from Alliance in 2007. We sold this property in March 2007. We paid Alliance approximately $14.9 million, $15.1 million and $14.8 million for the three years ended December 31, 2009, respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due pursuant to the lease is $35,516 per year. From February 2007 through December 2008, Nancy Peck and Company leased 507 square feet of space at 420 Lexington Avenue pursuant to a lease which provided for annual rental payments of approximately $15,210. Prior to February 2007, Nancy Peck and Company leased 2,013 square feet of space at 420 Lexington Avenue, pursuant to a lease that expired on June 30, 2005 and which provided for annual rental payments of approximately $66,000. The rent due pursuant to that lease was offset against a consulting fee of $11,025 per month an affiliate paid to her pursuant to a consulting agreement, which was cancelled in July 2006.

Brokerage Services

Cushman & Wakefield Sonnenblick-Goldman, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the purchase of a sub-leasehold interest and the refinancing of 420 Lexington Avenue. In 2007, we paid approximately $2.0 million to Sonnenblick in connection with the financings obtained for 388–390 Greenwich Street, 16 Court Street, 485 Lexington Avenue and 1604 Broadway.

In 2007, we paid a consulting fee of $525,000 to Stephen Wolff, the brother-in-law of Marc Holliday, in connection with our aggregate investment of $119.1 million in the joint venture that owns 800 Third Avenue and approximately $68,000 in connection with our acquisition of 16 Court Street for $107.5 million.

Management Fees

S.L. Green Management Corp. receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately $351,700 in 2009, $353,500 in 2008 and $297,100 in 2007.

Other

Amounts due from related parties at December 31 consisted of the following (in thousands):

	2009	2008
Due from joint ventures	$ 228	$1,472
Employees	153	153
Other	8,189	6,051
Related party receivables	$8,570	$7,676

Gramercy Capital Corp.

See Note 6. Investment in Unconsolidated Joint Ventures – Gramercy Capital Corp. for disclosure on related party transactions between Gramercy and us.

NOTE 14 / STOCKHOLDERS' EQUITY

Common Stock

Our authorized capital stock consists of 260,000,000 shares, $.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, $.01 par value per share, 75,000,000 shares of excess stock, at $.01 par value per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of December 31, 2009, 77,514,292 shares of common stock and no shares of excess stock were issued and outstanding.

In May 2009, we sold 19,550,000 shares of our common stock at a gross price of $20.75 per share. The net proceeds from this offering (approximately $387.1 million) were primarily used to repurchase unsecured debt.

In March 2007, our board of directors approved a stock repurchase plan under which we could buy up to $300.0 million shares of our common stock. This plan expired on December 31, 2008. As of December 31, 2008, we purchased and settled approximately $300.0 million or 3.3 million shares of our common stock at an average price of $90.49 per share.

Perpetual Preferred Stock

In December 2003, we sold 6,300,000 shares of 7.625% Series C cumulative redeemable preferred stock, or the Series C preferred stock, (including the underwriters' over-allotment option of 700,000 shares) with

a mandatory liquidation preference of $25.00 per share. Net proceeds from this offering (approximately $152.0 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series C preferred stock receive annual dividends of $1.90625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. On or after December 12, 2008, we may redeem the Series C preferred stock at par for cash at our option. The Series C preferred stock was recorded net of underwriters discount and issuance costs. See Note 23.

In 2004, we issued 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or the Series D preferred stock, with a mandatory liquidation preference of $25.00 per share. Net proceeds from these offerings (approximately $96.3 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series D preferred stock receive annual dividends of $1.96875 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. On or after May 27, 2009, we may redeem the Series D preferred stock at par for cash at our option. The Series D preferred stock was recorded net of underwriters discount and issuance costs.

Rights Plan

In February 2000, our board of directors authorized a distribution of one preferred share purchase right, or 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, or Preferred Shares, at a price of $60.00 per one one-hundredth of a Preferred Share, or Purchase Price, subject to adjustment as provided in the rights agreement. The Rights expire on March 5, 2010, unless we extend the expiration date or the Right is redeemed or exchanged earlier. 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, or 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

We filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which was declared effective in March 2009. We registered 2,000,000 shares of our common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the years ended December 31, 2009 and 2008, approximately 180 and 4,300 shares of our common stock were issued and approximately $5,000 and $0.3 million of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base share price of $30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess total 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 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2005. In April 2007, the Compensation Committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. The fair value of the award on the date of grant was determined to be $3.2 million. This fair value is expensed over the term of the restricted stock award. Forty percent of the value of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of $0.1 million, $0.2 million and $0.4 million related to this plan was recorded during the years ended December 31, 2009, 2008 and 2007, respectively.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan would share in a "performance pool" if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeded a cumulative total return to stockholders of 30% during the measurement period over a base share price of $68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30

consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30-day period. Each participant's award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark was achieved. Individual awards would be made in the form of partnership units, or LTIP Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. On June 14, 2006, the Compensation Committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in our operating partnership that, subject to certain conditions, are convertible into shares of the Company's common stock or cash, at our election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period. We recorded approximately $2.3 million, $3.9 million and $2.1 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan will share in a "performance pool" if our total return to stockholders for the period from August 1, 2006 through July 31, 2009 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of $106.39 per share. The size of the pool will be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum award of $60 million. The maximum award will be reduced by the amount of any unallocated or forfeited awards. In the event the potential performance pool reaches the maximum award before July 31, 2009 and remains at that level or higher for 30 consecutive days, the performance period will end early and the pool will be formed on the last day of such 30-day period. Each participant's award under the 2006 Outperformance Plan will be designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant's participation agreement. Individual awards will be made in the form of partnership units, or LTIP Units, that, subject to vesting and the satisfaction of other conditions, are exchangeable for a per unit value equal to the then trading price of one share of our common stock. This value is payable in cash or, at our election, in shares of common stock. LTIP Units will be granted prior to the determination of the performance pool; however, they will only vest upon satisfaction of performance and time vesting thresholds under the 2006 Outperformance Plan, and will not be entitled to distributions until after the performance pool is established. Distributions on LTIP Units will equal the dividends paid on our common stock on a per unit basis. The 2006 Outperformance Plan provides that if the pool is established, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions will be paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units that are a part of the performance pool, whether vested or unvested. Although the amount of earned awards under the 2006 Outperformance Plan (i.e., the number of LTIP Units earned) will be determined when the performance pool is established, not all of the awards will vest at that time. Instead, one-third of the awards will vest on July 31, 2009 and each of the first two anniversaries thereafter based on continued employment.

In the event of a change in control of our company on or after August 1, 2007 but before July 31, 2009, the performance pool will be calculated assuming the performance period ended on July 31, 2009 and the total return continued at the same annualized rate from the date of the change in control to July 31, 2009 as was achieved from August 1, 2006 to the date of the change in control; provided that the performance pool may not exceed 200% of what it would have been if it was calculated using the total return from August 1, 2006 to the date of the change in control and a pro rated benchmark. In either case, the performance pool will be formed as described above if the adjusted benchmark target is achieved and all earned awards will be fully vested upon the change in control. If a change in control occurs after the performance period has ended, all unvested awards issued under our 2006 Outperformance Plan will become fully vested upon the change in control.

The cost of the 2006 Outperformance Plan (approximately $16.4 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period. We recorded approximately $0.4 million, $12.2 million and $2.5 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including

our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan. This resulted in a charge of approximately $9.2 million which is included in the 2008 compensation expense above. The performance criteria under the 2006 Outperformance Plan were not met. This plan expired with no value in 2009.

SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients may earn, in the aggregate, from approximately $15 million up to approximately $75 million of LTIP Units in our operating partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance has been achieved, approximately $25 million of awards may be earned at any time after the beginning of the second year and an additional approximately $25 million of awards may be earned at any time after the beginning of the third year. The amount of awards earned will range from approximately $15 million if our aggregate stock price appreciation during the performance period is 25% to the maximum amount of approximately $75 million if our aggregate stock price appreciation during the performance period is 50% or greater. No awards will be earned if our aggregate stock price appreciation is less than 25%. After the awards are earned, they will remain subject to vesting, with 50% of any LTIP Units earned vesting on January 1, 2013 and an additional 25% vesting on each of January 1, 2014 and 2015 based, in each case, on continued employment through the vesting date. We will not pay distributions on any LTIP Units until they are earned, at which time we will pay all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period. The compensation committee and its advisors are in the process of finalizing the documentation of the 2010 Long-Term Compensation Plan. We recorded compensation expense of approximately $0.6 million in 2009 related to this plan.

Deferred Stock Compensation Plan for Directors

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

During the year ended December 31, 2009, approximately 26,000 phantom stock units were earned. As of December 31, 2009, there were approximately 48,410 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock will be offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2009, approximately 36,313 shares of our common stock had been issued under the ESPP.

