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

FORM 10-Q

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

For the quarterly period ended June 30, 2004

or

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

For the transition period from to .

Commission File No. 1-13199

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

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

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

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

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

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

The number of shares outstanding of the registrant's common stock, $0.01 par value was 38,752,646 at July 30, 2004.

SL GREEN REALTY CORP.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

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

	June 30, 2004 (Unaudited)	December 31, 2003 (Note 1)
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ 174,625	$ 168,032
Building and improvements	862,527	849,013
Building leasehold and improvements	320,969	317,178
Property under capital lease	12,208	12,208
	1,370,329	1,346,431
Less: accumulated depreciation	(175,601)	(156,768)
	1,194,728	1,189,663
Cash and cash equivalents	65,045	38,546
Restricted cash	41,868	59,542
Tenant and other receivables, net of allowance of $7,837 and $7,533 in 2004 and 2003, respectively	14,347	14,533
Related party receivables	4,509	5,242
Deferred rents receivable, net of allowance of $7,597 and $7,017 in 2004 and 2003, respectively	66,811	63,131
Structured finance investments, net of discount of $2,088 and $44 in 2004 and 2003, respectively	264,296	218,989
Investments in unconsolidated joint ventures	502,658	590,064
Deferred costs, net	44,831	39,277
Other assets	57,521	42,854
Total assets	$ 2,256,614	$ 2,261,841
Liabilities and Stockholders' Equity		
Mortgage notes payable	$ 514,180	$ 515,871
Revolving credit facilities	104,900	236,000
Term loans	300,000	367,578
Derivative instruments at fair value	1,277	9,009
Accrued interest payable	4,135	3,500
Accounts payable and accrued expenses	57,801	43,835
Deferred revenue/gain	8,599	8,526
Capitalized lease obligation	16,328	16,168
Deferred land leases payable	15,486	15,166
Dividend and distributions payable	23,447	18,647
Security deposits	23,182	21,968
Total liabilities	1,069,335	1,256,268
Commitments and Contingencies		
Minority interest in Operating Partnership	53,756	54,281
Minority interest in partially-owned entities	484	510
Stockholders' Equity		
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 6,300 issued and outstanding at June 30, 2004 and December 31, 2003, respectively	151,981	151,981
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 2,450 and none issued and outstanding at June 30, 2004 and December 31, 2003, respectively	58,873	—
Common stock, $0.01 par value 100,000 shares authorized and 38,692 and 36,016 issued and outstanding at June 30, 2004 and December 31, 2003, respectively	387	360
Additional paid-in-capital	830,821	728,882
Deferred compensation plans	(17,051)	(8,446)

Accumulated other comprehensive income (loss)	**6,337**	(961)
Retained earnings	**101,691**	78,966
Total stockholders' equity	**1,133,039**	950,782
Total liabilities and stockholders' equity	**$ 2,256,614**	$ 2,261,841

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues				
Rental revenue, net	**$ 63,477**	$ 59,309	**$ 124,988**	$ 110,868
Escalation and reimbursement	**10,372**	10,022	**20,162**	18,200
Signage rent	**52**	407	**122**	732
Investment income	**6,424**	2,718	**16,209**	6,079
Preferred equity income	**2,138**	731	**6,182**	2,287
Other income	**6,982**	1,164	**9,472**	2,863
Total revenues	**89,445**	74,351	**177,135**	141,029
Expenses				
Operating expenses including $1,521 and $3,427 (2004) and $1,986 and $3,373 (2003) to affiliates, respectively	**22,249**	19,313	**45,604**	35,998
Real estate taxes	**12,339**	10,955	**24,680**	20,584
Ground rent	**3,866**	3,266	**7,732**	6,430
Interest	**14,578**	11,574	**29,408**	21,225
Depreciation and amortization	**13,318**	11,573	**26,366**	22,163
Marketing, general and administrative	**4,467**	2,804	**15,370**	5,990
Total expenses	**70,817**	59,485	**149,160**	112,390
Income from continuing operations before equity in net loss from affiliates, equity in net income of unconsolidated joint ventures, minority interest, and discontinued operations	**18,628**	14,866	**27,975**	28,639
Equity in net loss from affiliates	**—**	(99)	**—**	(196)
Equity in net income of unconsolidated joint ventures	**10,834**	3,651	**21,385**	7,827
Income from continuing operations before minority interest and discontinued operations	**29,462**	18,418	**49,360**	36,270
Equity in net gain on sale of interest in unconsolidated joint venture	**22,012**	—	**22,012**	—
Minority interest in partially-owned entities	**9**	36	**26**	36
Minority interest in Operating Partnership attributable to continuing operations	**(2,652)**	(1,139)	**(3,612)**	(2,201)
Income from continuing operations, net of minority interest	**48,831**	17,315	**67,786**	34,105
Net income from discontinued operations, net of minority interest	**—**	958	**—**	2,691
Gain on sale of discontinued	**—**	(300)	**—**	17,524
Net income	**48,831**	17,973	**67,786**	54,320
Preferred stock dividends	**(3,446)**	(2,300)	**(6,446)**	(4,600)
Preferred stock accretion	**—**	(131)	**—**	(262)
Net income available to common shareholders	**$ 45,385**	$ 15,542	**$ 61,340**	$ 49,458
Basic earnings per share:				
Net income from continuing operations before gain on sale and discontinued operations	**$ 1.18**	$ 0.48	**$ 1.60**	$ 0.95
Net income from discontinued operations	**—**	0.03	**—**	0.08
Gain on sale of discontinued operations	**—**	(0.01)	**—**	0.57
Net income available to common shareholders	**$ 1.18**	$ 0.50	**$ 1.60**	$ 1.60
Diluted earnings per share:				
Net income from continuing operations before gain on sale and discontinued operations	**$ 1.13**	$ 0.47	**$ 1.54**	$ 0.94
Net income from discontinued operations	**—**	0.03	**—**	0.08
Gain on sale of discontinued operations	**—**	(0.01)	**—**	0.49
Net income available to common shareholders	**$ 1.13**	$ 0.49	**$ 1.54**	$ 1.51
Dividends per common share	**$ 0.50**	$ 0.465	**$ 1.00**	$ 0.93
Basic weighted average common shares outstanding	**38,638**	31,082	**38,308**	30,895
Diluted weighted average common shares and common share equivalents outstanding	**42,456**	38,819	**42,215**	38,512

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

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

	Series C Preferred Stock	Series D Preferred Stock	Common Stock Shares	Common Stock Par Value	Additional Paid-In-Capital	Deferred Compensation Plans	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Comprehensive Income
Balance at December 31, 2003	**$ 151,981**	**$ —**	**36,016**	**$ 360**	**$ 728,882**	**$ (8,446)**	**$ (961)**	**$ 78,966**	**$ 950,782**	
Comprehensive Income:										
Net income								67,786	67,786	$ 67,786
Net unrealized loss on derivative instruments							7,298		7,298	7,298
SL Green's share of joint venture net unrealized loss on derivative instruments										1,790
Preferred dividends								(6,446)	(6,446)	
Redemption of units			81	1	1,911				1,912	
Proceeds from DRIP plan			90	1	2,585				2,586	
Deferred compensation plan & stock award, net			348	3	14,093	(14,096)			—	
Amortization of deferred compensation plan						5,491			5,491	
Net proceeds from common stock offering			1,800	18	73,617				73,635	
Net proceeds from preferred stock offering		58,873							58,873	
Proceeds from stock options exercised			357	4	9,214				9,218	
Stock-based compensation – fair value					519				519	
Cash distributions declared ($1.00 per common share of which none represented a return of capital for federal income tax purposes)								(38,615)	(38,615)	
Balance at June 30, 2004	**$ 151,981**	**$ 58,873**	**38,692**	**$ 387**	**$ 830,821**	**$ (17,051)**	**$ 6,337**	**$ 101,691**	**$ 1,133,039**	**$ 76,874**

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, 2004	Six Months Ended June 30, 2003
Operating Activities		
Net income	**$ 67,786**	$ 54,320
Adjustment to reconcile net income to net cash provided by operating activities:		
Non-cash adjustments related to income from discontinued operations	**—**	2,129
Depreciation and amortization	**26,366**	22,163
Amortization of discount on structured finance investments	**(17)**	(80)
Gain on sale of discontinued operations	**—**	(18,830)
Equity in net loss from affiliates	**—**	196
Equity in net income from unconsolidated joint ventures	**(21,385)**	(7,827)
Equity in gain on sale of unconsolidated joint ventures	**(22,012)**	—
Minority interest	**3,586**	2,165
Deferred rents receivable	**(4,006)**	(5,267)
Allowance for bad debts	**304**	949
Amortization of deferred compensation	**5,491**	1,232
Changes in operating assets and liabilities:		
Restricted cash – operations	**7,301**	(19,158)
Tenant and other receivables	**(118)**	(4,810)
Related party receivables	**733**	923
Deferred lease costs	**(8,575)**	(3,475)
Other assets	**10,461**	15,546
Accounts payable, accrued expenses and other liabilities	**3,911**	3,701
Deferred revenue	**232**	677
Deferred land lease payable	**320**	320
Net cash provided by operating activities	**70,378**	44,874
Investing Activities		
Acquisitions of and deposits on real estate property	**(31,310)**	(16,749)
Additions to land, buildings and improvements	**(8,044)**	(15,376)
Restricted cash – capital improvements/acquisitions	**10,373**	(13,595)
Investment in and advances to affiliates	**—**	650
Investments in unconsolidated joint ventures	**(9,582)**	—
Distributions from unconsolidated joint ventures	**142,002**	8,521
Net proceeds from disposition of rental property	**—**	63,264
Structured finance investments net of repayments/participations	**(47,351)**	(33,298)
Net cash provided by (used in) investing activities	**56,088**	(6,583)

Financing Activities		
Proceeds from mortgage notes payable	**—**	35,000
Repayments of mortgage notes payable	**(1,691)**	(51,213)
Proceeds from revolving credit facilities and term loans	**187,900**	118,000
Repayments of revolving credit facilities and term loans	**(386,578)**	(150,000)
Proceeds from stock options exercised	**9,218**	6,774
Net proceeds from sale of common stock	**73,635**	—
Net proceeds from sale of preferred stock	**58,873**	—
Capitalized lease obligation	**160**	150
Dividends and distributions paid	**(39,927)**	(35,028)
Deferred loan costs	**(1,557)**	(3,184)
Net cash used in financing activities	**(99,967)**	(79,501)
Net increase (decrease) in cash and cash equivalents	**26,499**	(41,210)
Cash and cash equivalents at beginning of period	**38,546**	58,020
Cash and cash equivalents at end of period	**$ 65,045**	$ 16,810
Supplemental cash flow disclosures		
Interest paid	**$ 28,773**	$ 19,874

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

SL Green Realty Corp.
Notes To Condensed Consolidated Financial Statements
(Unaudited)
June 30, 2004

1. Organization and Basis of Presentation

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

Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of June 30, 2004, minority investors held, in the aggregate, a 5.4% limited partnership interest in the Operating Partnership.

As of June 30, 2004, our wholly-owned properties consisted of 20 commercial properties encompassing approximately 8.2 million rentable square feet located primarily in midtown Manhattan, a borough of New York City, or Manhattan. As of June 30, 2004, the weighted average occupancy (total leased square feet divided by total available square feet) of the wholly-owned properties was 96.7%. Our portfolio also includes ownership interests in unconsolidated joint ventures, which own seven commercial properties in Manhattan, encompassing approximately 7.3 million rentable square feet, and which had a weighted average occupancy of 96.1% as of June 30, 2004. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

Partnership Agreement
In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership Agreement, we allocate all distributions and profits and losses in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to avoid any Federal income or excise tax at the Company level. Under the Operating Partnership Agreement each limited partner will have the right to redeem units of limited partnership interest for cash, or if we so elect, shares of common stock on a one-for-one basis. In addition, we are prohibited from selling 673 First Avenue and 470 Park Avenue South before 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 management’s opinion, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2004 operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2003.

The balance sheet at December 31, 2003 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 our accounts and those of our subsidiaries, which are wholly-owned or controlled by us or entities which are variable interest entities in which we are the primary beneficiary under the Financial Accounting Standards Board, or FASB, Interpretation No. 46, or FIN 46, "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" (see Note 5 and Note 6). Entities which we do not control and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated.

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

In accordance with Statement of Financial Accounting Standards, or SFAS, No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," a property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Once an asset is held for sale, depreciation expense and straight-line rent adjustments are no longer recorded and the historic results are reclassified as discontinued operations (see Note 4).

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

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

Depreciation expense (including amortization of the capital lease asset) amounted to approximately $11.0 million, $21.8 million, $9.6 million and $17.8 million for the three and six months ended June 30, 2004 and 2003, respectively.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. We do not believe that the value of any of our rental properties was impaired at June 30, 2004 and December 31, 2003.

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

In accordance with Statement of Financial Accounting Standards No. 141, or SFAS 141, "Business Combinations," we allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above, below and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years. The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. The value associated with in-place leases and tenant relationships are amortized over the expected term of the relationship, which includes an estimated probability of the lease renewal, and its estimated term. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

As a result of our evaluations, under SFAS 141, of acquisitions made, we recorded a deferred asset of approximately $3.0 million representing the net value of acquired above and below market leases and assumed lease origination costs. For the three and six months ended June 30, 2004 and 2003, we recognized a reduction in rental revenue of $58,000, $116,000, $55,000 and $55,000, respectively, for the amortization of above market leases and a reduction in lease origination costs, and additional building depreciation of $1,400, $2,900, $1,000 and $1,000 for the three and six months ended June 30, 2004 and 2003, respectively, resulting from the reallocation of the purchase price of the applicable properties. We also recorded a deferred liability of $3.2 million representing the value of a mortgage loan assumed at an above market interest rate. For the three and six months ended June 30, 2004 and 2003, we recognized a $162,000, $321,000, $149,000 and $149,000 reduction in interest expense for the amortization of the above market mortgage, respectively.

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

Investment in Unconsolidated Joint Ventures
We account for our investments in unconsolidated joint ventures under the equity method of accounting as we exercise significant influence, but do not control these entities and are not considered to be the primary beneficiary under FIN 46. In all the joint ventures, the rights of the minority investor are both protective as well as participating. These rights preclude us from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 40 years. See Note 6. None of the joint venture debt is recourse to us.

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

Deferred Lease Costs
Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. A portion of their compensation, approximating $472,000, $894,000, $407,000 and $809,000 for the three and six months ended June 30, 2004 and 2003, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

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

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

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

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

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

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

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

Where impairment is indicated, a valuation write-down or write-off is measured based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. Any deficiency between the carrying amount of an asset and the net sales price of repossessed collateral is charged to the allowance for credit losses. No reserve for impairment was required at June 30, 2004 and December 31, 2003.

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

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected or may elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or “TRS.” In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. A TRS is subject to corporate Federal income tax.

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

Stock Based Employee Compensation Plans
We have a stock-based employee compensation plan, described more fully in Note 15. Prior to 2003, we accounted for this plan under Accounting Principles Board Opinion No. 25, or APB 25, “Accounting for Stock Issued to Employees,” and related Interpretations. No stock-based employee compensation cost was reflected in net income prior to January 1, 2003, as all awards granted under those plans had an intrinsic value of zero on the date of grant. Effective January 1, 2003, we adopted the fair value recognition provisions of FASB Statement No. 123, or SFAS 123, “Accounting for Stock-Based Compensation.” Under the prospective method of adoption we selected under the provisions of FASB Statement No. 148, or SFAS 148, “Accounting for Stock-Based

Compensation – Transition and Disclosure," the recognition provisions will be applied to all employee awards granted, modified, or settled after January 1, 2003.

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

Compensation cost for stock options, if any, is recognized ratably over the vesting period of the award. Our policy is to grant options with an exercise price equal to the quoted closing market price our stock on the business day preceding the grant date. Awards of stock, restricted stock or employee loans to purchase stock, which may be forgiven over a period of time, are expensed as compensation on a current basis over the benefit period.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants in 2004 and 2003.

	2004	2003
Dividend yield	**5.00**%	5.00%
Expected life of option	**5 years**	5 years
Risk-free interest rate	**4.00**%	4.00%
Expected stock price volatility	**14.40**%	17.91%

The following table illustrates the effect of net income available to common shareholders and earnings per share if the fair value method had been applied to all outstanding and unvested stock options for the three and six months ended June 30, 2004 and 2003, assuming all stock options had been granted under APB 25 (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income available to common shareholders	**$ 45,385**	$ 15,542	$ 61,340	$ 49,458
Deduct stock option expense-all awards	**(489)**	(375)	(998)	(758)
Add back stock option expense included in net income	**129**	—	194	—
Allocation of compensation expense to minority interest	**27**	26	55	53
Pro form net income available to common shareholders	**$ 45,052**	$ 15,193	$ 60,591	$ 48,753
Basic earnings per common share-historical	**$ 1.18**	$ 0.50	$ 1.60	$ 1.60
Basic earnings per common share-pro forma	**$ 1.17**	$ 0.49	$ 1.58	$ 1.58
Diluted earnings per common share-historical	**$ 1.13**	$ 0.49	$ 1.54	$ 1.51
Diluted earnings per common share-pro forma	**$ 1.12**	$ 0.48	$ 1.52	$ 1.49

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of the impact future awards may have on the results of our operations.

Derivative Instruments

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

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

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

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

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

Hedges that are reported at fair value and presented on the balance sheet could be characterized as either cash flow hedges or fair value hedges. Interest rate caps and collars are examples of cash flow hedges. Cash flow hedges address the risk associated with future cash flows of debt transactions. All hedges held by us are deemed to be fully effective in meeting the hedging objectives established by our corporate policy governing interest rate risk management and as such no net gains or losses were reported in earnings. The changes in fair value of hedge instruments are reflected in accumulated other comprehensive loss.

For derivative instruments not designated as hedging instruments, the gain or loss, resulting from the change in the estimated fair value of the derivative instruments, is recognized in current earnings during the period of change.

Earnings Per Share
We present both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. This also includes units of limited partnership interest.

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

Concentrations of Credit Risk
Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, structured finance investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing the structured finance investments is primarily located in Manhattan (see Note 5). We perform ongoing credit evaluations of our tenants and require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, the tenants located in these buildings operate in various industries and no single tenant in the wholly-owned properties contributes more than 4.7% of our share of annualized rent at June 30, 2004. Approximately 18% and 13% of our annualized rent was attributable to 420 Lexington Avenue and 220 East 42nd Street, respectively, for the three months ended June 30, 2004. Two borrowers accounted for more than 10.0% of the revenue earned on structured finance investments for the six months ended June 30, 2004.

Recently Issued Accounting Pronouncements
In January 2003, FASB issued FIN 46. FIN 46 clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB issued a revision of FIN 46, "Interpretation No. 46R," to clarify the provisions of FIN 46. The application of Interpretation 46R is required in financial statements of public entities for periods ending after March 15, 2004. The adoption of this pronouncement effective July 1, 2003 for the Service Corporation had no impact on our results of operations or cash flows, but resulted in a gross-up of assets and liabilities by $2,543,000 and $629,000 respectively. See Note 7. The adoption of this pronouncement effective January 1, 2004, for the structured finance portfolio and joint ventures had no impact on our financial condition, results of operations or cash flows as none of these investments were determined to be variable interest entities. See Note 6.

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

3. Property Acquisitions

We did not acquire any wholly-owned properties during the six months ended June 30, 2004.

In February 2003, we completed the acquisition of the 1.1 million square foot office property located at 220 East 42nd Street, Manhattan, known as The News Building, a property located in the Grand Central and United Nations marketplace, for a purchase price of approximately $265.0 million. Prior to the acquisition, we held a $53.5 million preferred equity investment in the property that was redeemed in full at closing. In connection with the redemption, we earned a redemption premium totaling approximately $4.4 million, which was accounted for as a reduction in the cost basis, resulting in an adjusted purchase price of $260.6 million. In connection with this acquisition, we assumed a $158.0 million mortgage, which was due to mature in September 2004 and bore interest at LIBOR plus 1.76%, and issued approximately 376,000 units of limited partnership interest in our Operating Partnership having an aggregate value of approximately $11.3 million. The remaining $42.2 million of the purchase price was funded from proceeds from the sales of 50 West 23rd Street and 875 Bridgeport Avenue, Shelton, CT, and borrowings under our unsecured revolving credit facility, which included the repayment of a $28.5 million mezzanine loan on the property. In December 2003, we refinanced the $158.0 million mortgage with a new $210.0 million 10-year mortgage at a fixed interest rate of 5.23% (see Note 9). We agreed that for a period of seven years after the acquisition, we would not take certain action that would adversely affect the tax positions of certain of the partners who received units of limited partnership interest in our Operating Partnership and who held interests in this property prior to the acquisition.

In March 2003, we acquired condominium interests in 125 Broad Street, Manhattan, encompassing approximately 525,000 square feet of office space for approximately $92.0 million. We assumed the $76.6 million first mortgage currently encumbering this property. The mortgage matures in October 2007 and bears interest at 8.29%. In addition, we issued 51,667 units of limited partnership interest in our Operating Partnership having an aggregate value of approximately $1.6 million. The balance of the purchase price was funded from proceeds from the sales of 50 West 23rd Street and 875 Bridgeport Avenue. This property is encumbered by a ground lease that the condominium can acquire in the future at a fixed price. We acquired our portion of the underlying fee interest for approximately $6.0 million in June 2004. We agreed that for a period of three years following the acquisition, we would not take certain action that would adversely affect the tax positions of certain of the partners who received units of limited partnership interest in our Operating Partnership and who held interests in this property prior to the acquisition.

