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

FORM 10-Q

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

For the quarterly period ended June 30, 2001

or

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

For the transition period from ____ to _____.

Commission File No. 1-13199

SL GREEN REALTY CORP.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| Maryland | 13-3956775 |
|---|---|
| (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) | (I.R.S. EMPLOYER IDENTIFICATION NO.) |

420 Lexington Avenue, New York, New York 10170
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES - ZIP CODE)

(212) 594-2700
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

The number of shares outstanding of the registrant's common stock, $0.01 par value was 29,863,566 at July 25, 2001.

SL GREEN REALTY CORP.

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAGE Condensed Consolidated Balance Sheets as of June 30, 2001 (unaudited) and December 31, 2000.................. 3 Condensed Consolidated Statements of Income for the three and six months ended June 30, 2001 and 2000 (unaudited)........................................................................................ 4 Condensed Consolidated Statement of Stockholders' Equity and Comprehensive Income for the six months ended June 30, 2001 (unaudited)..................................................................... 5 Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2001 and 2000 (unaudited).......................................................................................................... 6 Notes to Condensed Consolidated Financial Statements (unaudited)............................................ 7 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OFOPERATIONS.................................................................... 19 ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK......................................... 27 PART II. OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS........................................................................ 28 ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.......................................................... 28 ITEM 3. DEFAULTS UPON SENIOR SECURITIES.................................................................. 28 ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS............................................... 28 ITEM 5. OTHER INFORMATION........................................................................ 28 ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K................................................................. 28 SIGNATURES.......................................................................................... 29



SL GREEN REALTY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
JUNE 30, DECEMBER 31, 2001 2000 ---- ---- (UNAUDITED) (Note 1) ASSETS Commercial real estate properties, at cost: Land and land interests.............................................................. $140,657

$125,572 Buildings and improvements
............................................................. 683,889 618,637
Building
leasehold...........................................................................
141,670 139,393 Property under capital
lease.............................................................. 12,208 12,208 -----
----- ---------- 978,424 895,810 Less accumulated
depreciation............................................................. (86,585)
(78,432) ---------- ---------- 891,839 817,378 Property held for
sale................................................................... -- 10,895 Cash
and cash equivalents ...................................................................
43,742 10,793 Restricted cash
............................................................................ 37,516
86,823 Tenant and other receivables, net of allowance of $3,049 and $1,723 in 2001 and
2000, respectively
............................................................................ 7,008 7,580
Related party receivables
.............................................................. 1,983 917 Deferred
rents receivable, net of allowance for tenant credit loss of $5,441 and $4,860 in 2001
and 2000, respectively................................................ 49,354 45,816
Investment in and advances to affiliates
............................................... 7,932 6,373 Mortgage loans
receivable, net of $1,216 and $3,321 discount in 2001 and 2000,
respectively...........................................................................
97,832 51,293 Investments in unconsolidated joint
ventures........................................... 124,495 65,031 Deferred costs,
net ................................................................... 37,446
40,113 Other assets
............................................................................ 21,546
18,142 ---------- ---------- Total assets
........................................................................ $1,320,693
$1,161,154 ========== ========== LIABILITIES AND STOCKHOLDERS' EQUITY - --------------
--------------------- Mortgage notes payable
...................................................................... $325,411 $ 414,342
Revolving credit facilities
.............................................................. 283,238 46,374
Derivative instruments at fair
value.................................................... 2,383 -- Accrued interest
payable ................................................................ 2,533 2,349
Accounts payable and accrued expenses
.................................................... 20,922 24,818 Deferred
compensation awards..............................................................
1,838 2,833 Deferred
revenue.......................................................................
1,587 1,112 Capitalized lease
obligations.......................................................... 15,437 15,303
Deferred land lease
payable................................................................ 13,866 13,158
Dividend and distributions payable
...................................................... 12,796 12,678 Security
deposits.....................................................................
20,776 19,014 ---------- ---------- Total
liabilities............................................................ 700,787
551,981 Commitments and
Contingencies....................................................... Minority
interest in Operating Partnership............................................
43,546 43,326 8% Preferred Income Equity Redeemable SharesSM $0.01 par value $25.00
mandatory liquidation preference, 25,000 authorized and 4,600 outstanding at June 30,
2001 and December 31, 2000.................................. 111,002 110,774
STOCKHOLDERS' EQUITY Common stock, $0.01 par value 100,000 shares authorized, 24,859
and 24,516 issued and outstanding at June 30, 2001 and December 31, 2000
respectively..................................................... 249 246
Additional paid-in-
capital........................................................... 436,262
428,698 Deferred compensation
plans............................................................ (8,044) (5,037)
Accumulated other comprehensive
loss................................................ (1,896) -- Retained
earnings.....................................................................
38,787 31,166 ---------- ---------- Total stockholders' equity
.................................................... 465,358 455,073 ---------- --
-------- Total liabilities and stockholders'
equity............................................. $1,320,693 $1,161,154
========== ==========

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



SL GREEN REALTY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED, AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Three Months Ended Six Months Ended June 30, June 30,
2001 2000 2001 2000 ---- ---- ---- ---- REVENUES
Rental revenue
................................................ $
53,405 $ 46,410 $ 108,408 $ 93,351 Escalation and
reimbursement revenues ..........................
7,296 5,367 15,353 11,348 Signage rent
...................................................
179 597 529 1,097 Investment income
.............................................. 5,046
3,923 8,320 4,936 Other income
...................................................

550 197 860 521 --------- --------- --------- --------
- Total Revenues
............................................. 66,476
56,494 133,470 111,253 --------- --------- --------- -
-------- EXPENSES Operating expenses (See Note 13)
.............................. 14,081 13,443 29,907
26,633 Real estate taxes
............................................. 7,958
7,053 16,138 14,388 Ground rent
....................................................
3,159 3,159 6,318 6,342 Interest
.......................................................
13,171 10,053 27,068 19,545 Depreciation and
amortization ................................ 9,189
8,403 18,909 16,219 Marketing, general and
administrative ......................... 3,668 3,190
7,215 5,978 --------- --------- --------- ---------
Total Expenses
............................................. 51,226
45,301 105,555 89,105 --------- --------- --------- --
------- Income before equity in net (loss) income from
affiliates, equity in net income of unconsolidated
joint ventures, gain on sale, minority interest,
extraordinary item and cumulative effect
adjustment.......................... 15,250 11,193
27,915 22,148 --------- --------- --------- ---------
Equity in net (loss) income from affiliates
................... (658) 369 (927) 539 Equity in net
income of unconsolidated joint ventures ..........
1,756 782 3,269 1,623 Gain on sale of rental property
............................... 3,002 4,797 4,516
19,022 --------- --------- --------- --------- Income
before minority interest, extraordinary item and
cumulative effect adjustment
............................. 19,350 17,141 34,773
43,332 Minority interest in operating partnership
..................... (1,405) (1,316) (2,486) (3,467)
--------- --------- --------- --------- Income before
extraordinary item and cumulative effect adjustment
...............................................
17,945 15,825 32,287 39,865 Extraordinary item, net of
minority interest of ($8) and ($38) in 2001 and 2000,
respectively ...................... -- (430) (98)
(430) Cumulative effect of change in accounting
principle ............ -- -- (532) -- --------- ------
--- --------- --------- Net income
..................................................
17,945 15,395 31,657 39,435 Preferred stock dividends
.................................... (2,300) (2,300)
(4,600) (4,600) Preferred stock accretion
.................................... (115) (107)
(229) (214) --------- --------- --------- ---------
Net income available to common shareholders
................ $ 15,530 $ 12,988 $ 26,828 $ 34,621
========= ========= ========= ========= BASIC EARNINGS
PER SHARE: Net income before gain on sale and
extraordinary item ....... $ 0.51 $ 0.35 $ 0.93 $ 0.67
Gain on sale
............................................... 0.12
0.20 0.18 0.78 Extraordinary item
......................................... -- (0.02) -
- (0.02) Cumulative effect of change in accounting
principle ......... -- -- (0.02) -- --------- --------
- --------- --------- Net income
.....................................................
$ 0.63 $ 0.53 $ 1.09 $ 1.43 --------- --------- ------
--- --------- DILUTED EARNINGS PER SHARE: Net income
before gain on sale and extraordinary item ....... $
0.51 $ 0.39 $ 0.94 $ 0.77 Gain on sale
............................................... 0.09
0.15 0.14 0.60 Extraordinary item
......................................... -- (0.01) -
- (0.01) Cumulative effect of change in accounting
principle ......... -- -- (0.02) -- --------- --------
- --------- --------- Net income
.....................................................
$ 0.60 $ 0.53 $ 1.06 $ 1.36 ========= =========
========= ========= Dividends declared per common
share ........................... $ 0.3875 $ 0.3625 $
0.7750 $ 0.7250 ========= ========= =========
========= Basic weighted average common shares
outstanding .............. 24,706 24,309 24,706
24,265 ========= ========= ========= ========= Diluted
weighted average common shares and common share
equivalents outstanding ..................... 32,183
31,744 32,170 31,628 ========= ========= =========
=========