Amended and Restated 2005 Stock Option and Incentive Plan

We have a stock option and incentive plan. The amended and restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by our board of directors in March 2007 and our stockholders in May 2007 at our annual meeting of stockholders. The 2005 Plan, as amended, authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, or ISOs, (ii) the grant of stock options that do not qualify, or 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 are determined by our compensation committee, but may not be less than 100% of the fair market value of the shares of our common stock on the date of grant. Subject to adjustments upon certain corporate transactions or events, up to a maximum of 7,000,000 shares, or the Fungible Pool Limit, may be granted as Options, Restricted Stock, Phantom Shares, dividend equivalent rights and other equity based awards under the amended and restated 2005 stock option and incentive plan, or the 2005 Plan. As described below, the manner in which the Fungible Pool

Limit is finally determined can ultimately result in the issuance under the 2005 Plan of up to 6,000,000 shares (subject to adjustments upon certain corporate transactions or events). Each share issued or to be issued in connection with "Full-Value Awards" (as defined below) that vest or are granted based on the achievement of certain performance goals that are based on (A) FFO growth, (B) total return to stockholders (either in absolute terms or compared with a peer group of other companies) or (C) a combination of the foregoing (as set forth in the 2005 Plan), shall be counted against the Fungible Pool Limit as 2.0 units. "Full-Value Awards" are awards other than Options, Stock Appreciation Rights or other awards that do not deliver the full value at grant thereof of the underlying shares (e.g., Restricted Stock). Each share issued or to be issued in connection with any other Full-Value Awards shall be counted against the Fungible Pool Limit as 3.0 units. Options, Stock Appreciation Rights and other awards that do not deliver the value at grant thereof of the underlying shares and that expire 10 years from the date of grant shall be counted against the Fungible Pool Limit as one unit. Options, Stock Appreciation Rights and other awards that do not deliver the value at grant thereof of the underlying shares and that expire five years from the date of grant shall be counted against the Fungible Pool Limit as 0.7 of a unit, or five-year option. Thus, under the foregoing rules, depending on the type of grants made, as many as 6,000,000 shares could be the subject of grants under the 2005 Plan. At the end of the third calendar year following April 1, 2005, which is the effective date of the original 2005 Plan, as well as at the end of the third calendar year following April 1, 2007, which is the effective date of the 2005 Plan, (i) the three-year average of (A) the number of shares subject to awards granted in a single year, divided by (B) the number of shares of our outstanding common stock at the end of such year shall not exceed the (ii) greater of (A) 2%, with respect to the third calendar year following April 1, 2005, or 2.23%, with respect to the third calendar year following April 1, 2007, or (B) the mean of the applicable peer group. For purposes of calculating the number of shares granted in a year in connection with the limitation set forth in the foregoing sentence, shares underlying Full-Value Awards will be taken into account as (i) 1.5 shares if our annual common stock price volatility is 53% or higher, (ii) two shares if our annual common stock price volatility is between 25% and 52%, and (iii) four shares if our annual common stock price volatility is less than 25%. No award may be granted to any person who, assuming exercise of all options and payment of all awards held by such person would own or be deemed to own more than 9.8% of the outstanding shares of the Company's common stock. In addition, subject to adjustment upon certain corporate transactions or events, a participant may not receive awards (with shares subject to awards being counted, depending on the type of award, in the proportions ranging from 0.7 to 3.0, as described above) in any one year covering more than 700,000 shares; thus, under this provision, depending on the type of grant involved, as many as 1,000,000 shares can be the subject of option grants to any one person in any year, and as many as 350,000 shares may be granted as restricted stock (or be the subject of other Full-Value Grants) to any one person in any year. If an option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Unless the 2005 Plan is previously terminated by the Board, no new Award may be granted under the 2005 Plan after the tenth anniversary of the date that the 2005 Plan was approved by the Board. At December 31, 2009, approximately 3.0 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 4.2 million if all shares available under the 2005 Plan were issued as five-year options.

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

A summary of the status of our stock options as of December 31, 2009, 2008 and 2007 and changes during the years then ended are presented below:

	2009		2008		2007	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	937,706	$61.33	1,774,385	$ 88.21	1,645,643	$ 58.77
Granted	443,850	$46.08	446,500	$ 65.51	531,000	$143.22
Exercised	(22,000)	$28.17	(195,680)	$ 36.08	(348,458)	$ 36.95
Lapsed or cancelled	(35,335)	$62.75	(1,087,499)	$111.23	(53,800)	$ 62.81
Balance at end of year	1,324,221	$56.74	937,706	$ 61.33	1,774,385	$ 88.21
Options exercisable at end of year	595,851	$62.17	474,592	$ 52.55	780,171	$ 54.00
Weighted average fair value of options granted during the year	$8,276,500		$5,163,000		$16,619,000	

The weighted average fair value of restricted stock granted during the year was approximately $5.0 million.