In October 2003, we acquired the long-term leasehold interest in 461 Fifth Avenue, Manhattan, for $60.9 million. The leasehold acquisition was funded, in part, with the proceeds from the sale of 1370 Broadway, Manhattan, which closed in July 2003. As a 1031 tax-free exchange, the transaction enabled us to

defer gains from the sale of 1370 Broadway and from the sale of 17 Battery Place South, Manhattan, which gain was initially re-invested in 1370 Broadway. The balance of the acquisition was funded using our unsecured revolving credit facility.

Pro Forma

The following table (in thousands, except per share amounts) summarizes, on an unaudited pro forma basis, our combined results of operations for the six months ended June 30, 2003 as though the 2003 acquisitions of 220 East 42nd Street (February 2003) and 125 Broad Street (March 2003) and the $210.0 million refinancing of 220 East 42nd Street (December 2003) and the equity investment in 1221 Avenue of the Americas (December 2003) (see Note 6) were completed on January 1, 2003 and the December 2003 7.625% Series C cumulative redeemable preferred stock, or the Series C preferred stock, the January 2004 common stock and the April 2004 Series D preferred stock were issued on that date. There were no wholly-owned property acquisitions during the six months ended June 30, 2004.

		2003
Pro forma revenues	$	149,100
Pro forma net income	$	49,626
Pro forma earnings per common share-basic	$	1.60
Pro forma earnings per common share and common share equivalents-diluted	$	1.52
Pro forma common shares-basic	$	1.51
Pro forma common share and common share equivalents-diluted	$	1.44

4. Property Dispositions and Assets Held for Sale

We did not sell any wholly-owned properties during the six months ended June 30, 2004.

In March 2003, we sold 50 West 23rd Street for $66.0 million. We acquired the building at the time of our initial public offering in August of 1997, at a purchase price of approximately $36.6 million. Since that time, the building was upgraded and repositioned enabling us to realize a gain of approximately $19.2 million. The proceeds of the sale were used to pay off an existing $21.0 million first mortgage and substantially all of the balance was reinvested into the acquisitions of The News Building and 125 Broad Street to effectuate a partial 1031 tax-free exchange.

In May 2003, we sold 875 Bridgeport Avenue, Shelton, CT, or Shaws, for $16.2 million and the buyer assumed the existing $14.8 million first mortgage. The net proceeds were reinvested into the acquisitions of The News Building and 125 Broad Street to effectuate a partial 1031 tax-free exchange.

In July 2003, we sold 1370 Broadway for $57.5 million realizing a gain of approximately $4.0 million. The net proceeds were reinvested into the acquisition of 461 Fifth Avenue to effectuate a 1031 tax-free exchange.

At June 30, 2003, discontinued operations included the results of operations of real estate assets sold or held for sale, namely, 50 West 23rd Street which was sold in March 2003, 875 Bridgeport Avenue, Shelton, CT which was sold in May 2003 and 1370 Broadway which was sold in July 2003. There were no assets held for sale as of June 30, 2004. The following table summarizes income from discontinued operations (net of minority interest) and the related realized gain on sale of discontinued operations (net of minority interest) for the three and six months ended June 30, 2003 (in thousands).

		Three Months Ended June 30, 2003		Six Months Ended June 30, 2003
Revenue				
Rental revenue	$	**1,816**	$	5,4549
Escalation and reimbursement revenues		**300**		895
Signage rent and other income		**243**		250-
Total revenues		**2,359**		6,694
Operating Expenses		**416**		1,155
Real estate taxes		**369**		1,129
Interest		**243**		896
Depreciation and amortization		**301**		622
Total expenses		**1,329**		3,802
Income from discontinued operations		**1,030**		2,892
Gain on disposition of discontinued operations		**(322)**		18,830
Minority interest in operating partnership		**(50)**		(1,507)
Income from discontinued operations, net of minority interest	$	**658**	$	20,215

5. Structured Finance Investments

During the six months ended June 30, 2004 and 2003, we originated approximately $197.4 million and $34.1 million in structured finance and preferred equity investments (net of discount), respectively. There were also approximately $152.1 million and $54.2 million in repayments and participations during those periods, respectively. At June 30, 2004 and December 31, 2003, all loans were performing in accordance with the terms of the loan agreements. All of the properties comprising the structured financial investments are located in the greater New York area.

As of June 30, 2004 and December 31, 2003, we held the following structured finance investments, excluding preferred equity investments with a weighted yield of 9.8% (in thousands):

Loan Type		Gross Investment		Senior Financing		2004 Principal Outstanding		2003 Principal Outstanding	Initial Maturity Date
Mezzanine Loan (1) (2)	$	15,000	$	102,000	$	14,664	$	12,445	October 2013
Mezzanine Loan (1) (3)		3,500		28,000		3,500		3,500	September 2021
Mezzanine Loan (1)		40,000		184,000		40,000		—	February 2014
Mezzanine Loan		20,000		90,000		20,000		—	June 2006

Mezzanine Loan (4)	31,500	110,000	31,176	—	January 2006
Mezzanine Loan (5)	—	—	—	24,957	April 2004
Mezzanine Loan	—	—	—	15,000	January 2005
Junior Participation (6)	11,000	46,500	11,000	11,000	May 2005
Junior Participation (6)	30,000	125,000	15,045	30,000	September 2005
Junior Participation (1)	37,500	477,500	37,500	—	January 2014
Junior Participation	36,000	130,000	36,000	—	April 2006
Junior Participation	25,000	39,000	25,000	—	June 2006
Junior Participation	6,994	133,000	5,186	—	June 2014
Junior Participation	—	—	—	500	December 2004
Junior Participation (7)	—	—	—	14,926	November 2004
Junior Participation	—	—	—	15,000	September 2005
	$ 256,494	$ 1,465,000	$ 239,071	$ 127,328	

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(1) This is a fixed rate loan.
(2) This is an amortizing loan.
(3) The maturity date may be accelerated to July 2006 upon the occurrence of certain events.
(4) This investment is subject to an $18.9 million loan at a rate of 200 basis points over the 30-day LIBOR. The loan matures in December 2004. The weighted yield is net of this financing.
(5) In July 2001, this loan was contributed to a joint venture with Prudential Real Estate Investors, or PREI. We retained a 50% interest in the loan. The original investment was $50.0 million. This investment was redeemed in April 2004.
(6) These loans are subject to three one-year extension options from the initial maturity date.
(7) On April 12, 2002, this loan, with an original investment of $30.0 million was contributed to a joint venture with PREI. The Company retained a 50% interest in the loan. This loan was redeemed in January 2004.

Preferred Equity Investments

As of June 30, 2004 and December 31, 2003, we held the following preferred equity investments with a weighted yield of 11.93% (in thousands):

Type	Gross Investment	Senior Financing	2004 Amount Outstanding	2003 Amount Outstanding	Initial Maturity Date
Preferred equity (1) (2)	$ 8,000	$ 65,000	$ 7,765	$ 7,809	May 2006
Preferred equity (3)	38,000	38,000	5,479	5,479	July 2007
Preferred equity (3)	8,000	42,000	8,000	8,000	January 2006
Preferred equity (1)	4,000	44,000	3,981	3,993	August 2010
Preferred equity (1) (4)	—	—	—	59,380	April 2004
Preferred equity (5)	—	—	—	7,000	August 2006
	$ 58,000	$ 189,000	$ 25,225	$ 91,661	

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(1) This is a fixed rate investment.
(2) The investment is subject to extension options. We will also participate in the appreciation of the property upon sale to a third party above a specified threshold.
(3) This investment was redeemed in July 2004.
(4) This investment was redeemed on April 1, 2004.
(5) This investment was redeemed in March 2004 in connection with the acquisition of 19 West 44th Street. See Note 6.

6. Investment in Unconsolidated Joint Ventures

Rockefeller Group International Inc. Joint Venture

In December 2003, we purchased a 45% ownership interest in 1221 Avenue of the Americas for $450.0 million from The McGraw-Hill Companies, or MHC. MHC is a tenant at the property and accounts for approximately 15.4% of property's total revenue. Rockefeller Group International, Inc. retained its 55% ownership interest in 1221 Avenue of the Americas and continues to manage the property. For the three and six months ended June 30, 2004, we recognized an increase in net equity in unconsolidated joint ventures of approximately $86,000 and $171,000, respectively as a result of amortizing the SFAS 141 adjustment.

1221 Avenue of the Americas, known as The McGraw-Hill Companies building, is an approximately 2.55 million square foot, 50-story class "A" office building located in Rockefeller Center.

The gross purchase price of $450.0 million was partially funded by the assumption of 45% of underlying property indebtedness of $175.0 million, or $78.8 million, and the balance was paid in cash. This loan, which matures in December 2006, has an interest rate based on the Eurodollar plus 95 basis points (effective all-in weighted average interest rate for the quarter ended June 30, 2004 was 2.01%). We funded the cash component, in part, with proceeds from our offering of our Series C preferred stock (net proceeds of approximately $152.0 million) that closed in December 2003. The balance of the proceeds was funded with our unsecured revolving credit facility and a $100.0 million non-recourse term loan.

Morgan Stanley Joint Ventures

MSSG I
In December 2000, we along with Morgan Stanley Real Estate Fund, or MSREF, through the MSSG I joint venture, acquired 180 Madison Avenue, Manhattan, for $41.3 million, excluding closing costs. The property is a 265,000 square foot, 23-story building. In addition to holding a 49.9% ownership interest in the property, we act as the operating member for the joint venture, and are responsible for leasing and managing the property. During the three and six months ended June 30, 2004 and 2003, we earned approximately $160,000, $203,000, $59,000 and $123,000 for such services, respectively. The acquisition was partially funded by a $32.0 million mortgage. The loan, which was to mature in December 2005, carried a fixed interest rate of 7.81%. The mortgage was interest only until January 2002, at which time principal payments began. In July 2003, this mortgage was repaid and replaced with a five year $45.0 million first mortgage. The mortgage carries a fixed interest rate of 4.57% per annum and is interest only for the first year, after which time principal repayments begin. The joint venture agreement provides us with the opportunity to gain certain economic benefits based on the financial performance of the property.

MSSG III
In May 2000, we sold a 65% interest, for cash, in the property located at 321 West 44th Street to MSREF, valuing the property at approximately $28.0 million. We realized a gain of approximately $4.8 million on this transaction and retained a 35% interest in the property (with a carrying value of approximately $6.5 million), which was contributed to MSSG I. We acquired the 203,000 square foot building, located in the Times Square sub-market of Manhattan, in March 1998. Simultaneous with the closing of this joint venture, the venture received a $22.0 million mortgage for the acquisition and capital improvement program, which was estimated at approximately $3.3 million. The interest only mortgage was scheduled to mature in April 2004 and had an interest rate based on LIBOR plus 250 basis points. In addition to retaining a 35% economic interest in the property, we, acting as the operating member for the joint venture, were responsible for redevelopment, construction, leasing and management of the property. During the three and six months ended June 30, 2003, we earned approximately $145,000 and $174,000 for such services. The venture agreement provided us with the opportunity to gain certain economic benefits based on the financial performance of the property.

In December 2003, the MSSG III joint venture sold the property for a gross sales price of $35.0 million, excluding closing costs. MSSG III realized a gain of approximately $271,000 on the sale of which our share was approximately $95,000. We also recognized a gain of approximately $3.0 million, which had been deferred at the time we sold the property to the joint venture.

City Investment Fund
In March 2004, we, through a joint venture with the City Investment Fund, or CIF, acquired the property located at 19 West 44th Street, or 19 West, for $67.0 million, including the assumption of a $47.2 million mortgage, with the potential for up to an additional $2.0 million in consideration based on property performance. We previously held a $7.0 million preferred equity investment in the property, that was redeemed at the closing. We now hold a 35% equity interest in the property. The joint venture financed the transaction by assuming the existing $31.8 million first mortgage and a $15.4 million mezzanine loan with all-in weighted interest rates of 2.35% and 8.5%, respectively. The effective all-in weighted average interest rate for the quarter ended June 30, 2004 was 4.39%. The mortgage matures in September 2005 and is open for prepayment in April 2005.

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19 West is an approximately 292,000 square foot office building located between Fifth and Sixth Avenues. We act as the operating partner for the joint venture and are responsible for leasing and managing the property. During the three and six months ended June 2004, we earned approximately $49,000 for such services. The joint venture agreement provides us with the opportunity to gain certain economic benefits based on the financial performance of the property.

SITQ Immobilier Joint Ventures

One Park Avenue
In May 2001, we entered into a joint venture with respect to the ownership of our interests in One Park Avenue, Manhattan, or One Park, with SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ. The property is a 913,000 square foot office building. Under the terms of the joint venture, SITQ purchased a 45% interest in our interests in the property based upon a gross aggregate price of $233.9 million, exclusive of closing costs and reimbursements. No gain or loss was recorded as a result of this transaction. The $150.0 million mortgage was assumed by the joint venture. The interest only mortgage, which was scheduled to mature in January 2004, was extended for one year. This mortgage had an interest rate based on LIBOR plus 150 basis points. We provided management and leasing services for One Park. During the three and six months ended June 30, 2004 and 2003, we earned approximately $444,000, $765,000, $177,000 and $643,000, respectively, for such services. During each of the three and six months ended June 30, 2004 and 2003, we earned approximately $156,000, $310,000, $155,000 and $309,000 in asset management fees, respectively. The various ownership interests in the mortgage positions of One Park, held through this joint venture, provided for substantially all of the economic interest in the property and give the joint venture the sole option to purchase the ground lease position. Accordingly, we accounted for this joint venture as having an ownership interest in the property. In May 2004, the joint venture sold a 75% interest to Credit Suisse First Boston (See below).

1250 Broadway
In November 2001, we sold a 45% interest in 1250 Broadway, Manhattan, or 1250 Broadway, to SITQ based on the property's valuation of approximately $121.5 million. No gain or loss was recorded as a result of this transaction. This property is a 670,000 square foot office building. This property is subject to an $85.0 million mortgage. The interest only mortgage matures in October 2004 and has a one-year as-of-right renewal option. The mortgage has an interest rate based on LIBOR plus 250 basis points. We entered into a swap agreement on our share of the joint venture first mortgage. The swap effectively fixed the LIBOR rate at 4.04% through January 2005 (effective all-in weighted average interest rate of 6.53% for the quarter ended June 30, 2004). We provide management and leasing services for 1250 Broadway. During the three and six months ended June 30, 2004 and 2003, we earned approximately $187,000, $347,000, $171,000 and $440,000, respectively for such services. During the three and six months ended June 30, 2004 and 2003, we earned approximately $60,000, $120,000, $225,000 and $450,000 in asset management fees, respectively. In July 2004, we refinanced 1250 Broadway with a $115.0 million mortgage. The interest only loan carries an interest rate of 120 basis points over the 30-day LIBOR. The loan matures in July 2006 and is subject to three one-year as-of right renewal options.

1515 Broadway
In May 2002, we along with SITQ acquired 1515 Broadway, Manhattan, or 1515 Broadway, for a gross purchase price of approximately $483.5 million. The property is a 1.75 million square foot, 54-story office tower located on Broadway between 44th and 45th Streets. The property was acquired in a joint venture with us retaining an approximate 55% non-controlling interest in the asset. Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to the joint venture, the joint venture has agreed not to adversely affect the limited partners' tax positions before

December 2011. We provide management and leasing services for 1515 Broadway. During the three and six months ended June 30, 2004 and 2003, we earned approximately $587,000, $1,125,000, $311,000 and $692,000, respectively for such services. During the three and six months ended June 30, 2004 and 2003, we earned approximately $245,000, $489,000, $245,000 and $409,000, respectively, in asset management fees.

1515 Broadway was acquired with a $275.0 million first mortgage and $60.0 million of mezzanine loans, or the Mezzanine Loans. The balance of the proceeds were funded from our unsecured line of credit and from SITQ's capital contribution to the joint venture. The $275.0 million first mortgage carried an interest rate of 145 basis points over the 30-day LIBOR. The Mezzanine Loans consisted of two $30.0 million loans. The first mezzanine loan carried an interest rate of 350 basis points over the 30-day LIBOR. The second mezzanine loan carried an interest rate of 450 basis points over the 30-day LIBOR. We entered into a swap agreement on $100.0 million of our share of the joint venture first mortgage. The swap effectively fixed the LIBOR rate on the $100.0 million at 2.299% through June 2004. This swap was extended for one year at a fixed LIBOR rate of 1.855%. In June 2004, we refinanced the property with a $425.0 million first mortgage. The interest only mortgage carries an interest rate of 90 basis points over the 30-day LIBOR. The all-in blended weighted average effective interest rate was 3.84% for the quarter ended June 30, 2004. The mortgage matures in July 2006 and is subject to three one-year as-of-right renewal options.

One tenant, whose leases end between 2008 and 2013, represents approximately 88.2% of this joint venture's annualized rent at June 30, 2004.

Credit Suisse First Boston Joint Venture

In May 2004, Credit Suisse First Boston LLC, through a wholly owned affiliate, acquired a 75% interest in One Park. The interest was acquired from a joint venture comprised of SITQ and us. Simultaneous with the closing of the acquisition, the new joint venture completed a refinancing of the property with an affiliate of Credit Suisse First Boston.

Credit Suisse First Boston's affiliated entity acquired its equity interest for $60.0 million. The acquisition was based on a total valuation of approximately $318.5 million. The $238.5 million 10-year interest only loan bears interest at a fixed rate of 5.8% and replaced the existing $150.0 million floating rate loan, which was scheduled to mature in January 2005. We received $83.0 million in net proceeds which were used to pay down our unsecured revolving credit facility.

We have retained a 16.7% interest in the new venture, which may be increased substantially based upon the financial performance of the property. We will manage the venture, in addition to continuing our responsibility of leasing and managing the property. SITQ retained an 8.3% interest.

We accounted for the transaction as a sale of interests and recognized a gain on sale of approximately $22 million. Our initial book basis in the new joint venture is approximately $4.0 million and it will be accounted for under the equity method. In addition, we earned a $4.3 million incentive fee earned pursuant to the prior joint venture agreement with SITQ.

Prudential Real Estate Investors Joint Venture

In February 2000, we acquired a 49.9% interest in a joint venture which owned 100 Park Avenue, Manhattan, or 100 Park, for $95.8 million. 100 Park is an 834,000 square foot, 36-story office building. The purchase price was funded through a combination of cash and a seller provided mortgage on the property of $112.0 million. In August 2000, AIG/SunAmerica issued a $120.0 million mortgage collateralized by the property located at 100 Park, which replaced the pre-existing $112.0 million mortgage. The 8.00% fixed rate loan has a ten-year term. Interest only was payable through October 2001 and thereafter principal repayments are due through maturity. We provide managing and leasing services for 100 Park. During the three and six months ended June 30, 2004 and 2003, we earned approximately $286,000, $487,000, $131,000 and $258,000 for such services, respectively.

The condensed combined balance sheets for the unconsolidated joint ventures at June 30, 2004 and December 31, 2003, are as follows (in thousands):

	June 30, 2004	December 31, 2003
Assets		
Commercial real estate property	**$ 2,207,987**	$ 2,045,337
Other assets	**154,102**	290,373
Total assets	**$ 2,362,089**	$ 2,335,710
Liabilities and members' equity		
Mortgage payable	**$ 1,132,850**	$ 907,875
Other liabilities	**67,179**	88,629
Members' equity	**1,162,060**	1,339,206
Total liabilities and members' equity	**$ 2,362,089**	$ 2,335,710
Our net investment in unconsolidated joint ventures	**$ 502,658**	$ 590,064

The difference between the investment in unconsolidated joint ventures and our joint venture member's equity relates to purchase price adjustments.

The condensed combined statements of operations for the unconsolidated joint ventures for the three and six months ended June 30, 2004 and 2003 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Total revenues	**$ 81,883**	$ 43,505	**$ 160,695**	$ 87,801
Operating expenses	**19,273**	12,243	**38,944**	24,400

Real estate taxes	**14,391**	8,186	**28,526**	16,372
Interest	**10,764**	8,500	**20,099**	16,918
Depreciation and amortization	**13,675**	7,434	**26,675**	14,770
Total expenses	**58,103**	36,363	**114,244**	72,460
Net income before gain on sale	**$ 23,780**	$ 7,142	**$ 46,451**	$ 15,341
Our equity in net income of unconsolidated joint ventures	**$ 10,834**	$ 3,651	**$ 21,385**	$ 7,827

7. Investment in and Advances to Affiliates

Service Corporation

In order to maintain our 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 the Service Corporation. We, through our Operating Partnership, own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation. Through dividends on its equity interest, our 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 an affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. Prior to July 1, 2003, we accounted for our investment in the Service Corporation on the equity basis of accounting because we had significant influence with respect to management and operations, but did not control the entity. The Service Corporation is considered to be a variable interest entity under FIN 46 and we are the primary beneficiary. Therefore, effective July 1, 2003, we consolidated the operations of the Service Corporation. For the three and six months ended June 30, 2004, the Service Corporation earned approximately $1.9 million and $3.6 million of revenue and incurred approximately $1.8 million and $3.4 million in expenses. 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 us are conducted through SL Green Management LLC which is 100% owned by our Operating Partnership.

eEmerge

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

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

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

The net book value of our investment as of June 30, 2004 and December 31, 2003 was approximately $3.6 million and $4.0 million, respectively. Management currently believes that, assuming future increases in rental revenue in excess of inflation, it will be possible to recover the net book value of the investment through future operating cash flows. However, there is a possibility that eEmerge will not generate sufficient future operating cash flows for us to recover our investment. As a result of this risk factor, management may in the future determine that it is necessary to write down a portion of the net book value of the investment.