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

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(UNAUDITED, AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

ACCUMULATED ADDITIONAL DEFERRED OTHER COMMON PAID-IN COMPENSATION COMPREHENSIVE RETAINED COMPREHENSIVE STOCK CAPITAL PLANS LOSS EARNINGS TOTAL INCOME ----- ------- ----- ---- - -------- ----- - ------ Balance at December 31, 2000 $ 246 $ 428,698 $ (5,037) $ -- $ 31,166 $ 455,073 $ -- Cumulative effect of accounting change ....... (811) (811) Comprehensive Income: Net income .............. 31,657 31,657 31,657 Unrealized loss on derivative instruments (1,085) (1,085) (1,085) Preferred dividend and accretion ............... (4,829) (4,829) Deferred compensation plans 1 3,704 (3,705) -- Amortization of deferred compensation plans ...... 698 698 Redemption of units ........ 497 497 Proceeds from stock options exercised ............... 2 3,363 3,365 Cash distributions declared ($0.775 per common share) (19,207) (19,207) --------- --------- --------- --------- --------- --------- --------- --- BALANCE AT JUNE 30, 2001 (UNAUDITED) ............ $ 249 $ 436,262 $ (8,044) $ (1,896) $ 38,787 $ 465,358 $ 30,572 ========= ========= ========= ========= ========= ========= =========

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

SL GREEN REALTY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| Six Months Ended June 30, | 2001 | 2000 |
| --- | --- | --- |
| OPERATING ACTIVITIES: | | |
| Net income | $ 31,657 | $ 39,435 |
| Adjustments to reconcile net income with net cash provided by operating activities: | | |
| Depreciation and amortization | 18,909 | 16,219 |
| Amortization of discount on mortgage receivable | (2,105) | (1,131) |
| Gain on sale of rental property | (4,516) | (19,022) |
| Cumulative effect of change in accounting principle | 532 | -- |
| Extraordinary loss, net of minority interest | 98 | 430 |
| Equity in net loss (income) interest from affiliates | 927 | (539) |
| Equity in net income from unconsolidated joint ventures | (3,269) | (1,623) |
| Minority interest | 2,486 | 3,467 |
| Deferred rents receivable | (7,576) | (7,412) |
| Provision for deferred rents and bad debts | 2,165 | 1,179 |
| Amortization of deferred compensation | 698 | 787 |
| Changes in operating assets and liabilities: | | |
| Restricted cash - operations | 4,650 | (364) |
| Tenant and other receivables | (754) | (1,979) |
| Related party receivables | (1,066) | (318) |
| Deferred lease costs | (2,872) | (5,004) |
| Other assets | (3,030) | (4,775) |
| Accounts payable, accrued expenses and other liabilities | (2,945) | (1,705) |
| Deferred revenue | 475 | 1,532 |
| Deferred land lease payable | 708 | 882 |
| Net cash provided by operating activities | 35,172 | 20,059 |
| INVESTING ACTIVITIES: | | |
| Additions to land, buildings and improvements | (404,100) | (29,554) |
| Restricted cash - capital improvements | 44,657 | 3,406 |
| Investment in and advances to affiliates | (2,486) | (2,011) |
| Investments in unconsolidated joint ventures | (9,741) | (43,622) |
| Distributions from unconsolidated joint ventures | 2,406 | 11,860 |
| Net proceeds from disposition of rental property | 80,997 | 58,313 |
| Mortgage loans receivable, net | (48,644) | (55,831) |
| Net cash used in investing activities | (336,911) | (57,439) |
| FINANCING ACTIVITIES: | | |
| Proceeds from mortgage notes payable | 150,000 | 14,917 |
| Repayments of mortgage notes payable | (29,240) | (21,316) |
| Proceeds from revolving credit facilities | 343,053 | 220,252 |
| Repayment of revolving credit facilities | (106,188) | (157,500) |
| Capitalized lease obligation | 134 | 148 |
| Dividends and distributions paid | (25,457) | (23,913) |
| Proceeds from stock options exercised | 3,365 | 2,852 |
| Deferred loan costs | (979) | (4,304) |
| Net cash provided by financing activities | 334,688 | 31,136 |
| Net increase/(decrease) in cash and cash equivalents | 32,949 | (6,244) |
| Cash and cash equivalents at beginning of period | 10,793 | 21,561 |
| Cash and cash equivalents at end of period | $ 43,742 | $ 15,317 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 26,884 | $ 20,372 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Issuance of common stock as deferred officer compensation | $ 3,705 | $ 352 |

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

SL GREEN REALTY CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED, AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
JUNE 30, 2001

## 1. ORGANIZATION AND BASIS OF PRESENTATION

SL Green Realty Corp. (the "Company" or "SL Green"), a Maryland corporation, and SL Green Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies (the "Service Corporation"). The Company qualifies as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (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 shareholders, is permitted to reduce or avoid the payment of Federal income taxes at the corporate level.

Substantially all of the Company's assets are held by, and its operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of June 30, 2001, minority investors held, in the aggregate, an 8.4% limited partnership interest in the Operating Partnership.

As of June 30, 2001, the Company's wholly-owned portfolio consisted of 19 commercial properties encompassing approximately 7.0 million rentable square feet located primarily in midtown Manhattan, a borough of New York City ("Manhattan") (the "Properties") and one triple-net leased property located in Shelton, Connecticut. As of June 30, 2001, the weighted average occupancy (total occupied square feet divided by total available square feet) of the Properties was 98.5%. The Company's portfolio also includes ownership interests in unconsolidated joint ventures which own six commercial properties in Manhattan, encompassing approximately 3.1 million rentable square feet (97.0% occupied as of June 30, 2001). In addition, the Company continues to manage four office properties owned by third-parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

### PARTNERSHIP AGREEMENT

In accordance with the partnership agreement of the Operating Partnership (the "Operating Partnership Agreement"), all allocations of distributions and profits and losses are made in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the Operating Partnership, the Company is required to take such reasonable efforts, as determined by it in its sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by the Company to avoid any Federal income or excise tax at the Company level. Under the Operating Partnership Agreement each limited partner will have the right to redeem limited partnership units ("Units") for cash, or if the Company so elects, shares of common stock. Under the Operating Partnership Agreement, the Company is prohibited from selling 673 First Avenue and 470 Park Avenue South through August 2009.

### BASIS OF QUARTERLY PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2001 operating results for the period presented is not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.





## 2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

DERIVATIVE INSTRUMENTS

Financial Accounting Standards Board's ("FASB") Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which became effective January 1, 2001 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company recorded a cumulative effect adjustment upon the adoption of SFAS 133. This cumulative effect adjustment, of which the intrinsic value of the hedge was recorded in other comprehensive income ($811) and the time value component was recorded in the statement of income ($532), was an unrealized loss of $1,343. The transition amounts were determined based on the interpretive guidance issued by the FASB to date. The FASB continues to issue interpretive guidance that could require changes in the Company's application of the standard and adjustments to the transition amounts. SFAS 133 may increase or decrease reported net income and stockholders' equity prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

INCOME TAXES

The Company is taxed as a REIT under Section 856(c) of the Code. As a REIT, the Company generally is not subject to Federal income tax. To maintain qualification as a REIT, the Company must distribute at least 90% (95% prior to January 1, 2001) of its REIT taxable income to its stockholders and meet certain other requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to Federal income tax on its taxable income at regular corporate tax rates. The Company may also be subject to certain state and local taxes. Under certain circumstances, Federal income and excise taxes may be due on its undistributed taxable income.

Pursuant to amendments to the Code that are effective January 1, 2001, the Company has elected to treat certain of its existing or newly created corporate subsidiaries as a taxable REIT subsidiary ("TRS"). In general, a TRS of the Company may perform additional services for tenants of the Company and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the providing to any personal, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate Federal income tax.

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.

RECLASSIFICATION

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





3. PROPERTY ACQUISITIONS

The Company entered into an agreement to purchase 1370 Broadway, Manhattan, a 16-story, 254,573 square foot office building for $50,400, excluding closing costs. The Company redeployed the proceeds from the sale of 17 Battery Place South, through a like-kind tax deferred exchange, to fund this acquisition. The transaction closed on January 16, 2001.