NOTE 14 / STOCKHOLDERS' EQUITY

All options were granted within a price range of $20.67 to $137.18. The remaining weighted average contractual life of the options outstanding and exercisable was 7.3 years and 4.8 years, respectively.

During the fourth quarter of 2008, we and certain of our employees agreed to cancel, without compensation, certain employee stock options. These cancellations resulted in a non-cash charge of approximately $8.8 million.

Earnings Per Share

Earnings per share for the years ended December 31, is computed as follows (in thousands):

Numerator (Income)	2009	2008	2007
Basic Earnings:			
Income attributable to SL Green common stockholders	$37,669	$360,935	$626,355
Effect of Dilutive Securities:			
Redemption of units to common shares	1,221	14,561	26,084
Stock options		–	–
Diluted Earnings:			
Income attributable to SL Green common stockholders	$38,890	$375,496	$652,439

Denominator Weighted Average (Shares)	2009	2008	2007
Basic Shares:			
Shares available to common stockholders	69,735	57,996	58,742
Effect of Dilutive Securities:			
Redemption of units to common shares	2,230	2,340	2,446
3.0% exchangeable senior debentures	–	–	–
4.0% exchangeable senior debentures	–	–	–
Stock-based compensation plans	79	262	697
Diluted Shares	72,044	60,598	61,885

NOTE 15 / NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP

The unit holders represent the noncontrolling interest ownership in our operating partnership. As of December 31, 2009 and 2008, the noncontrolling interest unit holders owned 2.1% (1,684,283 units) and 3.94% (2,339,853 units) of our operating partnership, respectively. At December 31, 2009, 1,684,283 shares of our common stock were reserved for the conversion of units of limited partnership interest in our operating partnership.

NOTE 16 / 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 approximately $10.7 million, $10.1 million and $9.2 million during the years ended December 31, 2009, 2008 and 2007, 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.

Executive Stock Compensation

Effective January 1, 1999, we implemented a deferred compensation plan, or the Deferred Plan, covering certain of our employees, including our executives. The shares issued under the Deferred Plan were granted to certain employees, including our executives and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached. A summary of our restricted stock as of December 31, 2009, 2008 and 2007 and charges during the years then ended are presented below:

	2009	2008	2007
Balance at beginning of year	1,824,190	1,698,401	1,274,619
Granted	506,342	128,956	435,583
Cancelled	–	(3,167)	(11,801)
Balance at end of year	2,330,532	1,824,190	1,698,401
Vested during the year	420,050	291,818	271,720
Compensation expense recorded	$23,301,744	$25,611,848	$20,051,845

401(K) Plan

In August 1997, we implemented a 401(K) Savings/Retirement Plan, or the 401(K) Plan, to cover eligible employees of ours, and any designated affiliate. The 401(K) Plan permits eligible employees to defer up to 15% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(K) Plan. During 2000, we amended our 401(K) Plan to include a matching contribution, subject to ERISA limitations, equal to 50% of the first 4% of annual compensation deferred by an employee. During 2003, we amended our 401(K) Plan to provide for discretionary matching contributions only. For 2009, 2008 and 2007, a matching contribution equal to 50% of the first 6%

of annual compensation was made. For the years ended December 31, 2009, 2008 and, 2007, we made matching contributions of approximately $450,000, $503,000 and $457,000, respectively.

NOTE 17 / COMMITMENTS AND CONTINGENCIES

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

We have entered into employment agreements with certain executives, which expire between June 2010 and January 2013. The minimum cash-based compensation, including base salary and guaranteed bonus payments, associated with these employment agreements totals approximately $7.8 million for 2010.

In March 1998, we acquired an operating sub-leasehold position at 420 Lexington Avenue. The operating sub-leasehold position required annual ground lease payments totaling $6.0 million and sub-leasehold position payments totaling $1.1 million (excluding an operating sub-lease position purchased January 1999). In June 2007, we renewed and extended the maturity date of the ground lease at 420 Lexington Avenue through December 31, 2029, with an option for further extension through 2080. Ground lease rent payments through 2029 will total approximately $10.9 million per year. Thereafter, the ground lease will be subject to a revaluation by the parties thereto.

In June 2009, we acquired an operating sub-leasehold position at 420 Lexington Avenue for approximately $7.7 million. These sub-leasehold positions were scheduled to mature in December 2029. In October 2009, we acquired the remaining sub-leasehold position for $7.6 million.

The property located at 711 Third Avenue operates under an operating sub-lease, which expires in 2083. Under the sub-lease, we are responsible for ground rent payments of $1.55 million annually through July 2011 on the 50% portion of the fee we do not own. The ground rent is reset after July 2011 based on the estimated fair market value of the property. We have an option to buy out the sub-lease at a fixed future date.