8. Deferred Costs

Deferred costs at June 30, 2004 and December 31, 2003 consisted of the following (in thousands):

	2004	2003
Deferred financing	**$ 19,454**	$ 22,464
Deferred leasing	**57,225**	49,131
	76,679	71,595
Less accumulated amortization	**(31,848)**	(32,318)
	$ 44,831	$ 39,277

9. Mortgage Notes Payable

The first mortgage notes payable collateralized by the respective properties and assignment of leases at June 30, 2004 and December 31, 2003, respectively, were as follows (in thousands):

Property	Maturity Date	Interest Rate	2004	2003
1414 Avenue of the Americas (1)	5/1/09	7.90%	**$ 13,430**	$ 13,532
70 West 36th Street (1)	5/1/09	7.90%	**11,703**	11,791

711 Third Avenue (1)	9/10/05	8.13%	**47,823**	48,036
420 Lexington Avenue (1)	11/1/10	8.44%	**120,360**	121,324
673 First Avenue (1)	2/11/13	5.67%	**35,000**	35,000
125 Broad Street (2)	10/11/07	8.29%	**75,864**	76,188
220 East 42nd Street	12/9/13	5.23%	**210,000**	210,000
Total fixed rate debt			**514,180**	515,871
Total floating rate debt			**—**	—
Total mortgage notes payable			**$ 514,180**	$ 515,871

(1) Held in bankruptcy remote special purpose entity.
(2) This mortgage has an initial maturity date of October 11, 2007 and a contractual maturity date of October 11, 2030.

At June 30, 2004 and December 31, 2003, the net book value of the properties collateralizing the mortgage notes was approximately $601.8 million and $594.7 million, respectively.

Principal Maturities

Combined aggregate principal maturities of mortgages and notes payable, secured and unsecured revolving credit facilities, term loans and our share of joint venture debt as of June 30, 2004, excluding extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facilities	Term Loans	Total	Joint Venture Debt
2004 (1)	$ 1,704	$ —	$ 18,900	$ —	$ 20,604	$ 47,230
2005	4,158	47,247	—	—	51,405	17,251
2006	4,222	—	86,000	—	90,222	313,489
2007	7,613	73,341	—	1,324	82,278	1,059
2008	7,666	—	—	298,676	306,342	21,863
Thereafter	29,621	338,608	—	—	368,229	95,651
	$ 54,984	$ 459,196	$ 104,900	$ 300,000	$ 919,080	$ 496,543

(1) The joint venture maturities in 2004 includes the loan on 1250 Broadway ($46.7 million) which was refinanced and now matures in 2006.

Mortgage Recording Tax - Hypothecated Loan

Our Operating Partnership mortgage tax credit loans totaled approximately $45,545 from LBHI at December 31, 2003. 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 our cash, which was held by LBHI and invested in US Treasury securities. Interest earned on the cash collateral was applied by LBHI to service the loans with interest rates commensurate with that of a portfolio of six-month US Treasury securities, which will mature on June 1, 2005. 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, 2004. Under the terms of the LBHI facility, no fees are due to the lender until such time as the facility is utilized. When a preserved mortgage is assigned to a third party or is used by us in a financing transaction, finance costs are incurred and are only calculated at that time. These costs are then accounted for based on the nature of the transaction. If the mortgage credits are sold to a third party, the finance costs are written off directly against the gain on sale of the credits. If the mortgage credits are used by us, the finance costs are deferred and amortized over the term of the new related mortgage. The amortization period is dependent on the term of the new mortgage. The purpose of these loans is to temporarily preserve mortgage recording tax credits for future potential acquisitions of real property, which we may make, the financing of which may include property level debt, or refinancings for which these credits would be applicable and provide a financial savings. At the same time, the underlying mortgage remains a bona-fide debt to LBHI. The loans are considered utilized when the loan balance of the facility decreases due to the assignment of the preserved mortgage to a property, which we are acquiring with debt or is being financed by us, or to a third party for the same purposes. As of June 30, 2004, the LBHI facility had total capacity of $200.0 million and no outstanding balance.

10. Credit Facilities

Unsecured Revolving Credit Facility

In March 2003, we renewed our $300.0 million unsecured revolving credit facility from a group of 13 banks. We have a one-time option to increase the capacity under the unsecured revolving credit facility to $375.0 million at any time prior to the maturity date. The unsecured revolving credit facility has a term of three years with a one-year extension option. It bears interest at a spread ranging from 130 basis points to 170 basis points over LIBOR, based on our leverage ratio, currently 170 basis points. If we were to receive an investment grade rating, the spread over LIBOR will be reduced to between 120 basis points and 95 basis points depending on the debt ratio. The unsecured revolving credit facility also requires a 15 to 25 basis point fee on the unused balance payable annually in arrears. At June 30, 2004, nothing was outstanding under this facility. Availability under the unsecured revolving credit facility at June 30, 2004 was reduced by the issuance of letters of credit in the amount of $4.0 million. The unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below). As of July 30, 2004, we had a balance of $270.0 million outstanding on our unsecured revolving credit facility.

Secured Revolving Credit Facilities

In December 2001, we obtained a $75.0 million secured revolving credit facility. The secured revolving credit facility had a term of two years with a one-year extension option. The extension option was exercised in December 2003 and this facility now matures in December 2006. This facility was increased to $125.0 million in March 2004. It bears interest at a spread ranging from 130 basis points to 170 basis points over LIBOR, based on our leverage ratio, currently 170 basis points, and is secured by various structured finance investments. At June 30, 2004, $86.0 million was outstanding and carried an all-in effective quarterly weighted average interest rate of 6.85%. The secured revolving credit facility includes certain restrictions and covenants, which are similar

to those under the unsecured revolving credit facility (see restrictive covenants below). As of July 30, 2004, we had a balance of $125.0 million outstanding on our secured revolving credit facility.

In connection with a structured finance transaction, which closed in June 2004, we entered into a secured term loan for $18.9 million. This loan, which matures in December 2004, carries an interest rate of 200 basis points over the one-month LIBOR (effective all-in rate of 3.37% for the quarter ended June 30, 2004).

Term Loans

In December 2002, we obtained a $150.0 million unsecured term loan. Effective June 2003, the unsecured term loan was upsized to $200.0 million and the term was extended by six months to June 2008. It bears interest at a spread ranging from 135 basis points to 170 basis points over LIBOR, based on our leverage ratio. As of June 30, 2004, we had $200.0 million outstanding under the unsecured term loan at the rate of 170 basis points over LIBOR. To limit our exposure to the variable LIBOR rate we entered into various swap agreements to fix the LIBOR rate on the entire unsecured term loan. The LIBOR rate was fixed for a blended all-in rate of 5.18%. The effective all-in interest rate on the unsecured term loan was 5.06% for the quarter ended at June 30, 2004.

In December 2003, we entered into an unsecured non-recourse term loan for $67.6 million, and repaid the mortgage on 555 West 57th Street. The terms of this loan were the same as those on the 555 West 57th Street mortgage. As a result, this loan carried an effective quarterly interest rate of 8.10 percent due to a LIBOR floor of 6.10% plus 200 basis points. This loan was repaid in April 2004.

In December 2003, we closed on a $100.0 million five-year non-recourse term loan secured by a pledge of our ownership interest in 1221 Avenue of the Americas. This term loan has a floating rate of 150 basis points over the current LIBOR rate (effective all-in rate of 3.83% for the quarter ended June 30, 2004). During April 2004, we entered into a serial step-swap commencing April 2004 with an initial 24-month all-in rate of 3.83% and a blended all-in rate of 5.10% with a final maturity date in December 2008.

Restrictive Covenants

The terms of the unsecured and secured revolving credit facilities and the term loans include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, and fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal Income Tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments. As of June 30, 2004 and December 31, 2003, we were in compliance with all such covenants.

11. Fair Value of Financial Instruments

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

Cash equivalents, accounts receivable, accounts payable and revolving credit facilities balances reasonably approximate their fair values due to the short maturities of these items. Mortgage notes payable and the unsecured term loans have an estimated fair value based on discounted cash flow models of approximately $822.6 million, which exceeds the book value by approximately $8.4 million. Structured finance investments are carried at amounts, which reasonably approximate their fair value as determined by us.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of June 30, 2004. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

12. Rental Income

The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from July 2004 to 2021. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at June 30, 2004 for the wholly-owned properties and our share of joint venture properties are as follows (in thousands):

	Wholly-Owned Properties	Joint Venture Properties
2004	$ 124,545	$ 52,956
2005	238,767	105,500
2006	226,083	103,632
2007	211,724	101,258
2008	194,355	93,238
Thereafter	738,013	456,185
	$ 1,733,487	$ 912,769

13. Related Party Transactions

Cleaning Services
First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services with respect to certain of the properties owned by us. First Quality is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors and former chief executive officer. First Quality also provides additional services directly to tenants on a separately negotiated basis. The aggregate amount of fees paid by us to First Quality for services provided (excluding services provided directly to tenants) was approximately $0.7 million, $1.6 million, $1.0 million and $1.7 million for the three and six months ended June 30, 2004 and 2003, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. First Quality leases 12,290 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 2012 and provides for annual rental payments of approximately $295,000.

Security Services
Classic Security LLC, or Classic Security, provides security services with respect to certain properties owned by us. Classic Security is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by us for such services was approximately $0.8 million, $1.7 million, $0.9 million and $1.7 million for the three and six months ended June 30, 2004 and 2003, respectively.

Messenger Services
Bright Star Couriers LLC, or Bright Star, provides messenger services with respect to certain properties owned by us. Bright Star is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by us for such services was approximately $63,000, $101,000, $43,000 and $50,000 for the three and six months ended June 30, 2004 and 2003, respectively.

Leases
Nancy Peck and Company leases 2,013 square feet of space at 420 Lexington Avenue, pursuant to a lease that expires in June 2005 and provides for annual rental payments of approximately $64,000. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due pursuant to the lease is offset against a consulting fee of $10,000 per month an affiliate pays to her pursuant to a consulting agreement, which is cancelable upon 30-days notice.

Brokerage Services
Sonnenblick-Goldman Company, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services with respect to securing approximately $80.0 million of first mortgage financing in 2003. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. We paid approximately $400,000 in 2003 to Sonnenblick for such services. In 2003, we also paid $623,000 to Sonnenblick in connection with the acquisition of 461 Fifth Avenue. In 2004, our 1515 Broadway joint venture paid approximately $855,000 to Sonnenblick in connection with securing a $425.0 million first mortgage for the property.

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

Management Fees
S.L. Green Management Corp. receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was $57,000, $126,000, $66,000 and $125,000 for the three and six months ended June 30, 2004 and 2003, respectively.

Amounts due from (to) related parties at June 30, 2004 and December 31, 2003 consisted of the following (in thousands):

	2004	2003
17 Battery Condominium Association	**$ 208**	$ 290
Officers and employees	**1,667**	1,743
Due from joint ventures	**345**	282
Other	**2,289**	2,927
Related party receivables	**$ 4,509**	$ 5,242

Management Indebtedness
In January 2001, Mr. Marc Holliday, then our president, received a non-recourse loan from us in the principal amount of $1.0 million pursuant to his amended and restated employment and non-competition agreement he executed at the time. This loan bears interest at the applicable federal rate per annum and is secured by a pledge of certain of Mr. Holliday's shares of our common stock. The principal of and interest on this loan is forgivable upon our attainment of specified financial performance goals prior to December 2006, provided that Mr. Holliday remains employed by us until January 17, 2007. In April 2000, Mr. Holliday received a loan from us in the principal amount of $300,000 with a maturity date of July 2003. This loan bears interest at a rate of 6.60% per annum and is secured by a pledge of certain of Mr. Holliday's shares of our common stock. In May 2002, Mr. Holliday entered into a loan modification agreement with we in order to modify the repayment terms of the $300,000 loan. Pursuant to the agreement, $100,000 (plus accrued interest thereon) is forgivable on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remains employed by us through each of such date. The balance outstanding on this loan, including accrued interest, was $224,000 on June 30, 2004. In addition, the $300,000 loan shall be forgiven if and when the $1.0 million loan that Mr. Holliday received pursuant to his amended and restated employment and non-competition agreement is forgiven.

14. Convertible Preferred Stock

Our 4,600,000 8% Preferred Income Equity Redeemable Shares, or PIERS, were non-voting and were convertible at any time at the option of the holder into our common stock at a conversion price of $24.475 per share. The PIERS received annual dividends of $2.00 per share paid on a quarterly basis and dividends were cumulative, subject to certain provisions. On or after July 15, 2003, the PIERS could be redeemed into common stock at our option at a redemption price of $25.889 and thereafter at prices declining to the par value of $25.00 on or after July 15, 2007, with a mandatory redemption on April 15, 2008 at a price of $25.00 per share. We could pay the redemption price out of the sale proceeds of other shares of our stock. The PIERS were recorded net of underwriters discount and issuance costs. These costs were being accreted over the expected term of the PIERS using the interest method. The PIERS were converted into 4,698,880 shares of our common stock on September 30, 2003. No charge was recorded to earnings as the conversion was not a redemption or an induced conversion to common stock.

15. Stockholders' Equity

Common Stock
Our authorized capital stock consists of 200,000,000 shares, $.01 par value, of which we have authorized the issuance of up to 100,000,000 shares of common stock, $.01 par value per share, 75,000,000 shares of excess stock, at $.01 par value per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of June 30, 2004, 38,691,876 shares of common stock and no shares of excess stock were issued and outstanding.

In January 2004, we sold 1,800,000 shares of our common stock at a gross price of $42.33 per share. The net proceeds from this offering (approximately $73.6 million) were used to pay down our unsecured revolving credit facility.

We filed a $500.0 million shelf registration statement, which was declared effective by the Securities and Exchange Commission, or SEC, in March 2004. This registration statement provides us with the ability to issue common and preferred stock, depository shares and warrants. After giving effect to the Series D preferred stock offerings, we have $400.0 million available under the shelf.

Perpetual Preferred Stock
In December 2003, we sold 6,300,000 shares of 7.625% Series C cumulative redeemable preferred stock, or the Series C preferred stock, (including the underwriters' over-allotment option of 700,000 shares) with a mandatory liquidation preference of $25.00 per share. Net proceeds from this offering (approximately $152.0 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series C preferred stock receive annual dividends of $1.90625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. On or after December 12, 2008, we may redeem the Series C preferred stock at par for cash at our option. The Series C preferred stock was recorded net of underwriters discount and issuance costs.

In April 2004, we priced a public offering of 2,450,000 shares of our 7.875% Series D Cumulative Redeemable Preferred Stock, or Series D preferred stock, with a mandatory liquidation preference of $25.00 per share. Net proceeds from this offering (approximately $59.0 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series D preferred stock receive annual dividends of $1.96875 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. On or after May 27, 2009, we may redeem the Series D preferred stock at par for cash at our option. The Series D preferred stock was recorded net of underwriters discount and issuance costs. In July 2004, we issued an additional 1,550,000 shares of Series D preferred stock, raising additional proceeds of approximately $37.5 million.

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

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

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

As of June 30, 2004, 158,341 shares were issued and approximately $6.2 million of proceeds were received from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program
At the May 2003 meeting our board of directors, the board ratified a long-term, seven-year compensation program for senior management. The program, which measures our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provides that holders of our common equity are to achieve a 40% total return during the measurement period over a base of $30.07 per share before any restricted stock awards are granted. Management will receive an award of restricted stock in an amount between 8% and 10% of the excess return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our Stock Option Plan (as defined below), which was previously approved through a stockholder vote in May 2002. We will record the expense of the restricted stock award in accordance with SFAS 123. The fair value of the award on the date of grant was determined to be $3.2 million. Forty percent of the value of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. The total value of the award (capped at $25.5 million) will determine the number of shares assumed to be issued for purposes of calculating diluted earnings per share. Compensation expense of $162,500, $325,000, $162,500 and $162,500 was recorded during the three and six months ended June 30, 2004 and 2003, respectively.

Stock Option Plan

During August 1997, we instituted the 1997 Stock Option and Incentive Plan, or the Stock Option Plan. The Stock Option Plan was amended in December 1997, March 1998, March 1999 and May 2002. The Stock Option Plan, as amended, authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, or ISOs, (ii) the grant of stock options that do not qualify, or NQSOs, (iii) the grant of stock options in lieu of cash Directors' fees and (iv) grants of shares of restricted and unrestricted common stock. The exercise price of stock options will be determined by the compensation committee, but may not be less than 100% of the fair market value of the shares of common stock on the date of grant. At June 30, 2004, approximately 4,000,000 shares of common stock were reserved for issuance under the Stock Option Plan.

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

A summary of the status of our stock options as of June 30, 2004 and December 31, 2003 and changes during the periods then ended are presented below:

	2004			2003		
	Options Outstanding		Weighted Average Exercise Price	Options Outstanding		Weighted Average Exercise Price
Balance at beginning of year	**3,250,231**	**$**	**26.80**	3,278,663	$	25.49
Granted	**118,000**	**$**	**43.13**	327,000	$	35.09
Exercised	**(357,268)**	**$**	**25.88**	(347,099)	$	22.14
Lapsed or cancelled	**(66,801)**	**$**	**28.44**	(8,333)	$	24.52
Balance at end of period	**2,944,162**	**$**	**27.52**	3,250,231	$	26.80

All options were granted within a price range of $18.44 to $43.25. The remaining weighted average contractual life of the options was 7.1 years.

Earnings Per Share

Earnings per share for the three and six months ended June 30, is computed as follows (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
Numerator (Income)		**2004**		**2003**		**2004**		**2003**
Basic Earnings:								
Income available to common shareholders	**$**	**45,385**	$	15,542	**$**	**61,340**	$	49,458
Effect of Dilutive Securities:								
Redemption of units to common shares		**2,651**		1,153		**3,611**		3,672
Preferred Stock (as converted to common shares)		**—**		2,431		**—**		4,862
Stock options		**—**		—		**—**		—
Diluted Earnings:								
Income available to common shareholders	**$**	**48,036**	$	19,126	**$**	**64,951**	$	57,992

Denominator (Weighted Average Shares)	**2004**	**2003**	**2004**	**2003**
Basic Earnings				
Shares available to common shareholders	**38,638**	31,082	**38,308**	30,895
Effect of Diluted Securities:				
Redemption of units to common shares	**2,225**	2,326	**2,255**	2,302
Preferred Stock (as converted to common shares)	**—**	4,699	**—**	4,699
Stock-based compensation plans	**1,593**	712	**1,652**	616
Diluted Shares	**42,456**	38,819	**42,215**	38,512

16. Minority Interest

The unit holders represent the minority interest ownership in the Operating Partnership. As of June 30, 2004 and December 31, 2003, the minority interest unit holders owned 5.4% (2,224,705 units) and 6.0% (2,305,955 units) of the Operating Partnership, respectively. At June 30, 2004, 2,224,705 shares of common stock were reserved for the conversion of units of limited partnership interest in the Operating Partnership.

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

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

17. Benefit Plans

The building employees are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to approximately $0.9 million, $1.8 million, $0.8 million and $1.6 million during the three and six months ended June 30, 2004 and 2003, respectively. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

18. Commitments and Contingencies

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

We entered into employment agreements with certain executives. Six executives have employment agreements which expire between November 2005 and January 2010. The cash-based compensation associated with these employment agreements totals approximately $2.4 million for 2004.

During March 1998, we acquired an operating sub-leasehold position at 420 Lexington Avenue. The operating sub-leasehold position requires annual ground lease payments totaling $6.0 million and sub-leasehold position payments totaling $1.1 million (excluding an operating sub-lease position purchased January 1999). The ground lease and sub-leasehold positions expire in 2008. We may extend the positions through 2029 at market rents.

The property located at 1140 Avenue of the Americas operates under a net ground lease ($348,000 annually) with a term expiration date of 2016 and with an option to renew for an additional 50 years.

The property located at 711 Third Avenue operates under an operating sub-lease which expires in 2083. Under the sub-lease, we are responsible for ground rent payments of $1.0 million annually which increased to $3.1 million in July 2001 and will continue for the next ten years. The ground rent is reset after year ten based on the estimated fair market value of the property.

The property located at 461 Fifth Avenue operates under a ground lease (approximately $1.8 million annually) with a term expiration date of 2006 and with three options to renew for an additional 21 years each, followed by a fourth option for 15 years. We also have an option to purchase the ground lease for a fixed price on a specific date.

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

We continue to lease the 673 First Avenue property, which has been classified as a capital lease with a cost basis of $12.2 million and cumulative amortization of approximately $4.0 million and $3.9 million at June 30, 2004 and December 31, 2003, respectively.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of June 30, 2004 (in thousands):

June 30,	Capital lease	Non-cancellable operating leases
2004	$ 697	$ 6,250
2005	1,322	13,769
2006	1,416	12,875
2007	1,416	11,982
2008	1,416	11,982
Thereafter	54,736	284,297
Total minimum lease payments	61,003	$ 341,155
Less amount representing interest	44,675	
Present value of net future minimum lease payments	$ 16,328	

19. Financial Instruments: Derivatives and Hedging

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

The following table summarizes the notional and fair value of our derivative financial instruments at June 30, 2004. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (in thousands):

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Collar	$ 70,000	6.510%	12/1999	11/2004	$ (1,042)
Interest Rate Swap	$ 65,000	4.010%	11/2001	8/2005	(1,134)
Interest Rate Swap	$ —	3.330%	8/2005	9/2006	306
Interest Rate Swap	$ —	4.330%	9/2006	6/2008	504
Interest Rate Swap	$ 100,000	4.060%	12/2003	12/2007	(1,363)
Interest Rate Swap	$ 35,000	1.450%	12/2003	12/2004	51
Interest Rate Swap	$ —	4.113%	12/2004	6/2008	(22)
Interest Rate Swap	$ 100,000	2.330%	4/2004	5/2006	1,024
Interest Rate Swap	$ —	4.650%	5/2006	12/2008	398
Interest Rate Cap Sold	$ 100,000	8.000%	6/2004	7/2006	(15)

On June 30, 2004, the derivative instruments were reported as an obligation at their fair value of approximately $1.3 million. Offsetting adjustments are represented as deferred gains or losses in Accumulated Other Comprehensive Income of $6.3 million, including a gain of $7.6 million from the settlement of a forward swap. This gain is being amortized over the ten-year term of its related mortgage obligation. Currently, all our derivative instruments are designated as effective hedging instruments.