On September 29, 2000, the Company entered into an agreement to acquire various ownership and mortgage interests in the 913,000 square foot, 20-story office building at One Park Avenue, Manhattan ("One Park"). The Company acquired the fee interest in the property, which is subject to a ground lease position held by third-parties, and certain mortgage interests in the property for $233,900, excluding closing costs. As part of the transaction, SL Green acquired an option to purchase the ground lease position. The acquisition was financed with a $150,000 mortgage loan provided by Lehman Brothers Holdings Inc. ("LBHI") and funds provided by the Company's unsecured line of credit. The LBHI interest-only mortgage, which matures on January 10, 2004, carries an interest rate of 150 basis points over the 30-day London Interbank Offered Rate ("LIBOR"). The transaction closed on January 10, 2001.

On May 25, 2001, the Company entered into a joint venture with respect to the

ownership of SL Green's interests in One Park with SITQ Immobilier, a subsidiary of Caisse de depot et placement due Quebec ("SITQ"). Under the terms of the joint venture, SITQ purchased a 45% interest in SL Green's interests in the property based upon a gross aggregate price of $233,900, inclusive of closing costs and reimbursements. The $150,000 mortgage was assigned to the joint venture. The Company will provide management and leasing services for One Park.

On June 7, 2001, the Company acquired 317 Madison Avenue for an aggregate purchase price of $105.6 million. The 22-story building contains approximately 450,000 square feet and is located at the Northeast corner of Madison Avenue and 42nd Street with direct access to Grand Central Station. The acquisition was funded, in part, with proceeds from the sale of 1412 Broadway in a reverse 1031 tax-free exchange, thereby deferring capital gain resulting from such sale. The balance of the acquisition was funded using the Company's line of credit.

PRO FORMA

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the six months ended June 30, 2001 and 2000 as though the 2001 acquisition of 317 Madison Avenue (June) was made on January 1, 2000.

| | 2001 | 2000 |
|---|---|---|
| Pro forma revenues | $140,266 | $133,912 |
| Pro forma net income | $ 26,346 | $ 33,669 |
| Pro forma basic earnings per common share | $ 1.07 | $ 1.39 |
| Pro forma diluted earnings per common share | $ 1.04 | $ 1.32 |
| Common share - basic | 24,706 | 24,265 |
| Common and common equivalent share - diluted | 32,170 | 31,628 |

4. PROPERTY DISPOSITIONS

During the six months ended June 30, 2001, the Company disposed of the following office properties to unaffiliated parties.

| DATE SOLD | PROPERTY | SUBMARKET | RENTABLE SQUARE FEET | GROSS SALES PRICE | GAIN ON SALE |
|---|---|---|---|---|---|
| 1/9/01 | 633 Third Avenue | Grand Central | 41 | $13,250 | $1,401 |
| 6/29/01 | 1412 Broadway | Times Square | 389 | $91,500 | $3,115 |

In June, 2001, Cipriani, a tenant at 110 East 42nd Street notified the Company that he is exercising the purchase option under his lease agreement. The gross purchase price of the option is $14,500. For the six months ended June 30, 2001 and 2000, Cipriani paid approximately $1,404 and $1,385, respectively for rental revenue and escalation and recoveries. This transaction closed on July 23, 2001.

5. MORTGAGE LOANS RECEIVABLE AND PREFERRED INVESTMENT

On March 30, 2000, the Company acquired a $51,900 interest in an existing first mortgage loan collateralized by the property located at Two Grand Central Tower, Manhattan ("2GCT") at a discount. The discount to the face amount of $3,250 and the exit fees of $3,440 were being amortized into investment income over the term of the loan. This was a subordinate participation interest in an existing first mortgage loan currently held by Credit Suisse First Boston Mortgage Capital, LLC. The loan matured on September 30, 2000, but was extended until September 30, 2001. 2GCT, also known as 140-148 East 45th Street and 147-151 East 44th Street, is an approximately 620,000 square foot commercial office building located in the heart of the Grand Central submarket. This loan, including $2,165 of unamortized discount, was repaid in full on April 2, 2001 and the proceeds were used to pay down the revolving credit facilities.

On March 21, 2001, the Company acquired an existing $39,194 mezzanine loan collateralized by a 770,000 square foot, 25-story Class B office building in Manhattan. The loan, which carries a rate of 900 basis points over the 30-day LIBOR, will mature in January 2003.

On May 10, 2001, the Company acquired a $47,000 mezzanine loan collateralized by a Manhattan office property. The loan, which carries a rate of 800 basis points over the 30-day LIBOR, will mature on April 9, 2004. The loan may be extended at the borrower's option for two 1-year periods, upon payment of an extension fee. The origination fee of $940 is being amortized into income over the term of the loan. On June 29, 2001, the Company increased this loan by $3,000 to $50,000. No other terms were changed.

On June 29, 2001, the Company made an $8,000 preferred equity investment in an entity that owns 1412 Broadway. The investment entitles the Company to receive a yield of 10% preferentially on a current basis. This investment is being amortized over 25 years. The Company will also participate in the appreciation of the property upon sale to a third party above a specified threshold.

On July 20, 2001, the Company formed a mezzanine co-investment partnership with the Prudential Real Estate Investors ("PREI"). The first investment program will be approximately $250,000 and will be funded equally by the members on a deal-by-deal basis. The Company will receive asset management fees as well as have the ability to receive incentive returns. On July 20, 2001 the Company contributed its investment in a $50,000 investment to the venture as the initial investment and received $25,000 from PREI for their share of the investment.

On July 20, 2001, the Company acquired an existing $27,723 junior participation interest secured by a first mortgage loan on three Manhattan office properties totaling 508,610 square feet. The mortgage loan matures on November 1, 2002. The Company obtained approximately $22,178 of financing from the senior participant in the form of a repurchase agreement which is co-terminous with the mortgage loan.

6. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

MORGAN STANLEY JOINT VENTURE
The Company and the Morgan Stanley Real Estate Fund ("MSREF"), through its MSSG II joint venture, entered into a contract to acquire 469 Seventh Avenue, Manhattan, for $45,700, excluding closing costs. The property is a 253,000 square foot, 16-story office building. In addition to having a 35% ownership interest in the property, SL Green will act as the operating partner for the venture, and will be responsible for leasing and managing the property. The transaction closed on January 31, 2001. The acquisition was partially funded by a $36,000 mortgage from Lehman Brothers Holdings, Inc. The loan, which matures on February 10, 2003, carries a fixed interest rate of 7.84%.

SITQ IMMOBILIER
See Note 3 for a description of the investment in One Park.





The condensed combined balance sheets for the unconsolidated joint ventures at June 30, 2001 and December 31, 2000 are as follows:

| | June 30, 2001 | December 31, 2000 |
|---|---|---|
| ASSETS | | |
| Commercial real estate property, net | $646,819 | $360,347 |
| Other assets | 52,410 | 31,641 |
| Total assets | $699,229 | $391,988 |
| LIABILITIES AND MEMBERS' EQUITY | | |
| Mortgage payable | $429,748 | $238,650 |
| Other liabilities | 21,902 | 15,043 |
| Members' equity | 247,579 | 138,295 |
| Total liabilities and members' equity | | |

| | | |
|---|---|---|
| .................... | $699,229 | $391,988 |
| | ======== | ======== |
| Company's net investment in unconsolidated joint ventures | $124,495 | $ 65,031 |
| | ======== | ======== |

The condensed combined statements of operations for the unconsolidated joint ventures for the three and six months ended June 30, 2001 and 2000 is as follows:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| | ---- | ---- | ---- | ---- |
| Total revenues ...................... | $20,711 | $15,167 | $38,981 | $27,181 |
| | ------- | ------- | ------- | ------- |
| Operating expenses .................. | 5,015 | 3,816 | 9,703 | 6,782 |
| Real estate taxes ................... | 3,320 | 2,653 | 6,175 | 4,526 |
| Interest ............................ | 6,040 | 4,874 | 11,411 | 8,349 |
| Depreciation and amortization ....... | 2,920 | 2,149 | 5,209 | 3,793 |
| Extraordinary item .................. | -- | -- | -- | 108 |
| | ------- | ------- | ------- | ------- |
| Total expenses ...................... | 17,295 | 13,492 | 32,498 | 23,558 |
| | ======= | ======= | ======= | ======= |
| Net income .......................... | $ 3,416 | $ 1,675 | $ 6,483 | $ 3,623 |
| | ======= | ======= | ======= | ======= |
| Company's equity in earnings of unconsolidated joint ventures.. | $ 1,756 | $ 782 | $ 3,269 | $ 1,623 |
| | ======= | ======= | ======= | ======= |

7. INVESTMENT IN AND ADVANCES TO AFFILIATES

| | 2000 | 2001 |
|---|---|---|
| | ---- | ---- |
| Investment in and advances to Service Corporation, net ..... | $3,843 | $4,166 |
| Investment in and advances to eEmerge, net ................. | 4,089 | 2,207 |
| | ----- | ----- |
| Investments in and advances to affiliates ........... | $7,932 | $6,373 |
| | ====== | ====== |

SERVICE CORPORATION

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

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

eEMERGE

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

The Company, through the Operating Partnership, owns 100% of the non-voting common stock of eEmerge. Through dividends on its equity interest, the Operating Partnership receives approximately 100% of the cash flow from eEmerge operations. 100% of the voting common stock is held by a Company affiliate. This controlling interest gives the affiliate the power to elect all the directors of eEmerge. The Company accounts for its investment in eEmerge on the equity basis of accounting because it has significant influence with respect to management and operations, but does not control the entity. The Company has funded approximately $2,514 to eEmerge as of June 30, 2001 out of a total commitment of $3,425. In addition, the Company made a landlord contribution of $1,575 for the build-out of two floors.