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

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

The property located at 1185 Avenue of the Americas operates under a ground lease (approximately $8.5 million in 2010 and $6.9 million annually thereafter) with a term expiration of 2020 and with an option to renew for an additional 23 years.

In April 1988, the SL Green predecessor entered into a lease agreement for the property at 673 First Avenue, which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the fair market value of the property. The portion of the lease attributed to land 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.

We continue to lease the 673 First Avenue property, which has been classified as a capital lease with a cost basis of $12.2 million and cumulative amortization of $5.5 million and $5.2 million at December 31, 2009 and 2008, respectively.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of December 31, 2009 (in thousands):

December 31,	Capital lease	Non-cancellable operating leases
2010	$ 1,451	$ 31,347
2011	1,555	28,929
2012	1,555	28,179
2013	1,555	28,179
2014	1,555	28,179
Thereafter	45,649	580,600
Total minimum lease payments	53,320	$725,413
Less amount representing interest	(36,437)	
Present value of net minimum lease payments	$ 16,883	

NOTE 18 / FINANCIAL INSTRUMENTS: DERIVATIVES AND HEDGING

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through 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. Reported net income and stockholders' equity may increase or decrease prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of our derivative financial instruments at December 31, 2009 based on Level 2 information pursuant to ASC 820-10. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	$ 60,000	4.364%	1/2007	5/2010	$ (844)
Interest Rate Swap	$105,000	4.910%	12/2009	12/2019	$(8,271)
Interest Rate Swap	$100,000	4.705%	12/2009	12/2019	$(6,186)
Interest Rate Cap	$128,000	6.000%	2/2009	2/2010	$ –
Interest Rate Cap	$128,000	6.000%	2/2010	2/2011	$ 5

On December 31, 2009, the derivative instruments were reported as an obligation at their fair value of approximately $15.3 million and is included in Other Liabilities on the consolidated balance sheet at December 31, 2009. Offsetting adjustments are represented as deferred gains or losses in Accumulated Other Comprehensive Loss which had a balance of $33.5 million, including the remaining balance on net gains of approximately $5.0 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation and our share of joint venture accumulated other comprehensive loss of approximately $23.4 million. Currently, all of our derivative instruments are designated as effective hedging instruments.

Over time, the realized and unrealized gains and losses held in Accumulated Other Comprehensive Loss will be reclassified into earnings as a reduction to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $8.3 million of the current balance held in Accumulated Other Comprehensive Income will be reclassified into earnings within the next 12 months.

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

NOTE 19 / ENVIRONMENTAL MATTERS

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

NOTE 20 / SEGMENT INFORMATION

We are a REIT engaged in owning, managing, leasing, acquiring and repositioning commercial office and retail properties in the New York Metro area and have two reportable segments, real estate and structured finance investments. Our investment in Gramercy and its related earnings are included in the structured finance segment. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

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

Selected results of operations for the years ended December 31, 2009, 2008 and 2007, and selected asset information as of December 31, 2009 and 2008, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Structured Finance Segment	Total Company
Total revenues			
Year ended:			
December 31, 2009	$ 945,050	$ 65,609	$ 1,010,659
December 31, 2008	968,503	110,919	1,079,422
December 31, 2007	892,138	82,692	974,830
Income from continuing operations:			
Year ended:			
December 31, 2009	$ 169,095	$ (89,659)	$ 79,436
December 31, 2008	77,912	(26,503)	51,409
December 31, 2007	113,725	37,904	151,629
Total assets			
As of:			
December 31, 2009	$ 9,698,430	$789,147	$10,487,577
December 31, 2008	10,227,656	756,697	10,984,353

Income from continuing operations represents total revenues less total expenses for the real estate segment and total revenues less allocated interest expense and loan loss reserves for the structured finance segment. Interest costs for the structured finance segment are imputed assuming 100% leverage at our unsecured revolving credit facility borrowing cost. We do not allocate marketing, general and administrative expenses (approximately $74.0 million, $104.6 million and $93.0 million for the years ended December 31, 2009, 2008 and 2007, respectively) to the structured finance segment, since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

The table below reconciles income from continuing operations before noncontrolling interest to net income available to common stockholders for the years ended December 31, 2009, 2008 and 2007 (in thousands):