Over time, the realized and unrealized gains and losses held in Accumulated Other Comprehensive Loss will be reclassified into earnings as interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $1.8 million of the current balance held in Accumulated Other Comprehensive Loss will be reclassified into earnings within the next 12 months.

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

20. Environmental Matters

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

21. Segment Information

We are a REIT engaged in owning, managing, leasing and repositioning office properties in Manhattan and has two reportable segments, office real estate and structured finance investments. We evaluate real estate performance and allocate resources based on earnings from continuing operations.

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

Selected results of operations for the three and six months ended June 30, 2004 and 2003, and selected asset information as of June 30, 2004 and December 31, 2003, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Structured Finance Segment	Total Company
Total revenues			
Three months ended:			
June 30, 2004	$ 80,883	$ 8,562	$ 89,445
June 30, 2003	70,902	3,449	74,351
Six months ended:			
June 30, 2004	$ 154,743	$ 22,391	$ 177,135
June 30, 2003	132,663	8,366	141,029
Income from continuing operations before minority interest:			
Three months ended:			
June 30, 2004	$ 22,471	$ 6,991	$ 29,462
June 30, 2003	15,757	2,661	18,418
Six months ended:			
June 30, 2004	$ 30,473	$ 18,887	$ 49,360
June 30, 2003	31,267	5,003	36,270
Total assets:			
As of:			
June 30, 2004	$ 1,992,318	$ 264,296	$ 2,256,614
December 31, 2003	2,042,852	218,989	2,261,841

Income from continuing operations before minority interest represents total revenues less total expenses for the real estate segment and total revenues less allocated interest expense for the structured finance segment. We do not allocate marketing, general and administrative expenses (approximately $4.5 million, $15.4 million, $2.8 million and $6.0 million for the three and six months ended June 30, 2004 and 2003, respectively) to the structured finance segment, since it bases performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

The table below reconciles income from continuing operations before minority interest to net income available to common shareholders for the three and six months ended June 30, 2004 and 2003 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Income from continuing operations before minority interest	**$ 29,462**	$ 18,418	**$ 49,360**	$ 36,270
Equity in net gain on sale of unconsolidated joint ventures	**22,012**	—	**22,012**	—

Minority interest in operating partnership attributable to continuing operations	**(2,652)**	(1,139)	**(3,612)**	(2,201)
Minority interest in partially-owned entities	**9**	36	**26**	36
Net income from continuing operations	**48,831**	17,315	**67,786**	34,105
Income from discontinued operations, net of minority interest	**—**	658	**—**	20,215
Net income	**48,831**	17,973	**67,786**	54,320
Preferred stock dividends	**(3,446)**	(2,300)	**(6,446)**	(4,600)
Preferred stock accretion	**—**	(131)	**—**	(262)
Net income available for common shareholders	**$ 45,385**	$ 15,542	**$ 61,340**	$ 49,458

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

The following table represents non-cash investing and financing activities (in thousands):

	Six Months Ended June 30, 2004	Year Ended December 31, 2003
Issuance of common stock as deferred compensation	**$ 14,096**	$ 6,670
Derivative instruments at fair value	**(1,277)**	(9,009)
Issuance of units of limited partnership interest in connection with acquisition	**—**	12,845
Assumption of mortgage notes payable upon acquisition of real estate	**—**	234,641
Fair value of above and below market leases (SFAS 141) in connection with acquisitions	**—**	(2,995)
Fair value of debt assumed (SFAS 141) in connection with acquisition	**—**	3,232
Redemption premium purchase price adjustment	**—**	4,380
Assignment of mortgage note payable upon sale of real estate	**—**	14,814
Conversion of preferred equity investment	**—**	53,500
Conversion of Series A preferred stock	**—**	112,112
Assumption of our share of joint venture mortgage note payable	**16,520**	78,750
Tenant improvements and leasing commissions payable	**24,451**	14,533
Acquisition of real estate	**2,755**	—

23. Subsequent Events

In July 2004, we acquired two office buildings, comprising 1.7 million square feet, located at 750 Third Avenue, or 750 Third, and 485 Lexington Avenue, or 485 Lexington, for $480.0 million.

750 Third was purchased by us as a wholly-owned asset for $255.0 million. The acquisition will initially be funded by proceeds from our unsecured revolving credit facility. At closing, TIAA-CREF, a AAA-rated company entered into an operating lease for the entire building. At the expiration of such operating lease, in December 2005, the building will be approximately 25% vacant.

485 Lexington was acquired in a joint venture with CIF. We own approximately 30.0% of the equity interests in the property. The allocated price for 485 Lexington is $225.0 million. The joint venture has arranged for a loan facility to fund 75% of the acquisition and anticipated re-tenanting costs of 485 Lexington. Consistent with our prior joint venture arrangements, we will be the operating partner and day-to-day manager of the venture and will be entitled to management fees, leasing commissions and incentive fees. At closing, TIAA-CREF entered into an operating lease for the entire building. Upon expiration of the operating lease in December 2005, it is anticipated that TIAA-CREF will vacate all of the space it occupies in 485 Lexington (approximately 870,000 square feet).

Simultaneous with the closing of 485 Lexington, we closed on a $240.0 million loan. The loan which bears interest at 200 basis points over the 30-day LIBOR, is for three years and has two one-year extension options. At closing, we drew down approximately $175.3 million. The balance will be used to fund the redevelopment program on an as-needed basis.

In July 2004, we originated a $75.0 million preferred equity investment. The investment, which has a ten-year term, carries a fixed interest rate of 10%.

In April 2004, we formed Gramercy Capital Corp., or Gramercy, a specialty finance company focused on originating and acquiring loans and other fixed-income investments secured by commercial and multifamily real estate. Gramercy will continue our structured finance business as a separate public company. Gramercy intends to operate as and qualify as a REIT for federal income tax purposes. In July 2004, Gramercy sold 12,500,000 shares of common stock in its initial public offering at a price of $15.00 per share, for a total offering of $187.5 million. Gramercy's common stock is listed on the New York Stock Exchange under the symbol "GKK." As part of the offering, we purchased 3,125,000 shares for a total investment of $46.9 million. The offering closed on August 2, 2004. Gramercy will be managed by us pursuant to a management agreement which will provide us with a base management fee equal to 1.75% of Gramercy's stockholders' equity, and an incentive distribution equal to 25% of the amount by which Gramercy's funds from operations exceeds the annual weighted average stockholders equity multiplied by 9.5%.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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

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

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

As of June 30, 2004, our wholly-owned properties consisted of 20 commercial properties encompassing approximately 8.2 million rentable square feet located primarily in midtown Manhattan, a borough of New York City, or Manhattan. As of June 30, 2004, the weighted average occupancy (total leased square feet divided by total available square feet) of the wholly-owned properties was 96.7%. Our portfolio also includes ownership interests in unconsolidated joint ventures, which own seven commercial properties in Manhattan, encompassing approximately 7.3 million rentable square feet, and which had a weighted average occupancy of 96.1% as of June 30, 2004. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

Critical Accounting Policies

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

Rental Property

On a periodic basis, our management team assesses whether there are any indicators that the value of our real estate properties, including joint venture properties and assets held for sale, and structured finance investments may be impaired. If the carrying amount of the property is greater than the estimated expected future cash flow (undiscounted and without interest charges) of the asset or sales price, impairment has occurred. We will then record an impairment loss equal to the difference between the carrying amount and the fair value of the asset. We do not believe that the value of any of our rental properties or structured finance investments was impaired at June 30, 2004 and December 31, 2003.

Revenue Recognition

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

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

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

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

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

Where impairment is indicated, a valuation write-down or write-off is measured based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. Any deficiency between the carrying amount of an asset and the net sales price of repossessed collateral is charged to the allowance for credit losses. No reserve for impairment was required at June 30, 2004 and December 31, 2003.

Derivative Instruments

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

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

Results of Operations

Comparison of the three months ended June 30, 2004 to the three months ended June 30, 2003

The following comparison for the three months ended June 30, 2004, or 2004, to the three months ended June 30, 2003, or 2003, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2003 and at June 30, 2004 and total 17 of our 20 wholly-owned properties, representing approximately 77% of our annualized rental revenue, (ii) the effect of the "2003 Acquisitions," which represents all properties acquired in 2003, namely, 220 East 42nd Street (February 2003), 125 Broad Street (March 2003) and 461 Fifth Avenue (October 2003), and (iii) "Other," which represents corporate level items not allocable to specific properties and eEmerge. Assets classified as held for sale in 2003, namely 50 West 23rd Street, 1370 Broadway and 875 Bridgeport Avenue, Shelton, CT, are excluded from the following discussion.

Rental Revenues (in millions)	2004	2003	$ Change	% Change
Rental revenue	**$ 63.5**	$ 59.3	$ 4.2	7.1%
Escalation and reimbursement revenue	**10.4**	10.0	0.4	4.0
Signage revenue	**—**	0.4	(0.4)	(100.0)
Total	**$ 73.9**	$ 69.7	$ 4.2	6.03%
Same-Store Properties	**$ 56.4**	$ 55.0	$ 1.4	2.6%
2003 Acquisitions	**17.7**	14.0	3.7	26.4
Other	**(0.2)**	0.7	(0.9)	(128.6)
Total	**$ 73.9**	$ 69.7	$ 4.2	6.03%

Occupancy in the Same-Store Properties decreased from 97.3% at June 30, 2003 to 97.0% at June 30, 2004, but increased from 95.8% at December 31, 2003. Rental revenue in the Same-Store Properties increased due to improved leasing at 420 Lexington Avenue and 555 West 57th Street. This increase occurred despite new cash rents on previously occupied space by new tenants at Same-Store Properties being 14.9% lower than the previously fully escalated rent (i.e., the latest annual rent paid on the same space by the old tenant). The increase in the 2003 Acquisitions is primarily due to owning these properties for the full quarter in 2004 compared to a partial period or not being included in 2003.

At June 30, 2004, we estimated that the current market rents on our wholly-owned properties were approximately 1.95% higher than then existing in-place fully escalated rents. Approximately 5.0% of the space leased at wholly-owned properties expires during the remainder of 2004. We believe that occupancy rates will remain relatively flat at the Same-Store Properties in 2004.

The increase in escalation and reimbursement revenue was primarily due to the recoveries at the 2003 Acquisitions ($0.8 million) and Other ($0.1 million) and offset by a decrease in Same-Store Properties ($0.5 million). The decrease in recoveries at the Same-Store Properties was primarily due to a decrease in utility recoveries ($0.4 million).

Investment and Other Income (in millions)	2004	2003	$ Change	% Change
Equity in net income of unconsolidated joint ventures	**$ 10.8**	$ 3.7	$ 7.1	191.9%
Investment and preferred equity income	**8.6**	3.4	5.2	152.9
Other	**7.0**	1.2	5.8	483.3
Total	**$ 26.4**	$ 8.3	$ 18.1	218.1%

The increase in equity in net income of unconsolidated joint ventures was primarily due to our acquisition of a 45% interest in 1221 Avenue of the Americas in late December 2003 ($7.4 million). Occupancy at our joint venture properties increased from 93.0% in 2003 to 96.1% in 2004. At June 30, 2004, we estimated that current market rents at our joint venture properties were approximately 12.1% higher than then existing in-place fully escalated rents. Approximately 3.2% of the space leased at our joint venture properties expires during the remainder of 2004.

The increase in investment income from structured finance investments was primarily due the weighted average investment balance outstanding and yield being $235.2 million and 10.2%, respectively, for 2004 compared to $120.0 million and 12.4%, respectively, for 2003. The balance of the increase is from the receipt of exit fees and accelerated origination fees due to the redemption of certain investments.

The increase in Other income was primarily due to fee income earned by the service corporation ($1.9 million), which was accounted for under the equity method prior to July 1, 2003. In addition, we recognized an incentive distribution resulting from the sale of an interest in One Park Avenue ($4.3 million). This was offset by a reduction in lease-buyout income ($0.3 million).

Property Operating Expenses (in millions)	2004	2003	$ Change	% Change
Operating expenses (excluding electric)	**$ 17.5**	$ 14.5	$ 3.0	20.7%
Electric costs	**4.7**	4.8	(0.1)	(2.1)
Real estate taxes	**12.3**	11.0	1.3	11.8
Ground rent	**3.9**	3.3	0.6	18.2
Total	**$ 38.4**	$ 33.6	$ 4.8	14.3%

	2004	2003	$ Change	% Change
Same-Store Properties	$ **27.1**	$ 26.4	$ 0.7	2.7%
2003 Acquisitions	**8.7**	6.4	2.3	35.9
Other	**2.6**	0.8	1.8	225.0
Total	$ **38.4**	$ 33.6	$ 4.8	14.3%

Same-Store Properties operating expenses, excluding real estate taxes ($0.5 million), increased approximately $0.2 million. There were increases in professional and condominium management costs ($0.3 million) and repairs, maintenance and payroll expenses ($0.3 million). This was offset by a decrease in utility costs ($0.4 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($0.5 million) due to higher assessed property values and the 2003 Acquisitions ($0.9 million).

Other Expenses (in millions)	2004	2003	$ Change	% Change
Interest expense	$ **14.6**	$ 11.6	$ 3.0	25.9%
Depreciation and amortization expense	**13.3**	11.6	1.7	14.7
Marketing, general and administrative expenses	**4.5**	2.8	1.7	60.7
Total	$ **32.4**	$ 26.0	$ 6.4	24.6%

The increase in interest expense was primarily attributable to additional borrowings associated with new investment activity ($3.0 million) and higher interest costs associated with property-level refinancing ($1.7 million). This was partially offset by reduced interest costs due to previous disposition activity ($0.8 million) and proceeds from our common and preferred equity offerings ($0.8 million). The weighted average interest rate decreased from 5.95% for the quarter ended June 30, 2003 to 5.86% for the quarter ended June 30, 2004. As a result of the new investment activity, the weighted average debt balance increased from $785.7 million as of June 30, 2003 to $971.9 million as of June 30, 2004.

Marketing, general and administrative expenses represented 5.0% of total revenues in 2004 compared to 3.8% in 2003. The increase is primarily due to higher compensation costs.

Results of Operations

Comparison of the six months ended June 30, 2004 to the six months ended June 30, 2003

The following comparison for the six months ended June 30, 2004, or 2004, to the six months ended June 30, 2003, or 2003, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2003 and at June 30, 2004 and total 17 of our 20 wholly-owned properties, representing approximately 77% of our annualized rental revenue, (ii) the effect of the "2003 Acquisitions," which represents all properties acquired in 2003, namely, 220 East 42nd Street (February 2003), 125 Broad Street (March 2003) and 461 Fifth Avenue (October 2003), and (iii) "Other," which represents corporate level items not allocable to specific properties and eEmerge. Assets classified as held for sale in 2003, namely 50 West 23rd Street, 1370 Broadway and 875 Bridgeport Avenue, Shelton, CT, are excluded from the following discussion.

Rental Revenues (in millions)	2004	2003	$ Change	% Change
Rental revenue	$ **125.0**	$ 110.9	$ 14.1	12.7%
Escalation and reimbursement revenue	**20.2**	18.2	2.0	11.0
Signage revenue	**0.1**	0.7	(0.6)	(85.7)
Total	$ **145.3**	$ 129.8	$ 15.5	11.9%
Same-Store Properties	$ **111.0**	$ 109.3	$ 1.7	1.6%
2003 Acquisitions	**35.2**	19.0	16.2	85.3
Other	**(0.9)**	1.5	(2.4)	(160.0)
Total	$ **145.3**	$ 129.8	$ 15.5	11.9%

Occupancy in the Same-Store Properties decreased from 97.3% at June 30, 2003 to 97.0% at June 30, 2004, but increased from 95.8% at December 31, 2003. Rental revenue in the Same-Store Properties increased despite new cash rents on previously occupied space by new tenants at Same-Store Properties being 4.3% lower than the previously fully escalated rent (i.e., the latest annual rent paid on the same space by the old tenant). The increase in the 2003 Acquisitions is primarily due to owning these properties for the full period in 2004 compared to a partial period or not being included in 2003.

At June 30, 2004, we estimated that the current market rents on our wholly-owned properties were approximately 1.95% higher than then existing in-place fully escalated rents. Approximately 5.0% of the space leased at wholly-owned properties expires during the remainder of 2004. We believe that occupancy rates will remain relatively flat at the Same-Store Properties in 2004.

The increase in escalation and reimbursement revenue was primarily due to the recoveries at the 2003 Acquisitions ($2.3 million) and offset by a decrease in Other ($0.3 million).

Investment and Other Income (in millions)	2004	2003	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ **21.4**	$ 7.8	$ 13.6	174.4%
Investment and preferred equity income	**22.4**	8.4	14.0	166.7
Other	**9.5**	2.9	6.6	227.6
Total	$ **53.3**	$ 19.1	$ 34.2	179.1%

The increase in equity in net income of unconsolidated joint ventures was primarily due to our acquisition of a 45% interest in 1221 Avenue of the Americas in late December 2003 ($14.6 million). This was partially offset by a reduction in our interest in One Park from 55% to 16.7% ($0.4 million). Occupancy at our joint venture properties increased from 93.0% in 2003 to 96.1% in 2004. At June 30, 2004, we estimated that current market rents at our joint venture properties were approximately 12.1% higher than then existing in-place fully escalated rents. Approximately 3.2% of the space leased at our joint venture properties expires during the remainder of 2004.

The increase in investment income from structured finance investments was primarily due the weighted average investment balance outstanding and yield being $252.4 million and 11.1%, respectively, for 2004 compared to $160.1 million and 12.6%, respectively, for 2003. In addition, we recognized a $4.2 million gain in 2004 from a partial distribution from a joint venture which owned a mortgage position in a portfolio of office and industrial properties. The balance of the increase is primarily from the receipt of exit fees and accelerated origination fees due to the redemption of certain investments (approximately $7.7 million).

The increase in Other income was primarily due to fee income earned by the service corporation ($3.6 million), which was accounted for under the equity method prior to July 1, 2003. In addition, we recognized an incentive distribution resulting from the sale of an interest in One Park ($4.3 million). This was offset by a reduction in lease-buyout income ($0.5 million), gains from the sale of non-real estate assets ($0.3 million) and asset management fees ($0.7 million).

Property Operating Expenses (in millions)	2004	2003	$ Change	% Change
Operating expenses (excluding electric)	**$ 36.7**	$ 27.7	$ 9.0	32.5%
Electric costs	**8.9**	8.3	0.6	7.2
Real estate taxes	**24.7**	20.6	4.1	19.9
Ground rent	**7.7**	6.4	1.3	20.3
Total	**$ 78.0**	$ 63.0	$ 15.0	23.8%
Same-Store Properties	**$ 55.3**	$ 52.9	$ 2.4	4.5%
2003 Acquisitions	**17.5**	8.7	8.8	101.2
Other	**5.2**	1.4	3.8	271.4
Total	**$ 78.0**	$ 63.0	$ 15.0	23.8%

Same-Store Properties operating expenses, excluding real estate taxes ($1.0 million), increased approximately $1.4 million. There were increases in advertising, professional and condominium management costs ($0.9 million) and repairs, maintenance, cleaning and payroll expenses ($1.0 million). This was offset by a decrease in utility costs ($0.5 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($1.0 million) due to higher assessed property values and the 2003 Acquisitions ($3.1 million).

Other Expenses (in millions)	2004	2003	$ Change	% Change
Interest expense	**$ 29.4**	$ 21.2	$ 8.2	38.7%
Depreciation and amortization expense	**26.4**	22.2	4.2	18.9
Marketing, general and administrative expenses	**15.4**	6.0	9.4	156.7
Total	**$ 71.2**	$ 49.4	$ 21.8	44.1%

The increase in interest expense was primarily attributable to additional borrowings associated with new investment activity ($10.8 million) and higher interest costs associated with property-level refinancing ($1.7 million). This was partially offset by reduced interest costs due to previous disposition activity ($1.7 million) and proceeds from our common and preferred equity offerings and other activities ($2.3 million). The weighted average interest rate decreased from 5.79% for the six months ended June 30, 2003 to 5.60% for the six months ended June 30, 2004. As a result of the new investment activity, the weighted average debt balance increased from $719.5 million as of June 30, 2003 to $1,047.5 million as of June 30, 2004.

Marketing, general and administrative expenses represented 8.7% of total revenues in 2004 compared to 4.3% in 2003. The increase is primarily due to increased compensation costs including a one-time charge related to a restricted stock award.

Liquidity and Capital Resources

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

Cash Flows

Net cash provided by operating activities increased $25.5 million to $70.4 million for the six months ended June 30, 2004 compared to $44.9 million for the six months ended June 30, 2003. Operating cash flow was primarily generated by the Same-Store Properties and 2003 Acquisitions, as well as the structured finance investments.