Effective January 1, 2001, eEmerge elected to be taxed as a TRS.

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

8. DEFERRED COSTS

Deferred costs consist of the following:

| | 2001 | 2000 |
|---|---|---|
| Deferred financing | $16,714 | $19,277 |
| Deferred leasing | 38,717 | 37,413 |
| | 55,431 | 56,690 |
| Less accumulated amortization | (17,985) | (16,577) |
| | $37,446 | $40,113 |





9. MORTGAGE NOTES PAYABLE

The mortgage notes payable collateralized by the respective properties and assignment of leases at June 30, 2001 and December 31, 2000 are as follows:

| PROPERTY | MORTGAGE NOTES | 2001 | 2000 |
|---|---|---|---|
| 50 West 23rd Street | First mortgage note with interest payable at 7.33%, due August 1, 2007 | $21,000 | $21,000 |
| 673 First Avenue | First mortgage note with interest payable at 9.0%, due December 13, 2003 | 10,517 | 11,992 |
| 470 Park Avenue South | First mortgage note with interest payable at 8.25%, due April 1, 2004 | 9,568 | 9,771 |
| 1414 Avenue of Americas, 633 Third Avenue and 70 West 36th Street | First mortgage note with interest payable at 7.9%, due May 1, 2009 (1) (2) | 26,177 | 33,950 |
| 1412 Broadway | First mortgage note with interest payable at 7.62%, due May 1, 2006 (3) | -- | 52,000 |
| 711 Third Avenue | First mortgage note with interest payable at 8.13%, due September 10, 2005 (1) | 48,996 | 49,172 |
| 875 Bridgeport Ave., Shelton, CT | First mortgage note with interest payable at 8.32%, due May 10, 2025 | 14,885 | 14,901 |
| 420 Lexington Avenue | First mortgage note with interest payable at 8.44%, due November 1, 2010 (1) | 125,000 | 125,000 |
| 555 West 57th Street | First mortgage note with interest payable at 8.58%, due November 4, 2004 (4) | 69,268 | 69,606 |
| Total fixed rate | | | |

debt............................................ 325,411
387,392 ------- ------- Madison Properties First mortgage
note with interest payable at 8.32%, due May 31, 2001 (5)
...................................................... --
26,950 ------- ------- Total floating rate
debt....................................... -- 26,950 ------
- ------- Total mortgage notes
payable.......................................... $325,411
$414,342 ======== ========

- -------------
(1) Held in bankruptcy remote special purpose entity.
(2) 633 Third Avenue was sold in January 2001 and the $7,750 mortgage was assigned to the purchaser.
(3) This property was sold in June 2001 and the mortgage was assigned to the purchaser.
(4) The Company entered into an interest rate protection agreement which fixed the LIBOR interest rate at 6.10% at June 30, 2001 as LIBOR was 3.86% at that date. If LIBOR exceeds 6.10%, the loan will float until the maximum rate of 6.58% is reached.
(5) This mortgage was repaid in full in February 2001.

PRINCIPAL MATURITIES

Combined aggregate principal maturities of mortgages and notes payable and revolving credit facilities as of June 30, 2001 are as follows:

| | SCHEDULED PRINCIPAL AMORTIZATION | REPAYMENTS | TOTAL |
|---|---|---|---|
| 2001.............. | $ 2,689 | $ 45,238 | $ 47,927 |
| 2002.............. | 6,916 | -- | 6,916 |
| 2003.............. | 7,772 | 240,002 | 247,774 |
| 2004.............. | 3,863 | 75,300 | 79,163 |
| 2005.............. | 3,366 | 47,247 | 50,613 |
| Thereafter......... | 24,335 | 151,921 | 176,256 |
| | $ 48,941 | $559,708 | $608,649 |





MORTGAGE RECORDING TAX - HYPOTHECATED LOAN

The Operating Partnership mortgage tax credit loans totaled approximately $56,950 from LBHI at June 30, 2001. These loans were collateralized by the mortgage encumbering the Operating Partnership's interests in 290 Madison Avenue. The loans were also collateralized by an equivalent amount of the Company's cash which was held by LBHI and invested in US Treasury securities. Interest earned on the cash collateral was applied by LBHI to service the loans with interest rate commensurate with that of the portfolio of six month US Treasury securities, which will mature on January 15, 2002. The Operating Partnership and LBHI each had the right of offset and therefore the loans and the cash collateral were presented on a net basis in the consolidated balance sheet at June 30, 2001. The purpose of these loans was to temporarily preserve mortgage recording tax credits for future potential acquisitions of real property which the Company may make, the financing of which may include property level debt, for which these credits would be applicable and provide a financial savings. None of these mortgage tax credit loans had been utilized as of June 30, 2001.

10. REVOLVING CREDIT FACILITIES

PSCC FACILITY

On December 28, 1999, the Company closed on a $30,000 credit facility with Prudential Securities Credit Corp. ("PSCC Facility"). On March 30, 2000, PSCC increased the secured PSCC Facility by $20,000 to $50,000. No other terms were changed from the original $30,000 secured PSCC Facility. Interest-only is payable based on the 1-Month LIBOR plus 125 basis points. The PSCC Facility may

be prepaid at any time during its term without penalty. The PSCC Facility, which was to mature on December 27, 2000, was extended for one year. At that time, the PSCC Facility was increased to $60,000.

At June 30, 2001, the Company had $45,238 outstanding under its PSCC Facility (interest rate of 5.77 percent). The PSCC Facility was secured by the $89,194 in mortgage loans receivable on two Manhattan properties. As of July 18, 2001, this facility had a balance of $21,738.

2000 UNSECURED CREDIT FACILITY

On June 27, 2000, the Company repaid in full and terminated the $140 Million Credit Facility (defined below) and obtained a new unsecured revolving credit facility in the amount of $250,000 from a group of 9 lender banks (the "2000 Unsecured Credit Facility"). The Company upsized this credit facility to $300,000 in March 2001. The 2000 Unsecured Credit Facility has a term of three years and bears interest at a spread ranging from 137.5 basis points to 175 basis points over LIBOR, based on the Company's leverage ratio. If the Company receives an investment grade rating, the spread over LIBOR will be reduced to 125 basis points. At June 30, 2001, $238,000 was outstanding and carried a weighted average interest rate of 6.09 percent. Availability under the 2000 Unsecured Credit Facility at June 30, 2001 was further reduced by the issuance of letters of credit in the amount of $5,000 for a fee purchase option. As of July 27, 2001, this facility had a balance of $55,000 as the proceeds from the common stock offering (see Note 11) were used to pay down the outstanding balance.

The terms of the 2000 Unsecured Credit Facility 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 minimum 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 the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations for such period, subject to certain other adjustments. The 2000 Unsecured Credit Facility also requires a 15 to 25 basis point fee on the unused balance payable quarterly in arrears.

The lending group for the 2000 Unsecured Credit Facility consists of Fleet National Bank, NA, as administrative agent, Citibank/Salomon Smith Barney, Inc, as syndication agent, Deutsche Banc Alex Brown, as documentation agent, Commerzbank Aktiengesellschaft, New York Branch, The Bank of New York, Wells Fargo Bank, N.A., Bank Leumi USA, PNCBank, N.A., and Key Bank, N.A.





$140 MILLION CREDIT FACILITY

The $140 million unsecured credit facility was repaid in full and retired in June 2000 in connection with the Company obtaining the 2000 Unsecured Credit Facility, as described above. In the quarter ended June 30, 2000, the Company recorded a $430 extraordinary loss, net of the minority interest's share of the loss ($38), for the early extinguishment of debt related to the write-off of unamortized financing costs associated with the $140 Million Credit Facility.