	Years ended December 31,		
	2009	2008	2007
Income (loss) from continuing operations before noncontrolling interest	$(12,865)	$ 18,377	$120,120
Equity in net gain on sale of unconsolidated joint venture/ partial interest	6,691	103,056	31,509
Gain on early extinguishment of debt	86,006	77,465	–
Loss on marketable securities	(396)	(147,489)	–
Net income from continuing operations	79,436	51,409	151,629
Net income (loss) from discontinued operations	(930)	4,066	29,256
Gain (loss) on sale of discontinued operations	(6,841)	348,573	501,812
Net income	71,665	404,048	682,697
Net income attributable to noncontrolling interests in operating partnership	(1,221)	(14,561)	(26,084)
Net income attributable to noncontrolling interests in other partnerships	(12,900)	(8,677)	(10,383)
Net income attributable to SL Green	57,544	380,810	646,230
Preferred stock dividends	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	$ 37,669	$ 360,935	$626,355

NOTE 21 / SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

The following table provides information on non-cash investing and financing activities (in thousands):

	Years ended December 31,	
	2009	2008
Issuance of common stock as deferred compensation	$ 583	$ 583
Redemption of units and deferred compensation plan	29,150	233
Derivative instruments at fair value	21,991	34,949
Tenant improvements and capital expenditures payable	1,146	1,311
Real estate investments consolidated under FIN 46R	–	14,760
Real estate investments deconsolidated under FIN 46R	–	(414,995)
Assignment of mortgage to joint venture	–	293,631
Structured finance and other investments acquired	13,831	–
Other non-cash adjustments financing	–	(90,606)
Mortgage assigned upon asset sale	113,517	–

NOTE 22 / QUARTERLY FINANCIAL DATA (UNAUDITED)

We are providing updated summary selected quarterly financial information, which is included below reflecting the prior period reclassification as discontinued operations of the properties sold during 2009.

Quarterly data for the last two years is presented in the tables below (in thousands).

2009 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	$ 246,612	$249,603	$252,005	$262,437
Income (loss) net of noncontrolling interest and before gain on sale	1,213	5,902	(8,537)	(24,995)
Equity in net gain on sale of joint venture property	–	(157)	(2,693)	9,541
Gain on early extinguishment of debt	606	8,368	29,321	47,712
Loss on equity investment in marketable securities	(232)	(52)	126	(807)
Discontinued operations	–	60	(705)	(286)
Gain (loss) on sale of discontinued operations	(1,741)	(11,672)	–	6,572
Net income (loss) before preferred dividends	(154)	2,449	17,512	37,737
Preferred stock dividends	(4,969)	(4,969)	(4,969)	(4,969)
Income (loss) attributable to SL Green common stockholders	$ (5,123)	$ (2,520)	$ 12,543	$ 32,768
Net income per common share – basic	$ (0.07)	$ (0.03)	$ 0.19	$ 0.57
Net income per common share – diluted	$ (0.07)	$ (0.03)	$ 0.18	$ 0.57

2008 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	$ 269,025	$268,313	$289,737	$253,597
Income (loss) net of noncontrolling interest and before gain on sale[1]	(88,213)	24,200	44,335	12,992
Equity in net gain on sale of joint venture property	–	9,533	93,481	–
Gain on early extinguishment of debt	77,465	–	–	–
Loss on equity investment in marketable securities	(147,489)	–	–	–
Discontinued operations	954	63	1,344	2,839
Gain on sale of discontinued operations	238,892	–	–	110,232
Net income before preferred dividends	81,609	33,796	139,160	126,063
Preferred stock dividends	(4,969)	(4,969)	(4,969)	(4,969)
Income attributable to SL Green common stockholders	$ 76,640	$ 28,827	$134,191	$121,094
Net income per common share—Basic	$ 1.35	$ 0.50	$ 2.30	$ 1.99
Net income per common share—Diluted	$ 1.34	$ 0.49	$ 2.29	$ 1.98

(1) Included in the fourth quarter of 2008, is approximately $101.7 million of loan loss and other investment reserves.

NOTE 23 / SUBSEQUENT EVENTS

We have evaluated subsequent events through the time of filing these consolidated financial statements with the SEC on our Annual Report on Form 10-K on February 16, 2010.

In January 2010, we became the sole owner of 100 Church Street, NY, NY, a 1.05 million-square-foot office tower located in downtown Manhattan, following the successful foreclosure of the senior mezzanine loan at the property in January 2010. Our initial investment totaled $40.9 million which was comprised of a 50% interest in the senior mezzanine loan and two other mezzanine loans at 100 Church Street, which we acquired from Gramercy in the summer of 2007. As part of a consensual arrangement reached with the then-current owners in August 2009, SL Green, on behalf of the mezzanine lender, obtained management and leasing control of the property. At closing of the foreclosure, we funded additional capital into the project as part of our agreement with Wachovia Bank, N.A. to extend and restructure the existing financing. Gramercy declined to fund its share of this capital and instead entered into a transaction whereby it transferred its interests in the investment to us at closing, subject to certain future contingent payments.