Net cash provided by investing activities increased $62.7 million to $56.1 million for the six months ended June 30, 2004 compared to $6.6 million used during the six months ended June 30, 2003. The increase was due primarily to the refinancing of 1515 Broadway and One Park as well as the sale of an interest in One Park ($133.5 million) which was offset by a new joint venture investment ($9.6 million) and net new structured finance investments ($14.1 million). This was offset by the proceeds from the sale of 50 West 23rd Street ($63.3 million) in 2003. There was an increase in acquisitions and acquisition deposits and capital improvements in 2004 ($31.3 million and $8.0 million, respectively) as compared to 2003 ($16.8 million and $15.4 million, respectively). This relates primarily to the acquisition deposits on 750 Third Avenue and 485 Lexington Avenue as well as a structured finance investment in 2004 compared to the acquisitions of 220 East 42nd Street and condominium interests in 125 Broad Street in 2003.

Net cash used in financing activities increased $20.5 million to $100.0 million for the six months ended June 30, 2004 compared to $79.5 million used in the six months ended June 30, 2003. The increase was primarily due to the receipt of proceeds from the January 2004 common stock offering (approximately $73.6 million) and the May 2004 preferred stock offering ($58.9 million). This was offset by net mortgage debt and credit facility repayments (approximately $152.2 million).

Capitalization

As of June 30, 2004, we had 38,691,876 shares of common stock, 2,224,705 units of limited partnership interest in our Operating Partnership, 6,300,000 Series C preferred shares and 2,450,000 Series D preferred shares outstanding.

In January 2004, we sold 1,800,000 shares of common stock under one of our shelf registration statements. The net proceeds from this offering (approximately $73.6 million) were used to pay down our unsecured revolving credit facility.

We currently have the ability to issue up to an aggregate amount of $400 million of our common and preferred stock, depository shares and warrants under our current shelf registration statement, which was declared effective in March 2004.

In April 2004, we priced a public offering of 2,450,000 shares of our 7.875% Series D Cumulative Redeemable Preferred Stock, or Series D preferred stock. The shares of Series D preferred stock have a liquidation preference of $25 per share and will be redeemable at par at our option on or after May 27, 2009. The net proceeds from this offering (approximately $59 million) were used to pay down our unsecured revolving credit facility. In July 2004, we issued an additional 1,550,000 shares of Series D preferred stock, raising additional proceeds of approximately $37.5 million.

Rights Plan

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

Dividend Reinvestment and Stock Purchase Plan

We filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP which was declared effective in September 2001. The DRIP commenced on September 24, 2001. We registered 3,000,000 shares of common stock under the DRIP.

As of June 30, 2004, we have issued 158,341 common shares and received approximately $6.2 million of proceeds from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

At the May 2003 meeting of our board of directors, our board ratified a long-term, seven-year compensation program for certain members of senior management. The program, which measures our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provides that holders of our common equity are to achieve a 40% total return, or baseline return, during the measurement period over a base share price of $30.07 per share before any restricted stock awards are granted. Plan participants will receive an award of restricted stock in an amount between 8% and 10% of the excess total return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 1997 Stock Option and Incentive Plan, as amended, which was previously approved through a shareholder vote in May 2002. We will record the expense of the restricted stock award in accordance with Financial Accounting Standards Board, or FASB, Statement No. 123, “Accounting for Stock-Based Compensation”. The fair value of the award on the date of grant was determined to be $3.2 million. Forty percent of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six and 14.29% of year seven will be recorded in year one. The total value of the award (capped at $25.5 million) will determine the number of shares assumed to be issued for purposes of calculating diluted earnings per share. Compensation expense of $162,500, $325,000, $162,500 and $162,500 related to this plan was recorded during the three and six months ended June 30, 2004 and 2003, respectively.

Market Capitalization

At June 30, 2004, borrowings under our mortgage loans, secured and unsecured revolving credit facilities and term loans (excluding our share of joint venture debt of $496.5 million) represented 30.11% of our consolidated market capitalization of $3.1 billion (based on a common stock price of $46.80 per share, the closing price of our common stock on the New York Stock Exchange on June 30, 2004). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our Operating Partnership, but excludes our share of joint venture debt.

Indebtedness

The table below summarizes our consolidated mortgage debt, secured and unsecured revolving credit facilities and term loans outstanding at June 30, 2004 and December 31, 2003, respectively (in thousands).

Debt Summary:	June 30, 2004	December 31, 2003
Balance		
Fixed rate	**$ 514,180**	$ 515,871
Variable rate - hedged	**370,000**	270,000
Total fixed rate	**884,180**	785,871
Variable rate	**—**	267,578
Variable rate - supporting variable rate assets	**34,900**	66,000
Total variable rate	**34,900**	333,578
Total	**$ 919,080**	$ 1,119,449
Percent of Total Debt:		
Total fixed rate	**96.20**%	70.20%
Variable rate	**3.80**%	29.80%
Total	**100.00**%	100.00%
Effective Interest Rate for the Quarter:		
Fixed rate	**6.19**%	6.77%
Variable rate	**2.72**%	2.85%
Effective interest rate	**5.86**%	5.66%

The variable rate debt shown above bears interest at an interest rate based on LIBOR (1.37% at June 30, 2004). Our debt on our wholly-owned properties at June 30, 2004 had a weighted average term to maturity of approximately 5.0 years.

As of June 30, 2004, we had eight structured finance investments collateralizing our secured revolving credit facility. Certain of our structured finance investments, totaling $151.7 million, are variable rate investments which partially mitigate our exposure to interest rate changes on our unhedged variable rate debt.

Mortgage Financing

As of June 30, 2004, our total mortgage debt (excluding our share of joint venture debt of approximately $496.5 million) consisted of approximately $514.2 million of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 6.86% and no unhedged variable rate debt.

Credit Facilities

Unsecured Revolving Credit Facility

We currently have a $300.0 million unsecured revolving credit facility, which matures in March 2006. This unsecured revolving credit facility has an automatic one-year extension option provided that there are no events of default under the loan agreement. At June 30, 2004, nothing was outstanding under this unsecured revolving credit facility. Availability under this unsecured revolving credit facility at June 30, 2004 was reduced by the issuance of letters of credit in the amount of $4.0 million.

Secured Revolving Credit Facilities

In March 2004, we increased our $75.0 million secured revolving credit facility to $125.0 million and extended the maturity to December 2006. This secured revolving credit facility is secured by various structured finance investments. At June 30, 2004, $86.0 million was outstanding under this secured revolving credit facility and carried an effective all-in quarterly weighted average interest rate of 6.85%.

In connection with a structured finance transaction, which closed in June 2004, we entered into a secured term loan for $18.9 million. This loan, which matures in December 2004, carries an interest rate of 200 basis points over the one-month LIBOR (effective all-in rate of 3.37% for the quarter ended June 30, 2004).

Term Loans

In December 2002, we obtained a $150.0 million unsecured term loan. Effective June 2003, this unsecured term loan was increased to $200.0 million and the term was extended by six months to June 2008. As of June 30, 2004, we had $200.0 million outstanding under the unsecured term loan at the rate of 170 basis points over LIBOR. To limit our exposure to the variable LIBOR rate we entered into various swap agreements to fix the LIBOR rate on the entire unsecured term loan. The effective all-in quarterly interest rate on the unsecured term loan was 5.06% for 2004.

In December 2003, we entered into an unsecured non-recourse term loan for $67.6 million and repaid the mortgage on 555 West 57th Street. The terms of this loan were the same as those on the 555 West 57th Street mortgage. As a result, this loan, which was to mature in November 2004, carried an effective interest rate of 8.10 percent. This loan was repaid on April 30, 2004.

In December 2003, we closed on a $100.0 million five-year non-recourse term loan, secured by a pledge of the Company's ownership interest in 1221 Avenue of the Americas. This term loan has a floating rate of 150 basis points over the current LIBOR rate and carried an effective all-in quarterly weighted average

interest rate of 3.83%. During April 2004, we entered into a swap agreement to fix the LIBOR at a blended all-in interest rate of 5.10% through December 2008.

Restrictive Covenants

The terms of our unsecured and secured revolving credit facilities and term loans include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments. As of June 30, 2004 and December 31, 2003, we were in compliance with all such covenants.

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2004 would increase our annual interest cost by approximately $0.7 million and would increase our share of joint venture annual interest cost by approximately $2.2 million, respectively.

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

Approximately $884.2 million of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of June 30, 2004 ranged from LIBOR plus 90 basis points to LIBOR plus 286 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and notes payable, revolving credit facilities, term loans and our share of joint venture debt, excluding extension options, and our obligations under our capital lease and ground leases, as of June 30, 2004 are as follows:

	Property Mortgages	Revolving Credit Facilities	Term Loans	Capital Lease	Ground Leases	Total	Joint Venture Debt
July 1, 2004	$ 1,704	$ 18,900	$ —	$ 697	$ 6,250	$ 27,551	$ 47,230
2005	51,405	—	—	1,322	13,769	66,496	17,251
2006	4,222	86,000	—	1,416	12,875	104,513	313,489
2007	80,954	—	1,324	1,416	11,982	95,676	1,059
2008	7,666	—	298,676	1,416	11,982	319,740	21,863
Thereafter	368,229	—	—	54,736	284,297	707,262	95,650
	$ 514,180	$ 104,900	$ 300,000	$ 61,003	$ 341,155	$ 1,321,238	$ 496,543

Off-Balance Sheet Arrangements

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

Capital Expenditures

We estimate that for the six months ending December 31, 2004, we will incur approximately $29.4 million of capital expenditures (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties will be approximately $8.1 million. Of those total capital expenditures, approximately $9.1 million for wholly-owned properties and $1.4 million for our share of capital expenditures at our joint venture properties are dedicated to redevelopment costs, including compliance with New York City local law 11. We expect to fund these capital expenditures with operating cash flow, borrowings under our credit facilities, additional property level mortgage financings, and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect that our capital needs will be met through a combination of net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of $2.00 per share, we would pay approximately $81.8 million in dividends. Before we pay any dividend, whether

for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured and secured credit facilities, and our term loans, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning Services

First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services with respect to certain of the properties owned by us. First Quality is owned by Gary Green, a son of Stephen L. Green, our chairman of the Board and former chief executive officer. First Quality also provides additional services directly to tenants on a separately negotiated basis. The aggregate amount of fees paid by us to First Quality for services provided (excluding services provided directly to tenants) was approximately $0.7 million, $1.6 million, $1.0 million and $1.7 million for the three and six months ended June 30, 2004 and 2003, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. First Quality leases 12,290 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2012 and provides for annual rental payments of approximately $295,000.

Security Services

Classic Security LLC, or Classic Security, provides security services with respect to certain properties owned by us. Classic Security is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by us for such services was approximately $0.8 million, $1.7 million, $0.9 million and $1.7 million for the three and six months ended June 30, 2004 and 2003, respectively.

Messenger Services

Bright Star Couriers LLC, or Bright Star, provides messenger services with respect to certain properties owned by us. Bright Star is owned by Gary Green, a son of Stephen L. Green. The aggregate amount of fees paid by us for such services was approximately $63,000, $101,000, $43,000 and $50,000 for the three and six months ended June 30, 2004 and 2003, respectively.

Leases

Nancy Peck and Company leases 2,013 square feet of space at 420 Lexington Avenue pursuant to a lease that expires on June 30, 2005 and provides for annual rental payments of approximately $64,000. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is offset against a consulting fee, of $10,000 per month, an affiliate pays to her under a consulting agreement which is cancelable upon 30-days notice.

Management Fees

S.L. Green Management Corp. receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately $57,000, $126,000, $66,000 and $125,000 for the three and six months ended June 30, 2004 and 2003, respectively.

Management Indebtedness

In January 2001, Mr. Marc Holliday, then our president, received a non-recourse loan from us in the principal amount of $1,000,000 pursuant to his amended and restated employment and noncompetition agreement he executed at that time. This loan bears interest at the applicable federal rate per annum and is secured by a pledge of certain of Mr. Holliday's shares of our common stock. The principal of and interest on this loan is forgivable upon our attainment of specified financial performance goals prior to December 2006, provided that Mr. Holliday remains employed by us until January 2007. In April 2000, Mr. Holliday received a loan from us in the principal amount of $300,000, with a maturity date of July 2003. This loan bears interest at a rate of 6.60% per annum and is secured by a pledge of certain of Mr. Holliday's shares of our common stock. In May 2002, Mr. Holliday entered into a loan modification agreement with us in order to modify the repayment terms of the $300,000 loan. Pursuant to the agreement, $100,000 (plus accrued interest thereon) is forgivable on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remains employed by us through each of such date. The balance outstanding on this loan, including accrued interest, was $224,000 on June 30, 2004. In addition, the $300,000 loan shall be forgiven if and when the $1,000,000 loan that Mr. Holliday received pursuant to his amended and restated employment and non-competition agreement is forgiven.

Brokerage Services

Sonnenblick-Goldman Company, a nationally recognized real estate investment banking firm, provided mortgage brokerage services with respect to securing approximately $80.0 million of first mortgage financing in 2003. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financing. The fees paid by us to Sonnenblick for such services was approximately $400,000 in 2003. In 2003, we also paid $623,000 to Sonnenblick in connection with the acquisition of 461 Fifth Avenue. In 2004, our 1515 Broadway joint venture paid approximately $885,000 to Sonnenblick in connection with securing a $425.0 million first mortgage for the property.

Investments

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

Other

Insurance

We carry comprehensive all risk (fire, flood, extended coverage and rental loss insurance) and liability insurance with respect to our property portfolio. This policy has a limit of $350 million of terrorism coverage for the properties in our portfolio and expires in October 2004. We are currently in the process of renewing this policy. 1515 Broadway has stand-alone insurance coverage, which provides for full all risk coverage, but has a limit of $300 million in terrorism coverage. This policy will expire in October 2005. We also have a separate policy for 1221 Avenue of the Americas in which we participate with the Rockefeller Group Inc. in a blanket policy providing $1.2 billion of all risk property insurance along with $1.0 billion of insurance for terrorism. We also carry additional all risk property insurance of $110.0 million on 125 Broad Street. While we believe our insurance coverage is appropriate, in the event of a major catastrophe resulting from an act of terrorism, we may not have sufficient coverage to replace a significant property. We do not know if sufficient insurance coverage will be available when the current policies expire, nor do we know the costs for obtaining renewal policies containing terms similar to our current policies. In addition, our policies may not cover properties that we may acquire in the future, and additional insurance may need to be obtained prior to October 2004, or in the case of 1515 Broadway, October 2005.

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

Funds from Operations

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

Funds from Operations for the three and six months ended June 30, 2004 and 2003 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Income before minority interest, gain on sales and preferred stock dividends	**$ 29,462**	$ 18,418	**$ 49,360**	$ 36,270
Add:				
Depreciation and amortization	**13,318**	11,573	**26,366**	22,163
FFO from discontinued operations	**—**	1,333	**—**	3,517
FFO adjustment for unconsolidated joint ventures	**5,780**	3,438	**11,780**	6,825
Less:				
Dividends on convertible preferred shares	**—**	(2,300)	**—**	(4,600)
Dividends on perpetual preferred shares	**(3,446)**	—	**(6,446)**	
Amortization of deferred financing costs and depreciation on non-rental real estate assets	**(968)**	(886)	**(1,924)**	(2,371)
Funds From Operations – basic	**44,146**	31,576	**79,136**	61,804
Dividends on preferred shares	**—**	2,300	**—**	4,600
Funds From Operations – diluted	**$ 44,146**	$ 33,876	**$ 79,136**	$ 66,404
Cash flows provided by operating activities	**$ 39,689**	$ 30,898	**$ 70,378**	$ 44,874
Cash flows provided by (used in) investing activities	**$ 104,973**	$ (13,568)	**$ 56,088**	$ (6,583)
Cash flows used in financing activities	**$ (102,010)**	$ (25,139)	**$ (99,967)**	$ (79,501)

Inflation

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

Forward-Looking Information

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements relate to, without limitation, our future capital expenditures, dividends and acquisitions (including the amount and nature thereof) and other development trends of the real estate industry and the Manhattan office market, business strategies, and the expansion and growth of our operations. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Act and Section 21E of the Exchange Act. Such statements are subject to a number of assumptions, risks and uncertainties which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are generally identifiable by the use of

the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” “project,” “continue,” or the negative of these words, or other similar words or terms. Readers are cautioned not to place undue reliance on these forward-looking statements. Among the factors about which we have made assumptions are general economic and business (particularly real estate) conditions either nationally or in New York City being less favorable than expected, the potential impact of terrorist attacks on the national, regional and local economies including in particular, the New York City area and our tenants, the business opportunities that may be presented to and pursued by us, changes in laws or regulations (including changes to laws governing the taxation of REITs), risk of acquisitions, risks of structured finance investments, availability and creditworthiness of prospective tenants, availability of capital (debt and equity), interest rate fluctuations, competition, supply and demand for properties in our current and any proposed market areas, tenants’ ability to pay rent at current or increased levels, accounting principles, policies and guidelines applicable to REITs, environmental, regulatory and/or safety requirements, tenant bankruptcies and defaults, the availability and cost of comprehensive insurance, including coverage for terrorist acts, and other factors, many of which are beyond our control. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

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

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

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

The table below presents principal cash flows based upon maturity dates of our debt obligations and mortgage receivables and the related weighted-average interest rates by expected maturity dates as of June 30, 2004 (in thousands):

	Long-Term Debt				Mortgage Receivables	
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**	**Amount**	**Weighted Yield**
2004	$ 1,704	6.18%	$ 18,900	2.72%	$ —	—
2005	51,405	5.90%	—	—	26,044	10.96%
2006	74,222	5.89%	16,000	2.72%	127,941	7.85%
2007	82,278	5.88%	—	—	5,478	14.09%
2008	306,341	5.85%	—	—	104,833	10.63%
Thereafter	368,230	5.48%	—	—	—	—
Total	**$ 884,180**	**5.71%**	**$ 34,900**	**2.72%**	**$ 264,296**	**10.19%**
Fair Value	**$ 892,600**		**$ 34,900**		**$ 264,296**	

The table below presents the gross principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of June 30, 2004 (in thousands):

	Long Term Debt			
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**
2004 (1)	$ 47,106	5.92%	$ 125	3.30%
2005	925	5.81%	16,326	3.30%
2006	100,989	5.81%	212,500	3.20%
2007	1,059	6.30%	—	—
2008	21,863	6.30%	—	—
Thereafter	95,651	6.03%	——	—
Total	$ 267,593	6.04%	$ 228,950	3.27%
Fair Value	$ 271,300		$ 228,950	

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(1) Included in this item is $46,750 based on the contractual maturity date of the debt on 1250 Broadway. This loan was refinanced in July 2004 and matures in August 2006.

The table below lists all of our derivative instruments which are hedging variable rate debt, including joint ventures, and their related fair value as of June 30, 2004 (in thousands):

	Asset Hedged	**Benchmark Rate**	**Notional Value**	**Strike Rate**	**Effective Date**	**Expiration Date**	**Fair Value**
Interest Rate Collar	Fleet loan	LIBOR	$ 70,000	6.580%	12/1999	11/2004	$ (1,042)
Interest Rate Swap	Term loan	LIBOR	65,000	4.010%	11/2001	8/2005	(1,134)
Interest Rate Swap	Term loan	LIBOR	—	3.300%	8/2005	9/2006	306
Interest Rate Swap	Term loan	LIBOR	—	4.330%	9/2006	6/2008	505
Interest Rate Swap	Term loan	LIBOR	100,000	4.060%	12/2003	12/2007	(1,363)
Interest Rate Swap (1)	Term loan	LIBOR	35,000	1.450%	12/2003	12/2004	51
Interest Rate Swap (1)	Term loan	LIBOR	—	4.113%	12/2004	6/2008	(22)
Interest Rate Swap	Term loan	LIBOR	100,000	2.330%	4/2004	5/2006	1,024
Interest Rate Swap	Term loan	LIBOR	—	4.650%	5/2006	12/2008	398
Total Consolidated Hedges			$ 370,000				$ (1,277)
Interest Rate Swap (2)	1250 Broadway	LIBOR	$ 46,750	4.038%	11/2001	1/2005	$ (533)
Interest Rate Swap (2)	1515 Broadway	LIBOR	100,000	1.855%	6/2004	6/2005	490
Total Joint Venture Hedges			$ 146,750				$ (43)

In addition to these derivative instruments, our joint venture loan agreements require the joint ventures to purchase interest rate caps on their debt. All these interest rate caps were out of the money and had no value at June 30, 2004.

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(1) This is a step swap with an initial term of one year followed by a four year term.
(2) This represents a hedge on a portion of our share of the unconsolidated joint venture debt.

ITEM 4. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of “disclosure controls and procedures” in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

b. Changes in Internal Controls over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting identified in connection with the evaluation of such internal controls that occurred during the Company’s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 18 to the consolidated financial statements

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

We held our annual meeting of stockholders on May 19, 2004, at which the following matters were voted upon:

1. To elect one Class I director of the Company to serve until the 2007 Annual Meeting of Stockholders and until their successors are duly elected and qualified.

2. To ratify the selection of Ernst & Young LLP as the independent auditors of the Company for the fiscal year ending December 31, 2004.

The results of the meeting were as follows:

	For	Against	Abstain
Proposal 1:			
Edwin T. Burton	28,813,909	593,133	—
Proposal 2:	27,681,721	1,719,833	5,488

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 Employment and Non-competition Agreement between Gerard Nocera and the Company, dated May 1, 2004, filed herewith.