11. STOCKHOLDERS' EQUITY

COMMON SHARES

The following table presents the changes in the Company's issued and outstanding shares of common stock since December 31, 2000 (excluding 2,281 and 2,307 Units outstanding at June 30, 2001 and December 31, 2000, respectively, which are convertible into shares of common stock on a one-for-one basis, or the cash equivalent thereof, subject to certain restrictions):

| | |
|---|---|
| Outstanding at December 31, 2000 | 24,516 |
| Issued through exercise of options | 166 |
| Issued through redemption of units | 26 |
| Issued through deferred compensation plan | 151 |
| Outstanding at June 30, 2001 | 24,859 |

On July 25, 2001, the Company completed the sale of 5,000 shares of common stock. The gross proceeds from this offering ($149,000, net of underwriter's discount) will initially be used to pay down the 2000 Unsecured Credit Facility. This offering resulted in the reduction of the minority interest in the Operating Partnership to approximately 7.1% from 8.4% at June 30, 2001.

OWNERSHIP OF OPERATING PARTNERSHIP

The minority interest in the Operating Partnership was approximately 8.4% and 8.6% as of June 30, 2001 and December 31, 2000, respectively.

RIGHTS PLAN

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





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

EARNINGS PER SHARE

Earnings per share is computed as follows:

| | FOR THE QUARTER ENDED JUNE 30, 2001 | | | FOR THE QUARTER ENDED JUNE 30, 2000 | | |
|---|---|---|---|---|---|---|
| | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT |
| Basic Earnings: Income available to common shareholders .................... | $15,530 | 24,706 | $ 0.63 | $12,988 | 24,309 | $ 0.53 |
| Effect of Dilutive Securities: | | | | | | |
| Redemption of Units to common shares ................. | 1,405 | 2,295 | | 1,316 | 2,391 | |
| Preferred Stock (if converted to common stock .................. | 2,415 | 4,699 | | 2,407 | 4,699 | |
| Stock Options ................... | -- | 483 | | -- | 345 | |
| Diluted Earnings: Income available to common shareholders .................. | $19,350 | 32,183 | $ 0.60 | $16,711 | 31,744 | $ 0.53 |

| | FOR THE SIX MONTHS ENDED JUNE 30, 2001 | | | FOR THE SIX MONTHS ENDED JUNE 30, 2000 | | |
|---|---|---|---|---|---|---|
| | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT | INCOME (NUMERATOR) | SHARES (DENOMINATOR) | PER SHARE AMOUNT |
| Basic Earnings: Income available to common shareholders .................... | $26,828 | 24,706 | $ 1.09 | $34,621 | 24,265 | $1.43 |
| Effect of Dilutive Securities: | | | | | | |
| Redemption of Units to common shares ................. | 2,486 | 2,289 | | 3,467 | 2,404 | |
| Preferred Stock (if converted to common stock .................. | 4,829 | 4,699 | | 4,814 | 4,699 | |
| Stock Options ................... | -- | 476 | | -- | 260 | |
| Diluted Earnings: Income available to common shareholders .................. | $34,143 | 32,170 | $1.06 | $42,902 | 31,628 | $1.36 |

The PIERS outstanding in 2001 were included in the 2001 and 2000 computation of earnings per share as they were dilutive during those periods.

12. COMMITMENTS AND CONTINGENCIES

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





13. RELATED PARTY TRANSACTIONS

There are several business relationships with related parties, entities owned by Stephen L. Green or relatives of Stephen L. Green which involve management, leasing, and construction fee revenues, rental income and maintenance expenses in the ordinary course of business. These transactions for the six month period ended June 30, include the following:

| | 2001 | 2000 |
|---|---|---|
| Management revenues .......................................... | $ 136 | $ 136 |
| Maintenance and security expense ............................ | 2,796 | 2,149 |
| Rental | | |

revenue
............................................... 117
69 Amounts due from related parties at June 30, 2001
and December 31, 2000, respectively, consist of:
2001 2000 ------- ------- 17 Battery Condominium
Associations .......................... $ 143 $ 127
Morgan Stanley Real Estate Funds
............................ 494 464 Carlyle Group
................................................ 12
12 Officers
.....................................................
1,105 77 SLG 100 Park LLC
............................................. 338
121 One Park Realty Corp.
....................................... (316) --

14. DEFERRED COMPENSATION AWARD

Contemporaneous with the closing of 1370 Avenue of the Americas, an award of $2,833 was granted to several members of management earned in connection with the realization of this investment gain. This award, which will be paid out over a three-year period, is presented as Deferred compensation award on the balance sheet. As of June 30, 2001, $995 had been paid against this compensation award.

15. SEGMENT INFORMATION

The Company is a REIT engaged in owning, managing, leasing and repositioning older, classic style office properties in Manhattan and has one reportable segment, office real estate. The Company evaluates real estate performance and allocates resources based on net income.

The Company's real estate portfolio is located in one geographical market, namely, Manhattan. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). The single office real estate business segment meets the quantitative threshold for determining reportable segments. As of June 30, 2001, no single tenant contributed more than 3% of the Company's annual revenues.

16. TECHNOLOGY INVESTMENTS AND ALLIANCES

The Company owns equity interests in several companies that provide communication services or amenities to tenants. The equity interests are in the form of preferred stock, and vested and unvested warrants to acquire common stock. These investments are included in Other Assets on the Consolidated Balance Sheets. Below is a summary of these investments as of June 30, 2001:

SQUARE
FEET
TICKER
CAPITAL
SHARES
WARRANTS
BOOK
COMPANY
(MM) (1)
SYMBOL
INVESTMENT
RECEIVED
(2)
RECEIVED
(2) VALUE
(3) - ----
--- ------
-- ------
---------
---------
---- -----
-------- -
--------
Eureka
Broadband
4.4
Privately
Held --- -
-- 35 ---
Captivate
Network
(4) 9.7
Privately
Held $750
98.6 236
$750
Internet
Realty
Partners
(5) ---
Privately
Held 1,500
--- ---
1,254

- ----------
(1) The Square Feet (in millions) represents the portion of the Company's

portfolio that is anticipated to be wired by each company in accordance with their respective agreements. These approximate square footage amounts are subject to change upon the signing of additional licensing agreements. As of June 30, 2001, approximately 70% of the Company's portfolio was wired and operational by at least one of SL Green's strategic telecommunications providers.





(2) Preferred shares and warrants received may include amounts allocable to joint venture partners. The Company may earn additional preferred shares or warrants based upon achieving certain thresholds in accordance with the respective investment agreements or upon the signing of additional license agreements for properties.

(3) The Company's investments in privately held entities were recorded at estimated fair values when the investment was made and are valued at the lower of cost or market.

(4) In April 2001, Verticore merged with Captivate Networks. The Company's 241 shares were converted into 98.6 shares of the new company. The Company is entitled to receive additional shares upon completion of the recapitalization of the new company.

(5) Through June 30, 2001, the Company made a $1,500 limited partnership investment in Internet Realty Partners, L.P. ("IRP"). The Company is committed to fund an additional $500. IRP invests in privately-held and publicly traded real estate-related internet, technology and e-commerce companies.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

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

The following discussion related to the consolidated financial statements of the Company should be read in conjunction with the financial statements appearing elsewhere in this report and the financial statements included in the Company's 2000 annual report on Form 10-K.

### GENERAL

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

As of June 30, 2001, the Company's wholly-owned portfolio consisted of 19 commercial properties encompassing approximately 7.0 million rentable square feet located primarily in midtown Manhattan, a borough of New York City ("Manhattan") (the "Properties") and one triple-net leased property located in Shelton, Connecticut. As of June 30, 2001, the weighted average occupancy (total occupied square feet divided by total available square feet) of the Properties was 98.5%. The Company's portfolio also includes ownership interests in unconsolidated joint ventures which own six commercial properties in Manhattan, encompassing approximately 3.1 million rentable square feet (97.0% occupied as of June 30, 2001). In addition, the Company continues to manage four office properties owned by third-parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

### RESULTS OF OPERATIONS

The following comparisons for the three and six months ended June 30, 2001 ("2001") compared to the three and six months ended June 30, 2000 ("2000") make reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by the Company at January 1, 2000, (ii) the effect of the "2001 Acquisitions," which represents all properties acquired in 2001, namely, One Park Avenue and 1370 Broadway (January 2001) and 317 Madison Avenue (June 2001), (iii) the effect of the "Dispositions," which represents all properties disposed of in 2000, namely, 29 West 35th Street, 36 West 44th Street (March 2000), 321 West 44th Street (May 2000) which was contributed to a joint venture, and 17 Battery Place South (December 2000), and all properties disposed of in 2001, namely, 633 Third Avenue (January 2001) and One Park Avenue (May 2001) which was contributed to a joint venture.



COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2001 TO THE THREE MONTHS ENDED JUNE 30, 2000

| RENTAL REVENUES (in millions) | 2001 | 2000 | $ Change | % Change |
|---|---|---|---|---|
| Rental revenue | $53.4 | $46.4 | $7.0 | 15% |
| Escalation and reimbursement revenue | 7.3 | 5.4 | 1.9 | 35% |
| Signage revenue | 0.2 | 0.6 | (0.4) | (67)% |
| Total | $60.9 | $52.4 | $8.5 | 16% |
| Same Store | $50.8 | $47.9 | $2.9 | 6% |
| 2001 Acquisitions | 8.7 | -- | 8.7 | 870% |
| Dispositions | 2.3 | 5.3 | (3.0) | (57)% |
| Other | (0.9) | (0.8) | (0.1) | 12% |
| Total | $60.9 | $52.4 | $8.5 | 16% |

The increase in rental revenue was primarily due to an increase in occupancy at Same-Store Properties from 97.9% in 2000 to 98.6% in 2001. In addition, annualized rents from replacement rents on previously occupied space at Same-Store Properties were 55% higher than previous fully escalated rents. The Company estimates that the difference between existing in-place fully escalated rents and current market rents is approximately 54%.

The increase in escalation and reimbursement revenue was primarily due to the recovery of operating expenses ($2.0 million). On an annualized basis, the Company expects to recover approximately 90% of its electric costs.

The decrease in signage revenue was primarily attributable to 1466 Broadway ($0.4 million).

INVESTMENT AND OTHER INCOME (in millions) $ %

| | 2001 | 2000 | $ Change | % Change |
|---|---|---|---|---|
| Equity in net income of unconsolidated joint ventures | $1.8 | $0.8 | $1.0 | 125% |
| Investment income | 5.0 | 3.9 | 1.1 | 28% |
| Other | 0.6 | 0.2 | 0.4 | 200% |
| Total | $7.4 | $4.9 | $2.5 | 51% |

The increase in equity in net income of unconsolidated joint ventures is due to the Company having four joint venture investments in 2000 comprising 2.0 million square feet compared to six joint venture investments in 2001 comprising 3.1 million square feet. Occupancy at the joint ventures decreased from 98.9% in 2000 to 97.0% in 2001. The Company estimates that the difference between existing in-place fully escalated rents and current market rents is approximately 58%.

The increase in investment income primarily represents interest income from 2 Grand Central Tower ($1.4 million). The balance of the change in investment income is due to investments in other structured finance transactions ($0.6 million) and interest from excess cash on hand ($0.1 million). This was offset by a decrease in investment income ($0.7 million) due to the loan on 1370 Avenue of the Americas being repaid in 2000 and the sale of a participation interest in 17-29 West 44th Street in September 2000 ($0.2 million). In addition, the Company wrote down it's investment in a technology investment ($0.2 million).



| PROPERTY OPERATING EXPENSES (in millions) | 2001 | 2000 | $ Change | % Change |
|---|---|---|---|---|
| Operating expenses (excluding electric) | $9.6 | $9.4 | $0.2 | 2% |
| Electric costs | 4.5 | 4.0 | 0.5 | 12% |
| Real estate taxes | 8.0 | 7.1 | 0.9 | 13% |
| Ground rent | 3.2 | 3.2 | --- | --- |
| Total | $25.3 | $23.7 | $1.6 | 7% |
| Same Store | $21.3 | $20.8 | $0.5 | 2% |
| 2001 Acquisitions | 2.7 | --- | 2.7 | 270% |
| Dispositions | 1.1 | 2.3 | (1.2) | (52)% |
| Other | 0.2 | | | |

0.6 (0.4)
(67)% ------
----- ------
--- --------
---- -------
------ Total
$25.3 $23.7
$1.6 7%
===========
=========
============
=============

The increase in operating expenses, excluding electricity, were primarily due to higher fuel costs ($0.1 million) and cleaning costs ($0.4 million) which were offset by a decrease in repairs and maintenance ($0.4 million).

The increase in electric costs was primarily due to higher electric rates as well as the 2001 Acquisitions and was partially offset by the Dispositions.

The increase in real estate taxes was primarily attributable to the 2001 Acquisitions which increased real estate taxes by $1.1 million, but was partially offset by a decrease in real estate taxes due to the Dispositions ($0.2 million).

OTHER
EXPENSES (in
millions)
2001 2000 $
Change %
Change ------
---- --------
- -----------
------------
- Interest
expense $13.2
$10.0 $3.2
32%
Depreciation
and
amortization
expense 9.2
8.4 0.8 9%
Marketing,
general and
administrative
expense 3.7
3.2 0.5 16% -
--------- ---
------ ------
----- -------
------- Total
$26.1 $21.6
$4.5 21%
==========
=========
===========
==============

This increase in interest expense was primarily attributable to new secured mortgage financing being placed on Same-Store assets ($0.9 million), mortgage financing associated with the 2001 Acquisitions ($1.6 million) and an increase in interest expense at the corporate level, which includes borrowings for working capital purposes as well as, acquisition and structured finance transaction funding ($0.8 million). This was partially offset by the interest savings from the Dispositions ($0.2 million) and a reduction in the weighted average interest rate to 7.20% at June 30, 2001 compared to 7.93% at June 30, 2000.

Depreciation and amortization increased primarily due to depreciation on properties acquired, namely One Park Avenue, and capital expenditures and tenant improvements incurred during the period.

Marketing, general and administrative expense increased primarily due to increased personnel costs ($0.3 million). Marketing, general and administrative expense decreased as a percentage of total revenue from 5.7% to 5.5%.



COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2001 TO THE SIX MONTHS ENDED JUNE 30, 2000

RENTAL
REVENUES (in
millions) $
% 2001 2000
Change
Change -----
------ -----
----- ------

| | | | | |
|---|---|---|---|---|
| Rental revenue | $108.4 | $93.4 | $15.0 | 16% |
| Escalation and reimbursement revenue | 15.4 | 11.3 | 4.1 | 36% |
| Signage revenue | 0.5 | 1.1 | (0.6) | (55)% |
| Total | $124.3 | $105.8 | $18.5 | 17% |
| Same Store | $102.5 | $94.3 | $8.2 | 9% |
| 2001 Acquisitions | 19.2 | --- | 19.2 | 1,920% |
| Dispositions | 4.7 | 12.7 | (8.0) | (63)% |
| Other | (2.1) | (1.2) | (0.9) | (75)% |
| Total | $124.3 | $105.8 | $18.5 | 17% |

The increase in rental revenue was primarily due to an increase in occupancy at Same-Store Properties from 97.9% in 2000 to 98.6% in 2001. In addition, annualized rents from replacement rents on previously occupied space at Same-Store Properties were 46% higher than previous fully escalated rents. The Company estimates that the difference between existing in-place fully escalated rents and current market rents is approximately 54%.

The increase in escalation and reimbursement revenue was primarily due to the recovery of higher operating expenses ($3.7 million) and utility costs ($0.3 million). On an annualized basis, the Company expects to recover approximately 90% of its electric costs.

The decrease in signage revenue was primarily attributable to 1466 Broadway ($0.5 million).

| INVESTMENT AND OTHER INCOME (in millions) | 2001 | 2000 | $ Change | % Change |
|---|---|---|---|---|
| Equity in net income of unconsolidated joint ventures | $3.3 | $1.6 | $1.7 | 106% |
| Investment income | 8.3 | 4.9 | 3.4 | 69% |
| Other | 0.9 | 0.5 | 0.4 | 80% |
| Total | $12.5 | $7.0 | $5.5 | 79% |

The increase in equity in net income of unconsolidated joint ventures is due to the Company having four joint venture investments in 2000 comprising 2.0 million square feet compared to six joint venture investments in 2001 comprising 3.1 million square feet. Occupancy at the joint ventures decreased from 98.9% in 2000 to 97.0% in 2001. The Company estimates that the difference between existing in-place fully escalated rents and current market rents is approximately 58%.