In January 2010, we priced an underwritten public offering of 5,400,000 shares of our Series C preferred stock. Upon completion of this offering, we have 11,700,000 shares of the Series C preferred stock outstanding. The shares of Series C preferred stock have a liquidation preference of $25.00 per share and are redeemable at par, plus accrued and unpaid dividends, at any time at our option. The shares were priced at $23.53 per share including accrued dividends equating to a yield of 8.101%. We intend to use the estimated net offering proceeds of approximately $122.6 million for general corporate and/or working capital purposes, which may include investment opportunities, purchases of the indebtedness of our subsidiaries in the open market from time to time and the repayment of indebtedness at the applicable maturity or put date.

In January 2010, our previously announced transaction to sell a 49.5% interest in Green 485 JV LLC, the owner of 485 Lexington Avenue, was terminated because certain of the conditions precedent contemplated in the sale-purchase agreement were not fulfilled.

In February 2010, our joint venture extended the maturity date of the 16 Court Street loan to October 2013 and has a one-year extension option. The floating rate loan will carry an interest rate of 250 basis points over the 30-day LIBOR.

In February 2010, we purchased the senior mezzanine loan on 510 Madison Avenue for $14.0 million.

In February 2010, we repurchased approximately $21.4 million of our 4% exchangeable bonds.

To the Board of Directors and Shareholders of SL Green Realty Corp.:

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company retrospectively changed its method of accounting for its convertible debt instruments with the adoption of the guidance originally issued in FSP APB 14-1 "Accounting for Convertible Debt Instruments that maybe settled in cash upon conversion (including Partial Cash Settlement)" (codified primarily in FASB ASC Topic 470-20, "Debt with Conversion and Other Options") effective January 1, 2009. The Company retrospectively changed its presentation of noncontrolling interests with the adoption of the guidance originally issued in SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (codified in FASB ASC Topic 810-10, "Consolidation") effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2010, expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
February 16, 2010

To the Board of Directors and Shareholders of SL Green Realty Corp.:

We have audited SL Green Realty Corp.'s (the "Company") internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009 of the Company and our report dated February 16, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
February 16, 2010

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

Subsequent to the issuance of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, we determined that our consolidated statement of cash flows for the period ended March 31, 2009 included in our Quarterly Report on Form 10-Q for the period ended March 31, 2009 should be restated. The restatement, which was made in the Quarterly Report on Form 10-Q/A, filed on May 11, 2009, was a result of a material weakness in internal control over financial reporting as the control over the proper classification of the gain on early extinguishment of debt as to whether it was an operating or financing activity did not operate effectively. As of December 31, 2009 we have remediated this weakness through additional review procedures.

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

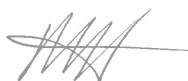
We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2009.

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

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes in our internal control over financial reporting during the year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reports.



Marc Holliday
Chief Executive Officer

Gregory F. Hughes
Chief Financial Officer and
Chief Operating Officer

OUTSIDE DIRECTORS

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

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

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

EMPLOYEE DIRECTORS

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

Marc Holliday
Chief Executive Officer;
Executive Committee

OTHER EXECUTIVE OFFICERS

Andrew W. Mathias
President &
Chief Investment Officer

Gregory F. Hughes
Chief Financial Officer &
Chief Operating Officer

Andrew S. Levine
Chief Legal Officer,
General Counsel

COUNSEL

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

AUDITORS

Ernst & Young LLP
New York, NY

REGISTRAR & TRANSFER AGENT

BNY Mellon Shareowner Services
Address Shareholder Inquiries to:
BNY Mellon,
Shareholder Relations
Department
P.O. Box 358015
Pittsburgh, PA 15252-8015
or
480 Washington Boulevard,
Jersey City, NJ 07310-1900
866-230-9138
TDD for Hearing Impaired:
800-231-5469

Foreign Shareowners:
201-680-6578

TDD Foreign Shareowners:
201-680-6610

Web Site address:
www.bnymellon.com/
shareowner/isd

STOCK LISTING

NYSE Symbol:
SLG, SLG PrC, SLG PrD

INVESTOR RELATIONS

420 Lexington Avenue
New York, NY 10170
Tel: 212-216-1654
E-mail: heidi.gillette@slgreen.com

ANNUAL REPORT, FORM 10-K

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

ANNUAL MEETING

Tuesday, June 15, 2010,
11:00 a.m., at
The Roosevelt Hotel
45 East 45th Street
at Madison Avenue,
New York, NY

SHAREHOLDERS

On April 5, 2010, the Company
had approximately
25,725 beneficial shareholders.