10.2 Contract of Sale between Teachers Insurance and Annuity Association of America, ("Seller") and 750-485 Fee Owner LLC, ("Purchaser") dated as of June 15, 2004, filed herewith.

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

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

32.1 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 202 filed herewith.

32.2 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

(b) Reports on Form 8-K:

The Registrant file a Current Report on Form 8-K dated April 16, 2004 and filed on April 16, 2004 (reporting under Item 7) in connection with our annual letter to stockholders.

The Registrant filed a Current Report on Form 8-K dated April 20, 2004 and filed on April 21, 2004 (reporting under Items 7 and 12) in connection with our first quarter 2004 earnings release, supplemental information package and registration statement of Gramercy Capital Corp.

The Registrant filed a Current Report on Form 8-K dated April 29, 2004 and filed on May 20, 2004 (reporting under Items 5 and 7) in connection with the sale of 2.4 million shares of our 7.875% Series D preferred stock.

The Registrant file a Current Report on Form 8-K dated May 14, 2004 and filed on May 21, 2004 (reporting under Items 5 and 7) in connection with the recapitalization of One Park Avenue, New York.

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/ Gregory F. Hughes
Gregory F. Hughes
Chief Financial Officer

Date: August 9, 2004

Exhibit 10.1

EMPLOYMENT AND NONCOMPETITION AGREEMENT

This EMPLOYMENT AND NONCOMPETITION AGREEMENT ("Agreement") is made as of the 20th day of April, 2004 between Gerard T. Nocera ("Executive") and SL Green Realty Corp., a Maryland corporation with its principal place of business at 420 Lexington Avenue, New York, New York 10170 (the "Employer"), and amends in its entirety and completely restates that certain employment agreement between Executive and the Employer dated as of September 30, 1998.

1. Term. The term of this Agreement shall commence on May 1, 2004 and shall continue for a period of two years from the commencement date, unless earlier terminated as provided in Section 6 below, shall terminate on the second anniversary of the date of this Agreement (the "Original Term"); provided, however, that Sections 4 and 8 (and any enforcement or other procedural provisions hereof affecting Sections 4 and 8) hereof shall survive the termination of this Agreement as provided therein. The Original Term may be extended for such period or periods, if any, as may be mutually agreed to in writing by Executive and the Employer (each a "Renewal Term"). If either party intends not to extend the Original Term, such party will give the other party at least six months' written notice of such intention. If either party gives such notice with less than six months remaining in the Original Term, the term of this Agreement shall be extended until the date which is six months after the date on which the notice is given. The period of Executive's employment hereunder consisting of the Original Term and all Renewal Terms (and any period of extension under the foregoing sentence), if any, is herein referred to as the "Employment Period."

2. Employment and Duties.

(a) Duties. During the Employment Period, Executive shall be employed in the business of the Employer and its affiliates. Executive shall serve the Employer as a senior corporate executive and shall have the title of Chief Operating Officer of the Employer. Executive will report to the Chief Executive Officer of the Employer. Executive shall be responsible for overseeing the directors of leasing, management and construction of real estate of the Employer, assisting the finance department in budget preparation, compliance and monitoring, cultivating relationships with new and existing tenants, managing the redevelopment of real estate assets of the Employer, supervising corporate advertising and human resources personnel, and assisting and, as may be requested, participating in communications to the Employer's shareholders and industry analysts. Executive's duties and authority shall be as further set forth in the By-laws of the Employer and as otherwise established from time to time by the Board of Directors of the Employer (the "Board") and the Chief Executive Officer of the Employer, but in all events such duties shall be commensurate with his position as Chief Operating Officer of the Employer.

(b) Best Efforts. Executive agrees to his employment as described in this Section 2 and agrees to devote substantially all of his business time and efforts to the performance of his duties under this Agreement, except as otherwise approved by the Board; provided, however, that nothing herein shall be interpreted to preclude Executive, so long as there is no material interference with his duties hereunder, from (i) participating as an officer or director of, or advisor to, any charitable or other tax exempt organization or otherwise engaging in charitable, fraternal or trade group activities; (ii) investing and managing his assets as a passive investor in

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other entities or business ventures; provided that he performs no management or similar role (or, in the case of investments other than real estate investments, he performs a management role comparable to the role that a significant limited partner would have, but performs no day-to-day management or similar role) with respect to such entities or ventures and such investment does not violate Section 8 hereof; and provided, further, that, in any case in which another party involved in the investment has a material business relationship with the Employer, Executive shall give prior written notice thereof to the Board; or (iii) serving as a member of the Board of Directors of a for-profit corporation with the approval of the Chief Executive Officer of the Employer.

(c) Travel. In performing his duties hereunder, Executive shall be available for all reasonable travel as the needs of the Employer's business may require. Executive shall be based in, or within 25 miles of, Manhattan.

3. Compensation and Benefits. In consideration of Executive's services hereunder, the Employer shall compensate Executive as provided in this Agreement.

(a) Base Salary. The Employer shall pay Executive an aggregate minimum annual salary at the rate of $325,000 per annum during the Employment Period ("Base Salary"). Base Salary shall be payable bi-weekly in accordance with the Employer's normal business practices and shall be reviewed by the Board or Compensation Committee at least annually.

(b) Incentive Compensation/Bonuses. In addition to Base Salary, during the Employment Period, Executive shall be eligible for and shall receive such discretionary annual bonuses as the Board, in its sole discretion, may deem appropriate to reward Executive for job performance; provided, however, that Executive's annual performance bonus shall not be less than $150,000. In addition, Executive shall be eligible to participate in any other bonus or incentive compensation plans in effect with respect to senior executive officers of the Employer, as the Board, in its sole discretion, may deem appropriate to reward Executive for job performance. Executive shall be eligible to participate in the SL Green Realty Corp. 2003 Long-Term Outperformance Compensation Program, as amended December 2003 (the "Outperformance Plan"), subject to the terms and conditions as set forth in the Employer's Outperformance Plan. It is expressly understood that, with respect to awards under the Outperformance Plan, the provisions of the Outperformance Plan, as amended from time to time, and not the provisions of this Agreement, shall govern in accordance with their terms, except with respect to the 12 months of vesting credit provided for under the third sentence of Section 7(a)(iii). If the term of this Agreement is extended under the penultimate sentence of Section 1, and Executive's employment terminates as of the expiration of the term as so extended, then (i) upon such termination of employment, Executive shall receive (without duplication) an amount equal to (A) $150,000 multiplied by (B) a fraction (x) the numerator of which is the number of days in the fiscal year of termination during which Executive was employed and (y) the denominator of which is 365, and (ii) no other bonus-related amounts shall be payable under this Section 3(b) for the fiscal year of termination.

(c) Expenses. Executive shall be reimbursed for all reasonable business related expenses incurred by Executive at the request of or on behalf of the Employer, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Employer. Any expenses incurred during the Employment Period but not

reimbursed by the Employer by the end of the Employment Period, shall remain the obligation of the Employer to so reimburse Executive.

(d) Health and Welfare Benefit Plans. During the Employment Period, Executive and Executive's immediate family shall be entitled to participate in such health and welfare benefit plans as the Employer shall maintain from time to time for the benefit of senior executive officers of the Employer and their families, on the terms and subject to the conditions set forth in such plan. Nothing in this Section shall limit the Employer's right to change or modify or terminate any benefit plan or program as it sees fit from time to time in the normal course of business so long as it does so for all senior executives of the Employer.

(e) Vacations. Executive shall be entitled to paid vacations in accordance with the then regular procedures of the Employer governing senior executive officers.

(f) Other Benefits. During the Employment Period, the Employer shall provide to Executive such other benefits, as generally made available to other senior executives of the Employer (other than life insurance and other death benefits and other than long-term disability coverage).

4. Indemnification and Liability Insurance. The Employer agrees to indemnify Executive to the extent permitted by applicable law, as the same exists and may hereafter be amended, from and against any and all losses, damages, claims, liabilities and expenses asserted against, or incurred or suffered by, Executive (including the costs and expenses of legal counsel retained by the Employer to defend Executive and judgments, fines and amounts paid in settlement actually and reasonably incurred by or imposed on such indemnified party) with respect to any action, suit or proceeding, whether civil, criminal administrative or investigative (a "Proceeding") in which Executive is made a party or threatened to be made a party, either with regard to his entering into this Agreement with the Employer or in his capacity as an officer or director, or former officer or director, of the Employer or any affiliate thereof for which he may serve in such capacity. The Employer also agrees to secure and maintain officers and directors liability insurance providing coverage for Executive. The provisions of this Section 4 shall remain in effect after this Agreement is terminated irrespective of the reasons for termination.

5. Employer's Policies. Executive agrees to observe and comply with the reasonable rules and regulations of the Employer as adopted by the Board from time to time regarding the performance of his duties and to carry out and perform orders, directions and policies communicated to him from time to time by the Board, so long as same are otherwise consistent with this Agreement.

6. Termination. Executive's employment hereunder may be terminated under the following circumstances:

(a) Termination by the Employer.

(i) Death. Executive's employment hereunder shall terminate upon his death.

(ii) Disability. If, as a result of Executive's incapacity due to physical or mental illness or disability, Executive shall have been incapable of performing his duties hereunder even with a reasonable accommodation on a full-time basis for the entire period of four consecutive months or any 120 days in a 180-day period, and within 30

days after written Notice of Termination (as defined in Section 6(d)) is given he shall not have returned to the performance of his duties hereunder on a full-time basis, the Employer may terminate Executive's employment hereunder.

(iii) Cause. The Employer may terminate Executive's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (i) Executive's engaging in conduct which is a felony; (ii) Executive's engaging in conduct constituting a material breach of fiduciary duty, gross negligence or willful and material misconduct, material fraud or willful and material misrepresentation; (iii) Executive's material breach of any of his obligations under Section 8(a) through 8(e) of this Agreement; or (iv) Executive's failure to competently perform his duties after receiving notice from the Employer specifically identifying the manner in which Executive has failed to perform (it being understood that, for this purpose, the manner and level of Executive's performance shall not be determined based on the financial performance (including without limitation the performance of the stock) of the Employer).

(iv) Without Cause. Executive's employment hereunder may be terminated by the Employer at any time with or without Cause (as defined in Section 6(a)(iii) above), by a majority vote of all of the members of the Board upon written notice to Executive, subject only to the severance provisions specifically set forth in Section 7.

(b) Termination by Executive.

(i) Disability. Executive may terminate his employment hereunder for Disability within the meaning of Section 6(a)(ii) above.

(ii) With Good Reason. Executive's employment hereunder may be terminated by Executive with Good Reason effective immediately by written notice to the Board. For purposes of this Agreement, with "Good Reason" shall mean, without Executive's prior written consent, (i) a failure by the Employer to pay compensation in accordance with the provisions of Section 3, which failure has not been cured within 14 days after the notice of the failure (specifying the same) has been given by Executive to the Employer; or (ii) a material breach by the Employer of any other provision of this Agreement which has not been cured within 30 days after notice of noncompliance (specifying the nature of the noncompliance) has been given by Executive to the Employer. On and after the occurrence of a Change-in-Control (as defined in Section 6(c) below), "Good Reason" shall also include, in addition to the foregoing:

(A) a change in duties, responsibilities, status or positions with the Employer that does not represent a promotion from or maintaining of Executive's duties, responsibilities, status or positions as in effect immediately prior to the Change-in-Control, or any removal of Executive from or any failure to reappoint or reelect Executive to such positions, except in connection with the termination of Executive's employment for Cause, disability, retirement or death;

(B) a reduction by the Employer in Executive's Base Salary or bonus compensation as in effect immediately prior to the Change-in-Control;

(C) the failure by the Employer to continue in effect any of the benefit plans including, but not limited to ongoing stock option and equity awards, in which Executive is participating at the time of the Change-in-Control of the Employer (unless Executive is permitted to participate in any substitute benefit plan with substantially the same terms and to the same extent and with the same rights as Executive had with respect to the benefit plan that is discontinued) other than as a result of the normal expiration of any such benefit plan in accordance with its terms as in effect at the time of the Change-in-Control, or the taking of any action, or the failure to act, by the Employer which would adversely affect Executive's continued participation in any of such benefit plans on at least as favorable a basis to Executive as was the case on the date of the Change-in-Control or which would materially reduce Executive's benefits in the future under any of such benefit plans or deprive Executive of any material benefits enjoyed by Executive at the time of the Change-in-Control; provided, however, that any such action or inaction on the part of the Employer, including any modification, cancellation or termination of any benefits plan, undertaken in order to maintain such plan in compliance with any federal, state or local law or regulation governing benefits plans, including, but not limited to, the Employment Retirement Income Security Act of 1974, shall not constitute Good Reason for the purposes of this Agreement;

(D) the Employer's requiring Executive to be based in an office located more than 25 miles from Manhattan, except for required travel relating to the Employer's business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Employer prior to the Change-in-Control; and

(E) the failure by the Employer to obtain from any successor to the Employer an agreement to be bound by this Agreement pursuant to Section 16 hereof, which has not been cured within 30 days after the notice of the failure (specifying the same) has been given by Executive to the Employer.

(iii) Without Good Reason. Executive shall have the right to terminate his employment hereunder without Good Reason, subject to the terms and conditions of this Agreement.

(c) Definitions. The following terms shall be defined as set forth below.

(i) A "Change-in-Control" shall be deemed to have occurred if:

(A) any Person, together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934 (the "Exchange Act")) of such Person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Employer or SL Green Operating Partnership, L.P. (the "OP") representing 25% or more of either (1) the combined voting power of the Employer's and/or OP's then outstanding securities having the right to vote in an election of the Board ("Voting Securities") or (2) the then outstanding shares

of all classes of stock of the Employer or OP (in either such case other than as a result of the acquisition of securities directly from the Employer or OP); or

(B) the members of the Board at the beginning of any consecutive 24-calendar-month period commencing on or after the date hereof (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board; provided that any director whose election, or nomination for election by the Employer's stockholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such 24-calendar-month period, shall be deemed to be an Incumbent Director; or

(C) the stockholders of the Employer shall approve (1) any consolidation or merger of the Employer or any subsidiary where the stockholders of the Employer, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate at least 50% of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (2) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Employer, if the shareholders of the Employer and unitholders of the OP taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than 50% percent of the surviving or acquiring company and partnership taken as a whole or (3) any plan or proposal for the liquidation or dissolution of the Employer.

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

(ii) "Person" shall have the meaning used in Sections 13(d) and 14(d) of the Exchange Act; provided however, that the term "Person" shall not include (A) Stephen L. Green, (B) Executive or (C) the Employer, any of its subsidiaries, or any trustee, fiduciary or

other person or entity holding securities under any employee benefit plan of the Employer or any of its subsidiaries. In addition, no Change-in-Control shall be

deemed to have occurred under clause (i)(A) above by virtue of a "group" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming a beneficial owner as described in such clause, if any individual or entity described in clause (A), (B) or (C) of the foregoing sentence is a member of such group.

(d) Notice of Termination. Any termination of Executive's employment by the Employer or by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 12 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and, as applicable, shall set forth in reasonable detail the fact and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

7. Compensation Upon Termination.

(a) Termination By Employer Without Cause or By Executive With Good Reason. If (i) Executive is terminated by the Employer without Cause pursuant to Section 6(a)(iv) above, or (ii) Executive shall terminate his employment hereunder with Good Reason pursuant to Section (6)(b)(ii) above, then the Employment Period shall terminate as of the effective date set forth in the written notice of such termination (the "Termination Date") and Executive shall be entitled to the following payment and benefits:

(i) Executive shall receive any earned and accrued but unpaid Base Salary on the Termination Date, and any earned and accrued but unpaid incentive compensation and bonuses payable at such times as would have applied without regard to such termination.

(ii) The Employer shall continue to pay Executive's Base Salary (at the rate in effect on the date of his termination) and annual performance bonus (based on the amount paid for the immediately preceding year or, if the termination takes place prior to a bonus having been previously so paid, the sum of $150,000) for the remaining term of the Employment Period after the date of Executive's termination, on the same periodic payment dates as payment would have been made to Executive had the Employment Period not been terminated for the remaining term of the Employment Period after the date of Executive's termination; provided, however, that if such termination occurs upon or following a Change-in-Control, the Employer shall continue to pay Executive's Base Salary (at the rate in effect on the date of his termination) and annual performance bonus (based on the highest amount paid for the two preceding years or, if the termination takes place prior to a bonus having been previously so paid, the sum of $150,000) for the greater of 12 months or the remaining term of the Employment Period after the date of Executive's termination, on such periodic payment dates.

(iii) Executive shall continue to receive all benefits described in Section 3(f) existing on the date of termination for the remaining term of the Employment Period, subject to the terms and conditions upon which such benefits may be offered to continuing senior executives from time to time. For purposes of the application of such benefits, Executive shall be treated as if he had remained in the employ of the Employer with a Base Salary at the rate in effect on the date of termination. For purposes of vesting

under the Employer's Outperformance Plan, without limiting any other rights that Executive may have under the Employer's Outperformance Plan, Executive shall be treated as if he had remained in the employ of the Employer for 12 months after the date of termination. Notwithstanding the foregoing, (A) nothing in this Section 7(a)(iii) shall restrict the ability of the Employer to amend or terminate the plans and programs governing the benefits described in Section 3(f) from time to time in its sole discretion, and (B) the Employer shall in no event be required to provide any benefits otherwise required by this Section 7(a)(iii) after such time as Executive becomes entitled to receive benefits of the same type from another employer or recipient of Executive's services (such entitlement being determined without regard to any individual waivers or other similar arrangements).

(iv) Any unvested shares of restricted stock (i.e., shares then still subject to restrictions under the applicable award agreement) granted to Executive by the Employer shall become vested (i.e., free from such restrictions) (for the avoidance of doubt, the foregoing provision of this sentence shall not refer to grants under the Employer's Outperformance Plan, which shall apply in accordance with its terms as in effect from time to time), and any unexerciseable or unvested stock options granted to Executive by the Employer shall become vested and exercisable on the date of Executive's termination. Any unexercised stock options granted to Executive by the Employer shall remain exercisable until the second January 2 to follow the Termination Date or, if earlier, the expiration of the initial applicable term stated at the time of the grant.

Other than as may be provided under Section 4 or as expressly provided in this Section 7(a), the Employer shall have no further obligations hereunder following such termination.

(b) Termination By the Employer For Cause or By Executive Without Good Reason. If (i) Executive is terminated by the Employer for Cause pursuant to Section 6(a)(iii) above, or (ii) Executive voluntarily terminates his employment hereunder without Good Reason pursuant to Section 6(b)(ii) above, then the Employment Period shall terminate as of the effective date set forth in the written notice of such termination (the "Termination Date") and Executive shall be entitled to receive his earned and accrued but unpaid Base Salary at the rate then in effect until the Termination Date. In addition, in such event, Executive shall be entitled (i) to receive any earned and accrued but unpaid incentive compensation or bonuses, payable at such times as would have applied without regard to such termination, except that, notwithstanding the foregoing, no amounts shall be payable under this clause (i) in the case of a termination by the Employer for Cause under clause (i) or (ii) of Section 6(a)(iii) (for the avoidance of doubt, the foregoing provisions of this clause (i) shall not refer to grants under the Employer's Outperformance Plan, which shall apply in accordance with its terms as in effect from time to time), (ii) to exercise any options which have vested as of the termination of Executive's employment and are exercisable to the extent provided by and otherwise in accordance with the terms of the applicable option grant agreement or plan, and (iii) to retain any restricted shares of the Employer's stock which have vested as of the termination of Executive's employment. Other than

as may be provided under Section 4 or as expressly provided in this Section 7(b), the Employer shall have no further obligations hereunder following such termination.

(c) Termination by Reason of Death. If Executive's employment terminates due to his death, the Employer shall pay Executive's Base Salary plus any applicable pro rata portion of

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the annual performance bonus described in Section 3(b) above for a period of six months from the date of his death, or such longer period as the Board may determine, to Executive's estate or to a beneficiary designated by Executive in writing prior to his death. In the case of such a termination, (i) Executive shall be credited with six months after termination under any provisions governing restricted stock or options relating to the vesting or initial exercisability thereof, and (ii) if such six months of credit would fall within a vesting period, a pro rata portion of the unvested shares of restricted stock granted to Executive that otherwise would have become vested upon the conclusion of such vesting period shall become vested on the date of Executive's termination due to his death, and a pro rata portion of the unexercisable stock options granted to Executive that otherwise would have become exercisable upon the conclusion of such vesting period shall become exercisable on the date of Executive's termination due to such death (for the avoidance of doubt, the foregoing clauses (i) and (ii) shall not refer to grants under the Employer's Outperformance Plan, which shall apply in accordance with its terms as in effect from time to time). Furthermore, upon such death, any vested unexercised stock options granted to Executive shall remain vested and exercisable until the earlier of (A) the date on which the term of such stock options otherwise would have expired, or (B) the second January 1 after the date of Executive's termination due to his death. Other than as may be provided under Section 4 or as expressly provided in this Section 7(c), the Employer shall have no further obligations hereunder following such termination.