The increase in investment income primarily represents interest income from 2 Grand Central Tower ($4.0 million). The balance of the change in investment income is due to investments in other structured finance transactions ($0.7 million) and interest from excess cash on hand ($0.3 million). This was offset by a decrease in investment income ($1.3 million) due to the loan on 1370 Avenue of the Americas being repaid in 2000. In addition, the Company wrote down it's investment in a technology company ($0.2 million).



| PROPERTY OPERATING EXPENSES (in millions) | 2001 | 2000 | $ Change | % Change |
|---|---|---|---|---|
| Operating expenses (excluding electric) | $20.4 | $19.6 | $0.8 | 4% |
| Electric costs | 9.5 | 7.0 | 2.5 | 36% |
| Real estate taxes | 16.1 | 14.4 | 1.7 | 12% |
| Ground rent | 6.3 | 6.3 | --- | --- |
| Total | $52.3 | $47.3 | $5.0 | 11% |
| Same Store | $43.5 | $41.1 | $2.4 | 6% |
| 2001 Acquisitions | 6.1 | --- | 6.1 | 610% |
| Dispositions | 2.5 | 5.5 | (3.0) | (55)% |
| Other | 0.2 | 0.7 | (0.5) | (71)% |
| Total | $52.3 | $47.3 | $5.0 | 11% |

The increase in operating expenses, excluding electricity, was primarily due to higher fuel costs ($0.3 million), contract maintenance ($0.3 million) and cleaning costs ($0.8 million). This was offset by a decrease in repairs and maintenance ($0.6 million).

The increase in electric costs was primarily due to higher electric rates as well as the 2001 Acquisitions and was partially offset by the Dispositions.

The increase in real estate taxes was primarily attributable to the 2001 Acquisitions which increased real estate taxes by $2.5 million, but was partially offset by a decrease in real estate taxes due to the Dispositions ($0.8 million).

OTHER

| EXPENSES (in millions) | 2001 | 2000 | $ Change | % Change |
|---|---|---|---|---|
| Interest expense | $27.1 | $19.5 | $7.6 | 39% |
| Depreciation and amortization expense | 18.9 | 16.2 | 2.7 | 17% |
| Marketing, general and administrative expense | 7.2 | 6.0 | 1.2 | 20% |
| Total | $53.2 | $41.7 | $11.5 | 28% |

This increase in interest expense was primarily attributable to new secured mortgage financing being placed on Same-Store assets ($1.9 million), mortgage financing associated with the 2001 Acquisitions ($4.3 million) and an increase in interest expense at the corporate level ($2.0 million). This was partially offset by the interest savings from the Dispositions ($0.6 million) and a reduction in the weighted average interest rate to 7.20% at June 30, 2001 compared to 7.93% at June 30, 2000.

Depreciation and amortization increased primarily due to depreciation on properties acquired, namely One Park Avenue, and capital expenditures and tenant improvements incurred during the period.

Marketing, general and administrative expense increased primarily due to increased personnel costs ($0.6 million) and professional fees ($0.2 million). Marketing, general and administrative expense remained level at 5.4% of total revenue for the comparable periods.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Net cash provided by operating activities increased $15.1 million to $35.2 million for the six months ended June 30, 2001 compared to $20.1 million for the six months ended June 30, 2000. Operating cash flow was primarily generated by the Same-Store properties and 2001 Acquisitions, but was reduced by the decrease in operating cash flow from the Dispositions. Net cash used in investing activities increased $279.5 million to $336.9 million for the six months ended June 30, 2001 compared to $57.4 million for the six months ended June 30, 2000. The increase was due primarily to the higher dollar volume of acquisitions and capital improvements in 2001 ($390.0 and $14.1 million, respectively) as compared to 2000 ($16.6 and $13.4 million, respectively). This relates primarily to the acquisitions of One Park Avenue, 1370 Broadway in January 2001 and 317 Madison Avenue in June 2001. Approximately $50.9 million was funded out of restricted cash set aside from the sale of 17 Battery Place South. The net investment in unconsolidated joint ventures decreased $33.9 million due to the purchase of a 49.9% interest in 100 Park in 2000 compared to the purchase of a 35% interest in 469 Seventh Avenue in 2001. Net proceeds from the dispositions increased $22.7 million due to the sales of 633 Third Avenue, One Park Avenue and 1412



Broadway totaling $81.0 million in 2001 compared to the dispositions of 29 West 35th Street, 36 West 44th Street and 321 West 44th Street totaling $58.3 million in 2000. Net cash provided by financing activities increased $303.6 million to $334.7 million for the six months ended June 30, 2001 compared to $31.1 million for the six months ended June 30, 2000. The increase was primarily due to higher borrowing requirements due to the higher volume of acquisitions funded with mortgage debt and draws under the line of credit ($257.9 million), which was partially offset by lower debt repayments ($43.4 million).

CAPITALIZATION

On July 25, 2001, the Company completed the sale of 5,000,000 shares of common stock. The gross proceeds from this offering ($149.0 million, net of underwriter's discount) will initially be used to pay down the 2000 Credit Facility. This offering resulted in the reduction of the minority interest in the Operating Partnership to approximately 7.1% from 8.4% at June 30, 2001.

On February 16, 2000, the Board of Directors of the Company authorized a dividend distribution of one preferred share purchase right ("Right") for each outstanding share of common stock under a shareholder rights plan. This dividend was distributed to all holders of record of the common stock on March 31, 2000. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series B junior participating preferred stock, par value $0.01 per share ("Preferred Shares"), at a price of $60.00 per one one-hundredth of a Preferred Share ("Purchase Price"), subject to adjustment as provided in the rights agreement. The Rights expire on March 5, 2010, unless the expiration date is extended or the Right is redeemed or exchanged earlier by the Company. The Rights are attached to each share of common stock. The rights are generally exercisable only if a person or group becomes the beneficial owner of 17% or more of the outstanding common stock or announces a tender offer for 17% or more of the outstanding stock ("Acquiring Person"). In the event that a person or group becomes an Acquiring Person, each holder of a Right, excluding the Acquiring Person, will have the right to receive, upon exercise, common stock having a market value equal to two times the Purchase Price of the Preferred Shares.

At June 30, 2001, borrowings under the mortgage loans and credit facilities (excluding our share of joint venture debt of $213.5 million) represented 39.4% of the Company's market capitalization based on a total market capitalization (debt and equity including preferred stock), assuming conversion of all operating partnership units, of $1.55 billion (based on a common stock price of $30.31 per share, the closing price of the Company's common stock on the New York Stock Exchange on June 30, 2001).

The tables below summarize the Company's mortgage debt and line of credit indebtedness outstanding at June 30, 2001 and December 31, 2000, respectively (in thousands).

| | June 30, 2001 | December 31, 2000 |
|---|---|---|
| DEBT SUMMARY: BALANCE | | |
| Fixed rate .................................. | $256,143 | $317,786 |
| Variable rate - hedged ...................... | 69,268 | 69,606 |
| Total fixed rate ......................... | 325,411 | 387,392 |
| Variable rate .............................. | 238,000 | 49,950 |
| Variable rate-supporting variable rate assets | 45,238 | 23,374 |
| Total variable rate ..................... | 283,238 | 73,324 |
| Total ...................................... | $608,649 | $460,716 |
| PERCENT OF TOTAL DEBT: | | |
| Total fixed rate ......................... | 53.46% | 84.08% |
| Variable rate ........................... | 46.54% | 15.92% |
| Total ...................................... | 100.00% | 100.00% |
| EFFECTIVE INTEREST RATE AT END OF PERIOD | | |
| Total fixed rate ......................... | 8.21% | 8.22% |
| Variable rate ........................... | 6.04% | 8.20% |
| Effective interest rate .................... | 7.20% | 8.21% |

A majority of the variable rate debt shown above bears interest at an interest rate based on LIBOR (3.86 % at June 30, 2001). Variable rate debt, excluding the variable rate debt supporting variable rate assets, constitutes 39.1% of total debt outstanding. The Company's total debt at June 30, 2001 had a weighted average term to maturity of approximately 4.73 years.



As of June 30, 2001, the Company had two mortgage loans receivable securing the PSCC Facility. The first loan, which has a face value of $50 million and matures on April 9, 2004, carries a weighted average interest rate of 800 basis points over the 30-day LIBOR. The second loan, which has a face value of $39.1 million and matures in January 2003, carries a 900 basis point spread over the 30-day LIBOR. These variable rate mortgage loans receivable mitigate the Company's exposure to interest rate changes on its unhedged variable rate debt.