EXECUTIVE OFFICES

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

STOCK MARKET INFORMATION

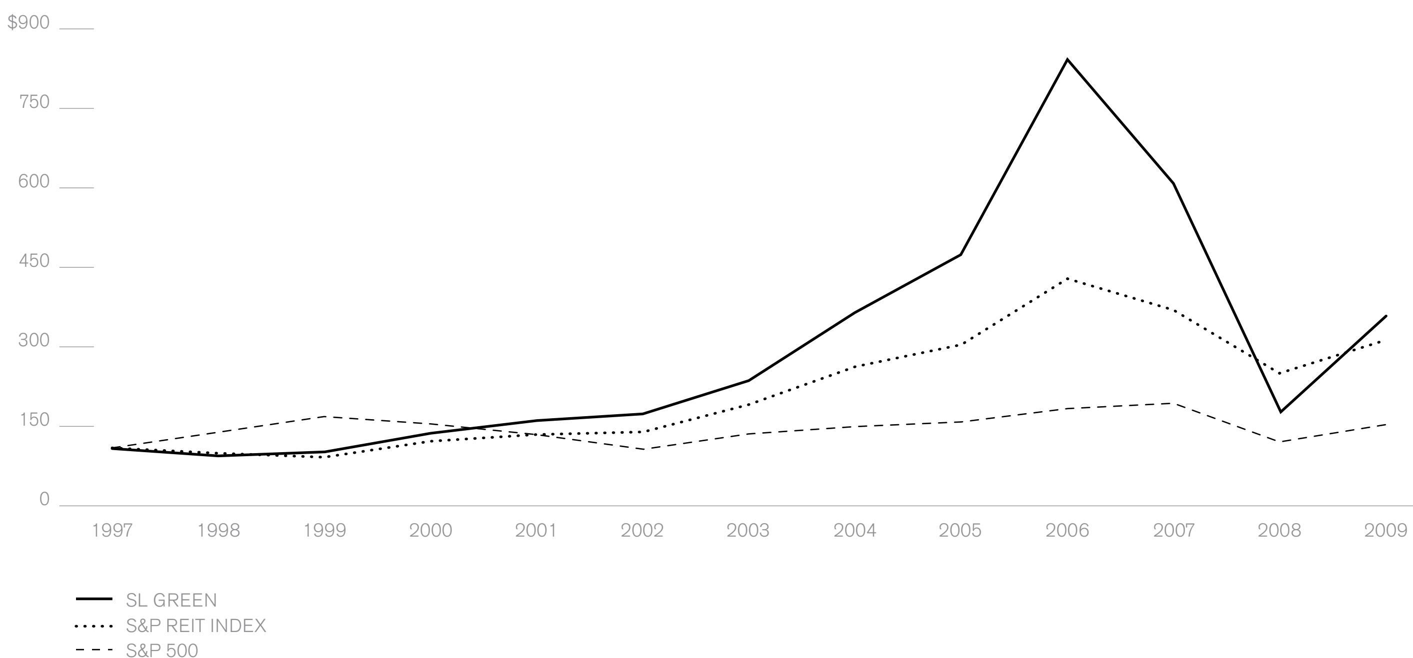
Our common stock began trading on the New York Stock Exchange, or the NYSE, on August 15, 1997 under the symbol "SLG." On April 5, 2010, the reported closing sale price per share of common stock on the NYSE was $60.39 and there were approximately 448 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the dividends paid by us with respect to the periods indicated.

	2009			2008		
Quarter Ended	High	Low	Dividends	High	Low	Dividends
March 31	$25.83	$ 8.69	$0.375	$ 98.77	$76.78	$0.7875
June 30	$26.70	$10.68	$0.100	$100.74	$82.55	$0.7875
September 30	$46.81	$18.66	$0.100	$ 92.23	$63.65	$0.7875
December 31	$52.74	$37.72	$0.100	$ 62.74	$11.36	$0.3750

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

TOTAL RETURN TO SHAREHOLDERS

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



NYSE DISCLOSURE REQUIREMENTS

Our Chief Executive Officer has submitted the NYSE Section 303A annual certification for 2008, and our Chief Executive Officer and Chief Financial Officer have filed with the SEC their Sarbanes-Oxley Section 302 certifications as exhibits to our Annual Report on Form 10-K for 2009.

Design by Addison www.addison.com Architectural photography: Adrian Gaut Portrait photography: Mark Mahaney

SL Green Realty Corp. 420 Lexington Avenue, New York, NY 10170 212 594 2700 www.slgreen.com