(d) Termination by Reason of Disability. In the event that Executive's employment terminates due to his disability as defined in Section 6(a)(ii) above, Executive shall be entitled to be paid his Base Salary plus any applicable pro rata portion of the annual performance bonus described in Section 3(b) above for a period of six months from the date of such termination, or for such longer period as such benefits are then provided with respect to other senior executives of the Employer. In the case of such a termination, (i) Executive shall be credited with six months after termination under any provisions governing restricted stock or options relating to the vesting or initial exercisability thereof, and (ii) if such six months of credit would fall within a vesting period, a pro rata portion of the unvested shares of restricted stock granted to Executive that otherwise would have become vested upon the conclusion of such vesting period shall become vested on the date of Executive's termination due to his disability, and a pro rata portion of the unvested or unexercisable stock options granted to Executive that otherwise would have become vested or exercisable upon the conclusion of such vesting period shall become vested and exercisable on the date of Executive's termination due to such disability (for the avoidance of doubt, the foregoing clauses (i) and (ii) shall not refer to grants under the Employer's Outperformance Plan, which shall apply in accordance with its terms as in effect from time to time). Furthermore, upon such disability, any vested unexercised stock options granted to Executive shall remain vested and exercisable until the earlier of (A) the date on which the term of such stock options otherwise would have expired, or (B) the second January 1 after the date of Executive's termination due to his disability. Other than as expressly provided in this Section 7(d), the Employer shall have no further obligations hereunder following such termination.

8. Confidentiality; Prohibited Activities. Executive and the Employer recognize that due to the nature of his employment and relationship with the Employer, Executive has access to and develops confidential business information, proprietary information, and trade secrets relating to the business and operations of the Employer. Executive acknowledges that (i) such information is valuable to the business of the Employer, (ii) disclosure to, or use for the benefit of, any person or entity other than the Employer, would cause irreparable damage to the Employer, (iii) the principal businesses of the Employer are the

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acquisition, development, management, leasing or financing of any office real estate property, including without limitation the origination of first-mortgage and mezzanine debt or preferred equity financing for real estate projects throughout the United States (collectively, the "Business"), (iv) the Employer is one of the limited number of persons who have developed a business such as the Business, and (v) the Business is national in scope. Executive further acknowledges that his duties for the Employer include the duty to develop and maintain client, customer, employee, and other business relationships on behalf of the Employer; and that access to and development of those close business relationships for the Employer render his services special, unique and extraordinary. In recognition that the good will and business relationships described herein are valuable to the Employer, and that loss of or damage to those relationships would destroy or diminish the value of the Employer, and in consideration of the compensation (including severance) arrangements hereunder, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged by Executive, Executive agrees as follows:

(a) Confidentiality. During the term of this Agreement (including any renewals), and at all times thereafter, Executive shall maintain the confidentiality of all confidential or proprietary information of the Employer ("Confidential Information"), and, except in furtherance of the business of the Employer or as specifically required by law or by court order, he shall not directly or indirectly disclose any such information to any person or entity; nor shall he use Confidential Information for any purpose except for the benefit of the Employer. For purposes of this Agreement, "Confidential Information" includes, without limitation: client or customer lists, identities, contacts, business and financial information (excluding those of Executive prior to employment with Employer); investment strategies; pricing information or policies, fees or commission arrangements of the Employer; marketing plans, projections, presentations or strategies of the Employer; financial and budget information of the Employer; new personnel acquisition plans; and all other business related information which has not been publicly disclosed by the Employer. This restriction shall apply regardless of whether such Confidential Information is in written, graphic, recorded, photographic, data or any machine readable form or is orally conveyed to, or memorized by, Executive.

(b) Prohibited Activities. Because Executive's services to the Employer are essential and because Executive has access to the Employer's Confidential Information, Executive covenants and agrees that:

(i) during the Employment Period, and for the one-year period following the termination of Executive by either party for any reason including the expiration of the term of this Agreement, Executive will not, anywhere in the United States, without the prior written consent of the Board which shall include the unanimous consent of the Directors other than any other officer of the Employer, directly or indirectly (individually, or through or on behalf of another entity as owner, partner, agent, employee, consultant, or in any other capacity),

engage, participate or assist, as an owner, partner, employee, consultant, director, officer, trustee or agent, in any element of the Business, subject, however, to Section 8(c) below; and

(ii) during the Employment Period, and during (x) the two-year period following the termination of Executive by either party for any reason (including the expiration of the term of the Agreement) in the case of clause (A) below, or (y) the one-year period following such termination in the case of clause (B) below, Executive will not, without the prior written consent of the Board which shall include the unanimous

consent of the Directors who are not officers of the Employer, directly or indirectly (individually, or through or on behalf of another entity as owner, partner, agent, employee, consultant, or in any other capacity), (A) solicit, encourage, or engage in any activity to induce any Employee of the Employer to terminate employment with the Employer, or to become employed by, or to enter into a business relationship with, any other person or entity, or (B) engage in any activity intentionally to interfere with, disrupt or damage the Business of the Employer, or its relationships with any client, supplier or other business relationship of the Employer. For purposes of this subsection, the term “employee” means any individual who is an employee of or consultant to the Employer (or any affiliate) during the six-month period prior to Executive’s last day of employment.

(c) Other Investments. Notwithstanding anything contained herein to the contrary, Executive is not prohibited by this Section 8 from making investments, (i) expressly disclosed to the Employer in writing before the date hereof; (ii) solely for investment purposes and without participating in the business in which the investments are made, in any entity that engages, directly or indirectly, in the acquisition, development, construction, operation, management, financing or leasing of office real estate properties, regardless of where they are located, if (x) Executive’s aggregate investment in each such entity constitutes less than one percent of the equity ownership of such entity, (y) the investment in the entity is in securities traded on any national securities exchange or the National Association of Securities Dealers, Inc. Automated Quotation System, and (z) Executive is not a controlling person of, or a member of a group which controls, such entity; or (iii) if (A) except with the prior written consent of the Employer, he has less than a 25% interest in the investment in question, (B) except with the prior written consent of the Employer, he does not have the role of a general partner or managing member, or any similar role, (C) the investment is not an appropriate investment opportunity for the Employer, and (D) the investment activity is not directly competitive with the businesses of the Employer.

(d) Employer Property. Executive acknowledges that all originals and copies of materials, records and documents generated by him or coming into his possession during his employment by the Employer are the sole property of the Employer (“Employer Property”). During his employment, and at all times thereafter, Executive shall not remove, or cause to be removed, from the premises of the Employer, copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of the Employer, except in furtherance of his duties under this Agreement. When Executive terminates his employment with the Employer, or upon request of the Employer at any time, Executive shall promptly deliver to the Employer all originals and copies of Employer Property in his possession or control and shall not retain any originals or copies in any form.

(e) No Disparagement. For one year following termination of Executive’s employment for any reason, Executive shall not intentionally disclose or cause to be disclosed any negative, adverse or derogatory comments or information about (i) the Employer and its parent, affiliates or subsidiaries, if any; (ii) any product or service provided by the Employer and its parent, affiliates or subsidiaries, if any; or (iii) the Employer’s and its parent’s, affiliates’ or subsidiaries’ prospects for the future. For one year following termination of Executive’s employment for any reason, the Employer shall not disclose or cause to be disclosed any negative, adverse or derogatory comments or information about Executive. Nothing in this Section shall prohibit either the Employer or Executive from testifying truthfully in any legal or administrative proceeding.

(f) Remedies. Executive declares that the foregoing limitations in Sections 8(a) through 8(f) above are reasonable and necessary for the adequate protection of the business and the goodwill of the Employer. If any restriction contained in this Section 8 shall be deemed to be invalid, illegal or unenforceable by reason of the extent, duration or scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, scope, or other provisions hereof to make the restriction consistent with applicable law, and in its reduced form such restriction shall then be enforceable in the manner contemplated hereby. In the event that Executive breaches any of the promises contained in this Section 8, Executive acknowledges that the Employer’s remedy at law for damages will be inadequate and that the Employer will be entitled to specific performance, a temporary restraining order or preliminary injunction to prevent Executive’s prospective or continuing breach and to maintain the status quo. The existence of this right to injunctive relief, or other equitable relief, or the Employer’s exercise of any of these rights, shall not limit any other rights or remedies the Employer may have in law or in equity, including, without limitation, the right to arbitration contained in Section 9 hereof and the right to compensatory and monetary damages. Executive hereby agrees to waive his right to a jury trial with respect to any action commenced to enforce the terms of this Agreement. Executive shall have remedies comparable to those of the Employer as set forth above in this Section 8(f) if the Employer breaches Section 8(e).

(g) Transition. Regardless of the reason for his departure from the Employer, Executive agrees that at the Employer’s sole costs and expense, for a period of not more than 30 days after termination of Executive, he shall take all steps reasonably requested by the Employer to effect a successful transition of client and customer relationships to the person or persons designated by the Employer, subject to Executive’s obligations to his new employer.

(h) Cooperation with Respect to Litigation. During the Employment period and at all times thereafter, Executive agrees to give prompt written notice to the Employer of any claim relating to the Employer and to cooperate fully, in good faith and to the best of his ability with the Employer in connection with any and all pending, potential or future claims, investigations or actions which directly or indirectly relate to any action, event or activity about which Executive may have knowledge in connection with or as a result of his employment by the Employer hereunder. Such cooperation will include all assistance that the Employer, its counsel or its representatives may reasonably request, including reviewing documents, meeting with counsel, providing factual information and material, and appearing or testifying as a witness; provided, however, that the Employer will reimburse Executive for all reasonable expenses, including travel, lodging and meals, incurred by him in fulfilling his

obligations under this Section 8(h) and, except as may be required by law or by court order, should Executive then be employed by an entity other than the Employer, such cooperation will not materially interfere with Executive's then current employment.

(i) Survival. The provisions of this Section 8 shall survive termination of Executive's employment any other provisions relating to the enforcement thereof.

9. Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement (other than a controversy or claim arising under Section 8, to the extent necessary for the Employer (or its affiliates, where applicable) to avail itself of the rights and remedies referred to in Section 8(f)) that is not resolved by Executive and the Employer (or its affiliates, where applicable) shall be submitted to arbitration in New York, New York in accordance with New York law

and the procedures of the American Arbitration Association. The determination of the arbitrator(s) shall be conclusive and binding on the Employer (or its affiliates, where applicable) and Executive and judgment may be entered on the arbitrator(s)' award in any court having jurisdiction.

10. Conflicting Agreements. Executive hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder will not breach or be in conflict with any other agreement to which he is a party or is bound, and that he is not now subject to any covenants against competition or similar covenants which would affect the performance of his obligations hereunder.

11. No Duplication of Payments. Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

12. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand and or sent by prepaid telex, cable or other electronic devices or sent, postage prepaid, by registered or certified mail or telecopy or overnight courier service and shall be deemed given when so delivered by hand, telexed, cabled or telecopied, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service), as follows:

(a) if to Executive:

Gerard T. Nocera, at the address shown on the execution page hereof.

(b) if to the Employer:

SL Green Realty Corp.
420 Lexington Avenue
New York, New York 10170
Attn: General Counsel

With a copy to:

Clifford Chance US LLP
200 Park Avenue
New York, New York 10166
Attention: Robert E. King, Jr.

or such other address as either party may from time to time specify by written notice to the other party hereto.

13. Amendments. No amendment, modification or waiver in respect of this Agreement shall be effective unless it shall be in writing and signed by the party against whom such amendment, modification or waiver is sought.

14. Severability. If any provision of this Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any person or circumstances shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity,

illegality or unenforceability shall not affect any other provision hereof (or the remaining portion hereof) or the application of such provision to any other persons or circumstances.

15. Withholding. The Employer shall be entitled to withhold from any payments or deemed payments any amount of tax withholding it determines to be required by law.

16. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Employer may be merged or which may succeed to its assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by him. This Agreement shall inure to the benefit of and be enforceable by Executive's personal and legal representatives, executors, administrators, assigns, heirs, distributees, devisees and legatees.

17. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State, without regard to the conflicts of law principles of such State.

19. Choice of Venue. Executive agrees to submit to the jurisdiction of the United States District Court for the Southern District of New York or the Supreme Court of the State of New York, New York County, for the purpose of any action to enforce any of the terms of this Agreement.

20. Parachutes. Notwithstanding any other provision of this Agreement, if all or any portion of the payments and benefits provided under this Agreement (including without limitation any accelerated vesting), or any other payments and benefits which Executive receives or is entitled to receive from the Employer or an affiliate, or any combination of the foregoing, would constitute an excess "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") (whether or not under an existing plan, arrangement or other agreement) (each such parachute payment, a "Parachute Payment"), and would result in the imposition on Executive of an excise tax under Section 4999 of the Code or any successor thereto, then, in addition to any other benefits to which Executive is entitled under this Agreement, Executive shall be paid by the Employer an amount in cash equal to the sum of the excise taxes payable by Executive by reason of receiving Parachute Payments plus the amount necessary to put Executive in the same after-tax position (taking into account any and all applicable federal, state and local excise, income or other taxes at the highest possible applicable rates on such Parachute Payments (including without limitation any payments under this Section 20)) as if no excise taxes had been imposed with respect to Parachute Payments (the "Parachute Gross-up"). The amount of any payment under this Section 20 shall be computed by a certified public accounting firm of national reputation reasonably selected by the Employer. Executive and the Employer will provide the accounting firms with all information which any accounting firm reasonably deems necessary in computing the Parachute Gross-up to be made available to Executive. In the event that the Internal Revenue Service or a court, as applicable, finally and in a decision that has become unappealable, determines that a greater or lesser amount of tax is due, then the Employer shall within five business days thereafter shall pay the additional amounts, or Executive within five business days after receiving a refund shall pay over the amount refunded to the Employer, respectively; provided that (i) Executive shall not initiate any proceeding or other contests regarding these matters, other than at the direction of the

Employer, and shall provide notice to the Employer of any proceeding or other contest regarding these matters initiated by the Internal Revenue Service, and (ii) the Employer shall be entitled to direct and control all such proceeding and other contests, if it commits to and does pay all costs (including without limitation legal and other professional fees) associated therewith.

21. Entire Agreement. This Agreement contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter. The parties hereto shall not be liable or bound to any other party in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set forth herein.

22. Paragraph Headings. Section headings used in this Agreement are included for convenience of reference only and will not affect the meaning of any provision of this agreement.

23. Board Approval. Employer represents that the Board has approved the economic terms of this Agreement.

IN WITNESS WHEREOF, this Agreement is entered into as of the date and year first written above, and is being executed on April 20, 2004.

SL GREEN REALTY CORP.

By: ______________________________
Name:
Title:

____
Gerard T. Nocera

Exhibit 10.2

CONTRACT OF SALE

This Contract of Sale (this "**Agreement**") is made as of this 15th day of June, 2004 between TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation, with offices at 730 Third Avenue, New York, New York 10017 (hereinafter called "**Seller**"), and 750-485 FEE OWNER LLC, a Delaware limited liability company with offices c/o SL Green Realty Corp., 420 Lexington Avenue, New York, New York 10170 (hereinafter called "**Purchaser**").

W I T N E S S E T H :

1. PURCHASE AND SALE

(a) Seller agrees to sell and convey and Purchaser agrees to purchase the following subject to the terms hereof:

That certain real property (the "**Land**") consisting of two parcels, situated in the City and State of New York, commonly known as 750 Third Avenue and 485 Lexington Avenue, New York, New York, as more particularly described as Parcel One and Parcel Two, respectively, in "Schedule A" attached hereto and made a part hereof;

TOGETHER WITH the improvements (the "**Improvements**") located on the Land (the Land and the Improvements are collectively referred to as the "**Premises**");

TOGETHER WITH the after-acquired title or reversion, if any, in and to the beds of the ways, streets and avenues adjoining the Premises;

TOGETHER WITH all of Seller's right, title and interest in and to those two certain leases (collectively, the "**Master Lease**") each dated as of June , 2004, between Teachers Insurance and Annuity Association of America, as Landlord and Teachers Insurance and Annuity Association of America, as Tenant;

TOGETHER WITH all of Seller's right, title and interest in and to the fixtures, furnishings, furniture, equipment, machinery, inventory, appliances and other tangible and intangible personal property owned by Seller and located at the Premises and used in connection

with the operation of the Improvements as the owner thereof (as opposed to a tenant or occupant therein).

(The items described above are hereinafter collectively referred to as the "**Property**").

(b) Notwithstanding anything to the contrary contained herein, it is expressly agreed by the parties hereto that: (1) the art work contained in the lobby of the Premises, and (2) any fixtures, furniture, furnishings, equipment or other personal property owned or leased by any tenant (including Seller in its capacity as tenant under the TIAA Lease (as hereinafter defined) and as occupant of space under the Master Lease), managing agent, leasing agent, contractor or employee at the Premises, shall not be included in the Property to be sold to Purchaser hereunder.

2. DUE DILIGENCE

(a) Purchaser acknowledges that it has been given the opportunity to conduct and complete its review, due diligence and inspection of the Premises, during a period of time (the "**Due Diligence Period**") which commenced prior to the date hereof and ended on the date hereof and agrees that it shall not have the right to terminate this Agreement and be entitled to the return of the Deposit because of anything relating to the condition of the Property or any additional information relating to the Property of which Purchaser becomes aware, whether as a result of additional due diligence or otherwise, except as otherwise expressly set forth in this Agreement. Subject to the provisions of Section 2(b), Purchaser and its agents, employees, consultants, inspectors, appraisers, engineers and contractors (collectively referred to as the "**Purchaser's Representatives**") shall have the right, through the Closing Date, from time to time, upon the advance notice required pursuant to Section 2(b), to enter upon and pass through the Premises during normal business hours to examine and inspect the same.

(b) In conducting any inspection of the Premises or additional due diligence review (it being understood and agreed that except as expressly set forth in this Agreement, nothing raised, disclosed or reflected during such additional review shall give Purchaser any additional rights hereunder, including, without limitation, the right to terminate this Agreement), neither Purchaser nor any of Purchaser's Representatives shall: (a) contact or have any discussions with any of Seller's employees, agents or representatives, or with any tenants at, or contractors

providing services to, the Premises, unless in each case Purchaser obtains the prior consent of Seller, (b) interfere with the business of Seller conducted at the Premises or any tenant therein or the equipment or services located thereat, (c) damage the Premises or any portion thereof or (d) conduct any physical or invasive test or procedure on or at the Premises. In conducting the foregoing inspection, Purchaser and Purchaser's Representatives shall at all times comply with, and shall be subject to, all other terms, covenants and conditions of this Agreement. Seller may from time to time establish reasonable rules of conduct for Purchaser and Purchaser's Representatives in furtherance of the foregoing. Purchaser shall schedule and coordinate all inspections with Seller and shall give Seller at least two (2) business days' prior notice thereof. Seller shall be entitled to have a representative present at all times during each such inspection. Purchaser agrees to pay to Seller on demand the cost of repairing and restoring any damage or disturbance, which Purchaser or Purchaser's Representatives shall cause to the Premises or any portion thereof. All inspection fees, appraisal fees, engineering fees and other costs and expenses of any kind incurred by Purchaser or Purchaser's Representatives relating to such inspection of the Premises and its other due diligence shall be at the sole expense of Purchaser. In the event that the Closing hereunder shall not occur for any reason (other than a default on the part of Seller), Purchaser shall deliver to Seller, at no cost to Seller and without representation or warranty, copies of all tests, reports and inspections of the Premises made and conducted by Purchaser or Purchaser's Representatives or for Purchaser's benefit which are in the possession or control of Purchaser or Purchaser's Representatives.

Without limiting the foregoing, Purchaser and Purchaser's Representatives shall not be permitted to conduct borings of the Premises or drilling in or on the Premises. For purposes of this Agreement, "**business days**" shall mean every day other than Saturdays, Sundays, all days observed by the federal or New York State governments as legal holidays and all days on which commercial banks in New York State are required to be closed. The provisions of this Section 2(b) shall survive the Closing or any termination of this Agreement.

(c) Purchaser agrees to indemnify and hold Seller and its direct and indirect shareholders, officers, directors, partners, principals, members, employees, agents, contractors, and any successors or assigns of the foregoing (collectively, with Seller, the "**Seller Related Parties**") harmless from and against any and all losses, costs, damages, liens, claims, liabilities or expenses (including, but not limited to, reasonable attorneys' fees, court costs and

disbursements) incurred by any of Seller's Related Parties arising from or by reason of Purchaser's and/or Purchaser's Representatives' access to, or inspection of, the Premises, or any inspections or other due diligence conducted by or on behalf of Purchaser (whether or not the same shall occur during the Due Diligence Period). The provisions of this Section 2(c) shall survive the Closing or any termination of this Agreement.

(d) Seller shall provide access to Purchaser and SL Green Realty Corp. (and their representatives, agents and auditors) to all books and records for the Property and financial information relating to the Property which are necessary or desirable, in Purchaser's reasonable opinion, to prepare Purchaser's and/or SL Green Realty Corp.'s financial statements and SEC filings and/or to satisfy Purchaser's or SL Green Realty Corp.'s public auditing and Securities and Exchange Commission ("**SEC**") requirements, including SEC Regulations S-X Rule 3-14 (Special Instructions for Real Estate Operations to be Acquired).

3. **PURCHASE PRICE AND DEPOSIT**

The purchase price (the "**Purchase Price**") to be paid by Purchaser to Seller for the Property is FOUR HUNDRED EIGHTY MILLION ($480,000,000.00) DOLLARS, payable as set forth below. The parties hereto acknowledge and agree that the value of the personalty at the Property being transferred hereunder is de-minimis and that no portion of the Purchase Price is allocable thereto. Purchaser agrees to pay any tax which may be imposed upon the sale of any items or personal property hereunder and to file any required tax returns in connection therewith. Purchaser agrees to indemnify and hold Seller harmless against any liability incurred by Seller because of non-payment of any tax, which may be imposed by any governmental agency upon the sale of any items of personal property owned by Seller and included in this transaction. This paragraph shall survive the Closing.