MORTGAGE FINANCING

As of June 30, 2001, the Company's total mortgage debt (excluding the Company's share of joint venture debt of approximately $213.5 million) consisted of approximately $325.4 million of fixed rate debt with an effective interest rate of approximately 8.21% and no variable rate debt. The Company's mortgage debt at June 30, 2001, encumbering 9 properties, will mature as follows (in thousands):

| | |
|---|---|
| 2001...................................... | $ 2,689 |
| 2002...................................... | 6,916 |
| 2003...................................... | 9,774 |

| | |
|---|---|
| 2004 | 79,163 |
| 2005 | 50,612 |
| Thereafter | 176,257 |
| Total | $325,411 |

2000 UNSECURED CREDIT FACILITY

On June 27, 2000, the Company repaid in full and terminated the $140 Million Credit Facility (see below) and obtained a new senior unsecured revolving credit facility in the amount of $250 million (the "2000 Unsecured Credit Facility") from a group of 9 lender banks. The Company upsized this credit facility to $300 million in March 2001. The 2000 Unsecured Credit Facility has a term of three years and bears interest at a spread ranging from 137.5 basis points to 175 basis points over LIBOR, based on the Company's leverage ratio. If the Company receives an investment grade rating, the spread over LIBOR will be reduced to 125 basis points. At June 30, 2001, $238 million was outstanding and carried a weighted average interest rate of 6.09 percent. Availability under the 2000 Unsecured Credit Facility at June 30, 2001 was further reduced by the issuance of letters of credit in the amount of $5 million for acquisition deposits. As of July 27, 2001, this facility had a balance of $55.0 million as the proceeds from this common stock offering were used to pay down the outstanding balance.

The terms of the 2000 Unsecured Credit Facility 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 minimum 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 the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations for such period, subject to certain other adjustments. The 2000 Unsecured Credit Facility also requires a 15 to 25 basis point fee on the unused balance payable quarterly in arrears.

The lending group for the 2000 Unsecured Credit Facility consists of Fleet National Bank, NA, as administrative agent, Citibank/Salomon Smith Barney, Inc, as syndication agent, Deutsche Banc Alex Brown, as documentation agent, Commerzbank Aktiengesellschaft, New York Branch, The Bank of New York, Wells Fargo Bank, N.A., Bank Leumi USA, PNCBank, N.A., and Key Bank, N.A.

$140 MILLION CREDIT FACILITY

The $140 million unsecured credit facility was repaid in full and retired in June 2000 in connection with the Company obtaining the 2000 Unsecured Credit Facility, as described above. In the quarter ended June 30, 2000, the Company recorded a $430,000 extraordinary loss, net of the minority interest's share of the loss ($38,000), for the early extinguishment of debt related to the write-off of unamortized financing costs associated with the $140 Million Credit Facility.



PSCC FACILITY

On December 28, 1999, the Company closed on a $30 million credit facility with Prudential Securities Credit Corp. ("PSCC Facility"). On March 30, 2000, PSCC increased the secured PSCC Facility by $20 million to $50 million. No other terms were changed from the original $30 million secured PSCC FACILITY. Interest-only is payable based on the 1-Month LIBOR plus 125 basis points. The PSCC Facility may be prepaid at any time during its term without penalty. The PSCC Facility, which was to mature on December 27, 2000, was extended for one year. At that time, the PSCC Facility was increased to $60 million.

At June 30, 2001, the Company had $45.2 million outstanding under its PSCC Facility (interest rate of 5.77 percent). The PSCC Facility is secured by the $89.2 million in mortgage loans receivable on two Manhattan properties. As of July 18, 2001, this facility had a balance of $21.7 million.

CAPITAL EXPENDITURES

The Company estimates that for the six months ending December 31, 2001, it will incur approximately $17.1 million of capital expenditures (including tenant improvements) on properties currently owned. Of that total, over $3.1 million of the capital investments are dedicated to redevelopment costs, including local law 11, associated with properties acquired at or after the Company's IPO. The Company expects to fund these capital expenditures with the unsecured credit facility, additional property level mortgage financings, operating cash flow and cash on hand. Future property acquisitions may require substantial capital investments in such properties for refurbishment and leasing costs. The Company expects that these financing requirements will be met in a similar fashion. The Company believes that it will have sufficient capital resources to satisfy its obligations during the next 12 month period. Thereafter, the Company expects that capital needs will be met through a combination of net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

DISTRIBUTIONS

The Company expects to make distributions to its stockholders primarily based on its distributions received from the Operating Partnership primarily from property revenues or, if necessary, from working capital or borrowings.

To maintain its qualification as a REIT, the Company must make annual distributions to its stockholders of at least 90 percent (95 percent prior to January 1, 2001) of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains. Moreover, the Company intends to continue to make regular quarterly distributions to its stockholders which, based upon current policy, in the aggregate would equal approximately $46.3 million on an annualized basis. However, any such distribution, whether for Federal income tax purposes or otherwise, would only be paid out of available cash after meeting both operating requirements and scheduled debt service on mortgages and loans payable.

FUNDS FROM OPERATIONS

The revised White Paper on Funds from Operations ("FFO") approved by the Board of Governors of NAREIT in October 1999 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes FFO in accordance with the current standards established by NAREIT which may not be comparable to FFO reported by other REIT's that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.



FFO for the three and six months ended June 30, 2001 and 2000, respectively, are as follows (in thousands):

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Income before minority interest, extraordinary items, gain on sale, preferred stock dividend and cumulative effect adjustment | $ 16,348 | $ 12,344 | $ 30,257 | $ 24,310 |
| Add: Depreciation and amortization | 9,189 | 8,403 | 18,909 | 16,219 |
| FFO adjustment for unconsolidated joint ventures | 1,358 | 917 | 2,354 | 1,626 |
| Less: Dividends on preferred shares | (2,300) | (2,300) | (4,600) | (4,600) |
| Amortization of deferred financing costs and depreciation of non-rental | | | | |

real estate
assets
(1,157)
(1,040)
(2,312)
(2,063) -----
---- --------
- --------- -
--------
Funds From
Operations -
basic 23,438
18,324 44,608
35,492
Dividends on
preferred
shares 2,300
2,300 4,600
4,600 -------
-- ---------
--------- ---
------ Funds
From
Operations -
diluted $
25,738 $
20,624 $
49,208 $
40,092
=========
=========
=========
=========
Cash flows
provided by
operating
activities $
18,610 $
2,998 $
35,172 $
20,059 Cash
flows used in
investing
activities $
(51,605) $
(2,569)
$(336,911) $
(57,439) Cash
flows
provided by
financing
activities $
68,659 $
4,741 $
334,688 $
31,136

INFLATION

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in interest rates primarily from its floating rate debt arrangements. The Company uses interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move (increase) in interest rates along the entire interest rate curve would adversely affect the Company's interest cost by approximately $3.2 million annually.

The Company will 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.

Approximately $325.4 million of the Company's 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 following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt. The interest rates on the variable rate debt as of June 30, 2001 ranged from LIBOR plus 125 basis points to LIBOR plus 200 basis points.

LONG-TERM
DEBT, FAIR
INCLUDING
CURRENT --
-- PORTION

| (IN THOUSANDS) | 2001 | 2002 | 2003 | 2004 | 2005 | THEREAFTER | TOTAL | VALUE |
|---|---|---|---|---|---|---|---|---|
| Fixed Rate .......... | $ 2,689 | $ 6,916 | $ 9,774 | $ 79,163 | $ 50,612 | $ 176,257 | $325,411 | $329,136 |
| Average Interest Rate | 8.21% | 8.20% | 8.19% | 8.21% | 8.24% | 8.33% | 8.30% | |
| Variable Rate ....... | $ 45,238 | -- | $ 238,000 | -- | -- | -- | $283,238 | $283,238 |
| Average Interest Rate | 6.04% | | 6.09% | | | | 6.07% | |



PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

The Company held its annual meeting of stockholders on May 15, 2001, at which the following matters were voted upon:

1. To elect one Class I director of the Company to serve until the 2004 Annual Meeting of Stockholders and until his successor is duly elected and qualified.

2. To ratify the selection of Ernst & Young LLP as the independent auditors of the Company for the fiscal year ending December 31, 2001.

The results of the meeting were as follows:

| | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| Proposal 1: Edwin Thomas Burton, III | 21,608,943 | 158,505 | 0 |
| Proposal 2: | 21,656,742 | | |

87,142
23,564

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 Sale-Purchase Agreement, dated as of June 7, 2001, between Richfield Investment Company and Green 317 Madison LLC *

10.2 Qualified Exchange Accommodation Agreement, dated as of June 7, 2001, between Green 1412 Broadway LLC and BEC 317 LLC *

* Incorporated by reference to the Company's Form 8-K, dated June 7, 2001, filed with the Commission on June 18, 2001.

(b) Reports on Form 8-K:

- The Registrant filed a Current Report on Form 8-K on April 24, 2001 in connection with its first quarter 2001 earnings release.
- The Registrant filed a Current Report on Form 8-K on April 25, 2001 in connection with its first quarter 2001 supplemental package.
- The Registrant filed a Current Report on Form 8-K on June 6, 2001 in connection with its sale of One Park Avenue to a joint venture with SITQ Immobilier.
- The Registrant filed a Current Report on Form 8-K on June 18, 2001 in connection with its acquisition of 317 Madison Avenue.



SIGNATURES

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

SL GREEN REALTY CORP.

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

Date: August 1, 2001