(a) Prior to the execution of this Agreement by Purchaser, Purchaser has delivered to Chicago Title Insurance Company (711 Third Avenue, New York, New York 10017, Attn. Jack Marino), as escrow agent ("**Escrow Agent**" or "**Title Company**") an amount equal to TWENTY-FIVE MILLION DOLLARS ($25,000,000.00) (the "**Deposit**") by wire transfer of immediately available federal funds to the escrow account of Escrow Agent. In no event will Purchaser have a lien against the Premises by reason of the Deposit under this Agreement or

expenses incurred in connection herewith and Purchaser waives any right that it might have to so lien the Premises.

(b) At Closing, the Deposit, and any interest accrued thereon, together with the balance of the Purchase Price, shall be paid to Seller by wire transfer of immediately available federal funds.

(c) Upon receipt by Escrow Agent of the Deposit, Escrow Agent shall cause the same to be deposited into an interest bearing account selected by Escrow Agent (it being agreed that Escrow Agent shall not be liable for the amount of interest which accrues thereon) in accordance with the terms of this Agreement. Interest on the Deposit, if any, shall accrue for the benefit of Purchaser and shall be paid to the party entitled to receive the Deposit as provided in this Agreement. Purchaser shall be responsible to pay any income taxes on interest on the Deposit. The provisions of this Section 3(c) shall survive the Closing or any termination of this Agreement.

4. **ESCROW AGENT**

(a) Escrow Agent shall deliver the Deposit, and the interest accrued thereon, to Seller or to Purchaser, as the case may be, under the following conditions:

(i) The Deposit (together with all interest accrued thereon) shall be delivered to Seller at the Closing; or

(ii) The Deposit, and the interest accrued thereon, shall be delivered to Seller following receipt by Escrow Agent of written demand therefor from Seller, stating that Seller is entitled to the Deposit and specifying the Section of this Agreement which is the basis therefor, if Purchaser shall not have given written notice of objection in accordance with the provisions of Section 4(b); or

(iii) The Deposit, and the interest accrued thereon, shall be delivered to Purchaser following receipt by Escrow Agent of written demand therefor from Purchaser, stating that Purchaser is entitled to the Deposit and specifying the Section of this Agreement which is the basis therefor, if Seller shall not have given written notice of objection in accordance with the provisions of Section 4(b); or

(iv) The Deposit, and the interest accrued thereon, shall be delivered to Purchaser or Seller as directed by joint written instructions of Seller and Purchaser.

(b) Upon the filing of a written demand for the Deposit by Seller or Purchaser, pursuant to subsection (a)(ii) or (a)(iii) above, Escrow Agent shall promptly give notice thereof

(including a copy of such demand) to the other party. The other party shall have the right to object to the delivery of the Deposit, by giving written notice of such objection to Escrow Holder at any time within ten (10) days, time being of the essence, after such party's receipt of notice from Escrow Agent, but not thereafter. Such notice shall set forth the basis for objecting to the delivery of the Deposit. Upon receipt of such notice of objection, Escrow Agent shall promptly give a copy of such notice to the party who filed the written demand.

(c) If Escrow Agent shall have received the notice of objection provided for in subsection (b) above within the time therein prescribed, Escrow Agent shall continue to hold the Deposit, and the interest accrued thereon, until: (i) Escrow Agent receives written notice from both Seller and Purchaser directing the disbursement of the Deposit, in which case Escrow Agent shall then disburse the Deposit, and the interest accrued thereon, in accordance with said direction, or (ii) litigation is commenced between Seller and Purchaser, in which case Escrow Agent shall deposit the Deposit, and the interest accrued thereon, with the clerk of the court in which said litigation is pending, or (iii) Escrow Agent takes such affirmative steps as Escrow Agent may elect, at Escrow Agent's option, in order to terminate Escrow Agent's duties hereunder, including but not limited to depositing the Deposit, and the interest accrued thereon, in court and commencing an action for interpleader, the costs thereof to be borne by whichever of Seller or Purchaser does not prevail in such dispute between the parties.

(d) Escrow Agent may rely and act upon any instrument or other writing reasonably believed by Escrow Agent to be genuine and purporting to be signed and presented by any person or persons purporting to have authority to act on behalf of Seller or Purchaser, as the case may be, and shall not be liable in connection with the performance of any duties imposed upon Escrow Agent by the provisions of this Agreement, except for Escrow Agent's own gross negligence, willful misconduct or default. Escrow Agent shall have no duties or responsibilities except those set forth herein. Escrow Agent shall not be bound by any modification, cancellation or rescission of this Agreement unless the same is in writing and signed by Purchaser and Seller, and, if Escrow Agent's duties hereunder are affected, unless Escrow Agent shall have given prior written consent thereto. Escrow Agent shall be reimbursed by Seller and Purchaser for any expenses (including reasonable legal fees and disbursements of outside counsel, including all of Escrow Agent's fees and expenses with respect to any interpleader action pursuant to paragraph (c) above) incurred in connection with this Agreement, and such liability shall be joint and

several; provided that, as between Purchaser and Seller, the prevailing party in any dispute over the Deposit shall be entitled to reimbursement of any such expenses paid to Escrow Agent. In the event that Escrow Agent shall be uncertain as to Escrow Agent's duties or rights hereunder, or shall receive instructions from Purchaser or Seller that, in Escrow Agent's opinion, are in conflict with any of the provisions hereof, Escrow Agent shall be entitled to hold and apply the Deposit, and the interest accrued thereon, pursuant to paragraph (c) hereof and may decline to take any other action. After delivery of the Deposit, and the interest accrued thereon, in accordance herewith, Escrow Agent shall have no further liability or obligation of any kind whatsoever.

(e) Escrow Agent shall have the right at any time to resign upon ten (10) business days prior notice to Seller and Purchaser. Seller and Purchaser shall jointly select a successor Escrow Agent and shall notify Escrow Agent of the name and address of such successor Escrow Agent within ten (10) business days after receipt of notice of Escrow Agent of its intent to resign. If Escrow Agent has not received notice of the name and address of such successor Escrow Agent within such period, the President of the Real Estate Board of New York shall select a successor Escrow Agent hereunder. At any time after the ten (10) business day period, Escrow Agent shall have the right to deliver the Deposit, and the interest accrued thereon, to any successor Escrow Agent selected hereunder, provided such successor Escrow Agent shall execute and deliver to Seller and Purchaser an assumption agreement whereby it assumes all of Escrow Agent's obligations hereunder from and after delivery. Upon the delivery of all such amounts and such assumption agreement, the successor Escrow Agent shall become the Escrow Agent for all purposes hereunder and shall have all of the rights and obligations of the Escrow Agent hereunder, and the resigning Escrow Holder shall have no further responsibilities or obligations hereunder.

(f) The provisions of this Section 4 shall survive the Closing or any termination of this Agreement.

5. **PERMITTED ENCUMBRANCES**

The Premises are sold and are to be conveyed subject only to the following (the "**Permitted Encumbrances**"):

(a) Any laws, rules, restrictions, regulations, statutes, ordinances, order or other legal requirements now or hereafter affecting the Premises, including without limitation, those relating to zoning and land use; and

(b) All violations of law, rules, regulations, statutes, ordinances, orders or requirements now or hereafter issued or noted; and

(c) The standard printed exclusions from coverage contained in the form of insuring agreement employed by the Title Company attached hereto as Exhibit 14; and

(d) Any utility company rights, easements and franchises acquired for electricity, water, steam, gas, telephone or other service or the right to use and maintain poles, lines, wires, cables, pipes, boxes and other fixtures and facilities in, over, under and upon the Premises; and

(e) The state of facts disclosed on the survey (the "**One Dimensional Survey**") prepared by Earl B. Lovell – S.P. Belcher, Inc., dated May 1, 1958, last updated by visual examination on September 24, 2002, on the survey (the "**Three Dimensional Survey**") prepared by Earl B. Lovell – S.P. Belcher, Inc., dated October 8, 2002 and on the survey (the "**485 Survey**") prepared by Earl B. Lovell – S.P. Belcher, Inc., dated September 19, 1956, last updated by visual examination on September 24, 2002, and any further state of facts as a current survey of the Premises or a personal inspection would disclose; and

(f) The rights and interests held by Teachers Insurance and Annuity Association of America, as Tenant under the Master Lease and as tenant under the TIAA Lease; and

(g) The rights and interests held by tenants ("Tenants"), as tenants only, under the leases, licenses and occupancy agreements for space in the Premises which are listed on "Schedule B" attached hereto and made a part hereof (together with the TIAA Lease, the "**Existing Leases**"); and

(h) Property Taxes, which are a lien but not yet due and payable;

(i) The Non-Objectionable Encumbrances and any liens, encumbrances or other title exceptions approved or waived by Purchaser in accordance with Section 6; and

(j) The matters set forth on Schedule C.

6. **TITLE INSURANCE**

(a) (i) The parties acknowledge receipt of copies of title reports, No. 3102-00764 and 3102-00765 prepared by the Title Company, dated April 30, 2004 (collectively, the "**Commitment**"). The parties agree that the following title exceptions set forth in Schedule B of the Commitment (a copy of which is attached hereto as "Schedule C") shall be referred to as "Commitment Objections": In connection with title report no. 3102-00765, exceptions 8, 9, 10, 11, and 15; in connection with title report no. 3102-00764, exceptions 10, 11, 15, 16, 17 and 18.

Commitment Objections are not Permitted Encumbrances. All other matters set forth in the Commitment shall constitute Permitted Encumbrances.

(ii) Purchaser and Seller shall instruct the Title Company to deliver a copy of any update to the Commitment to Purchaser and Seller simultaneously. If, prior to the Closing, the Title Company shall deliver any update to the Commitment which discloses liens, encumbrances or other title exceptions which were not disclosed by the Commitment and which are not otherwise permitted hereunder (each an "**Update Exception**"), then Purchaser shall have until the earlier of (x) seven (7) business days after delivery of such update or (y) the Closing Date, time being of the essence, (the "**Update Objection Date**") to deliver notice to Seller objecting to the applicable Update Exceptions (the "**Update Objections**; the Update Objections and the Commitment Objections, collectively referred to as the "**Title Objections**"). If Purchaser fails to deliver such objection notice by the Update Objection Date, Purchaser shall be deemed to have waived its right to object to any Update Exceptions and the same shall not be Title Objections and shall be deemed Permitted Encumbrances. If Purchaser shall deliver such objection notice by the Update Objection Date, any Update Exceptions which are not objected to in such notice shall not constitute Title Objections and shall be deemed Permitted Encumbrances.

(iii) Purchaser shall not be entitled to object to and shall be deemed to have approved any liens, encumbrances or other title exceptions (and the same shall not constitute Title Objections and shall be deemed Permitted Encumbrances): (1) which the Title Company is willing to omit from Purchaser's title policy, without additional cost to Purchaser, (2) against which the Title Company is willing to provide affirmative insurance, without additional cost to Purchaser, (3) which will be extinguished upon the transfer of the Property or (4) which a tenant (other than Seller) under a Lease has responsibility to cure, correct or remove and for which the cost does not exceed $1,000,000 (collectively referred to as the "**Non-Objectionable Encumbrances**"). Notwithstanding anything to the contrary contained herein, if Seller is unable to eliminate the Title Objections by the Scheduled Closing Date, unless the same are waived by Purchaser without any reduction in the Purchase Price, Seller may by notice to Purchaser (the "**Title Cure Notice**") adjourn the Scheduled Closing Date one or more times, for a period not to exceed 30 days in the aggregate (the "**Title Cure Period**") in order to attempt to eliminate such Title Objections.

(b) If Seller is unable to eliminate any Title Objection within the Title Cure Period, unless the same is waived by Purchaser, then, Purchaser may (i) accept the Property, subject to such Title Objection, without abatement of the Purchase Price, in which event (x) such Title Objection shall be deemed to be, for all purposes, a Permitted Encumbrance, (y) Purchaser shall close hereunder notwithstanding the existence of same, and (z) Seller shall have no obligations whatsoever after the Closing Date with respect to Seller's failure to cause such Title Objection to be eliminated, or (ii) terminate this Agreement by notice given to Seller within three (3) business days following Seller's notice of such inability, in which event Purchaser shall be entitled to a return of the Deposit (together with any interest accrued thereon). If Purchaser shall fail to deliver the termination notice described in clause (ii) within the three (3) business day period described therein, time being of the essence, Purchaser shall be deemed to have made an election under clause (ii). Upon the timely giving of any termination notice under clause (ii), this Agreement shall terminate and neither party hereto shall have any further rights or obligations hereunder other than those which are expressly provided to survive the termination hereof. The provisions of this paragraph (b) shall survive the Closing of this Agreement

(c) It is expressly understood that except as set forth in the next sentence, in no event shall Seller be required to bring any action or institute any proceeding, or to otherwise incur any costs or expenses in order to attempt to eliminate any Title Objections or to otherwise cause title in the Premises to be in accordance with the terms of this Agreement on the Closing Date. Notwithstanding the foregoing, Seller shall be required to remove by payment, bonding or otherwise: (i) any Title Objections which have been voluntarily recorded or otherwise placed by Seller against the Premises on or following the date hereof and (ii) any Title Objection which can be removed by the payment of a liquidated sum of money; provided, that, in no event shall Seller be obligated to expend in excess of $1,000,000 pursuant to the provisions of this clause (ii).

(d) Notwithstanding anything to the contrary contained in this Agreement, if the Commitment or any update thereto discloses judgments, bankruptcies or other returns against other persons or entities having names the same as or similar to that of Seller, Seller, on request, shall deliver to Purchaser or the Title Company affidavits to the effect that such judgments, bankruptcies or other returns are not against Seller, in form and substance sufficient to permit removal of same as exceptions in Purchaser's title policy.

7. **APPORTIONMENTS**

(a) In accordance with and during the term of the Master Lease, Seller will continue to receive all rents and other payments under the Existing Leases and will continue to be responsible for all of lessor's obligations under all such Existing Leases until the Master Lease Termination Date (as

hereinafter defined), including for payment of real estate taxes and operating expenses as provided in the Master Lease, and, accordingly, there will be no apportionment of rents and expenses at the time of Closing.

(b) On the Expiration Date (as defined in the Master Lease) or such earlier termination of the Master Lease in accordance with the terms thereof (the "**Master Lease Termination Date**"), the following shall be apportioned between Seller and Purchaser as of 11:59 p.m. (provided, however, that in the event that any of the Existing Leases provide that the tenants thereunder are responsible for payment of any of the expenses in full (as opposed to as part of Overage Rents (as hereinafter defined)), such expenses shall not be apportioned as between Seller and Purchaser):

(i) real estate taxes, sewer rents and taxes, water rates and charges, vault charges and taxes, business improvements district taxes and assessments and any other governmental taxes, charges or assessments levied or assessed against the Premises (collectively referred to as the "**Property Taxes**");

(ii) prepaid rents, fixed rents and additional rents payable pursuant to the Existing Leases (including without limitation, operating expense escalation payments, real estate tax escalation payments and percentage rent, if any);

(iii) administrative charges on security deposits held pursuant to the Existing Leases;

(iv) prepaid fees for license or other permits assigned to Purchaser;

(v) Permit, license and inspection fees, if any, on the basis of the fiscal year for which levied, if the rights with respect thereto are assigned to Purchaser at the Closing;

(vi) Fuel, if any, at the cost per gallon most recently charged to Seller together with any sales taxes paid in connection therewith based on a reading Seller will endeavor to have completed within five (5) days prior to the Closing Date or, if not so completed, as estimated by Seller's supplier (a letter from Seller's fuel supplier shall be conclusive evidence as to the quantity of fuel on hand and the Seller's cost therefor, as the case may be); and

(vii) such other items as are customarily apportioned in accordance with real estate closings of commercial properties in the Borough of Manhattan.

(c) Property Taxes shall be apportioned on the basis of the fiscal periods for which assessed. If the Master Lease Termination Date shall occur either before an assessment is made or a tax rate is fixed for the tax period in which the Master Lease Termination Date occurs, the apportionment of such Property Taxes based thereon shall be made on the basis of the most recent tax bills available. In the event the Property or any part thereof shall be affected by any special or general assessments which are or may become payable in installments, the installment for the tax year in which the Master Lease Termination Date occurs shall be pro rated between the parties. There shall be no re-proration of Property Taxes after the Master Lease Termination Date.

(d) (i) Monthly base or fixed rents ("**Base Rents**") under the Existing Leases shall be adjusted and pro rated on an if, as and when collected basis. If, on the Master Lease Termination Date, there are any past due Base Rents owing by any tenant for any period through the Master Lease Termination Date, Purchaser shall use its commercially reasonable efforts to collect same (which shall not require commencement of legal proceedings) after the Master Lease Termination Date. Following the Master Lease Termination Date, Seller may bill tenants owing Base Rents for periods prior to the Master Lease Termination Date and may take all steps it deems appropriate, including litigation against the tenant, to collect Base Rents which are due Seller. Base Rents collected by Purchaser or Seller after the Master Lease Termination Date from tenants who owe Base Rents for periods prior to the Master Lease Termination Date, shall be applied first to the month in which the Master Lease Termination Date occurs, second to amounts due Purchaser for periods following the month in which the Master Lease Termination Date occurred and third to amounts due Seller for periods prior to the month in which the Master Lease Termination Date occurred. The party receiving such amount shall pay, after deducting reasonable costs of collection, if any, to the other party the portion to which it is entitled, within 15 days of its receipt of same.

(ii) Additional or escalation rent based upon: (A) a percentage of sales or (B) real estate taxes, operating expenses or increases in real estate taxes, operating expenses, labor costs, costs of living indices or porter's wages (collectively referred to as "**Overage Rents**") shall be adjusted and pro rated on an if, as and when collected basis. If, on the Master Lease Termination Date, there are any past due Overage Rents owing by any tenant for any period through the Master Lease Termination Date, Purchaser shall use its commercially reasonable

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efforts to collect same (which shall not require commencement of legal proceedings) after the Master Lease Termination Date. Following the Master Lease Termination Date, Seller may bill tenants owing Overage Rents for periods prior to the Master Lease Termination Date and may take all steps it deems appropriate, including litigation against the tenant, to collect Overage Rents which are due Seller. Overage Rents collected by Purchaser or Seller after the Master Lease Termination Date from tenants who owe Overage Rents for periods prior to the Master Lease Termination Date, shall be applied first to the month in which the Master Lease Termination Date occurs, second to amounts due Purchaser for periods following the month in which the Master Lease Termination Date occurred and third to amounts due Seller for periods prior to the month in which the Master Lease Termination Date occurred. The party receiving such amount shall pay to the other party the portion to which it is entitled, within 15 days of its receipt of same.

(iii) The following shall apply to the extent Overage Rent is billed on the basis of Landlord's estimates or an annual budget, which is subject to subsequent reconciliation and readjustment with each such tenant at the end of the applicable year:

(1) Prior to the Master Lease Termination Date, Seller shall provide Purchaser with a reconciliation statement for calendar year 2005 through the Master Lease Termination Date, with all necessary supporting documentation, as to the Overage Rent paid by the tenants for calendar year 2005. Such reconciliation statement shall indicate any difference between the Overage Rent paid by the tenants (based on Seller's annual 2005 budget for real estate taxes and operating expenses) and the amount that should have been paid by the tenants through the Master Lease Termination Date (based on the actual expenses covering such time period);

(2) If the Seller has collected more on account of such Overage Rent than such actual amount for such time period, then the amount of such difference shall be returned directly to the applicable Tenant(s);

(3) If Seller has collected less from the tenants for Overage Rents than the actual amounts for such time period, then the amount of such difference shall be billed to the applicable Tenant(s) and apportioned as of the Master Lease Termination Date, and Purchaser shall use its commercially reasonable efforts to collect same (which shall not require commencement of legal proceedings) after the Master Lease Termination Date. Following the Master Lease Termination Date, Seller may bill tenants owing such amounts and may take all steps it deems appropriate, including litigation against any applicable Tenant(s), to collect same;

(4) Except as set forth in subparagraphs (ii) and (iii)(3) above, there shall be no re-prorations of Overage Rent after the Master Lease Termination Date.

(iv) This paragraph (d) shall survive the Closing and the Master Lease Termination Date.

(e) If there are any water meters at the Premises, the unfixed charges covered by meters shall be apportioned on the basis of an actual reading done within 5 days prior to the Master Lease Termination Date or if such a reading has not been made on the basis of the last available reading. There shall be no re-prorations of water bills after the Master Lease Termination Date.

(f) Charges for all electricity, steam, gas and other utility services (collectively referred to as "**Utilities**") shall be billed to Seller's account up to the Master Lease Termination Date and from and after the Master Lease Termination Date, all Utilities shall be billed to Purchaser's account. If for any reason such changeover is not practicable as of the Master Lease Termination Date as to any Utility, such Utility shall be apportioned on the basis of actual current readings or if such readings are not available, on the basis of the most recent bills available. There shall be no re-prorations of Utilities after the Master Lease Termination Date.

(g) Subject to the next sentence, Seller agrees that it shall be responsible and shall give Purchaser a credit against the Purchase Price at Closing for, the payment of all Tenant Inducement Costs (as hereinafter defined) and leasing commissions which become due and payable (whether before or after the Closing Date) arising from, related to, or in connection with the existing term (and all prior terms) of the Existing Leases. Purchaser agrees that it shall be responsible for the payment of all Tenant Inducement Costs and leasing commissions which become due and payable (whether before or after the Closing Date) arising from, relating to or in connection with any renewal, expansion or other options contained in the Existing Leases. Without limiting the preceding sentence, Purchaser acknowledges and agrees that it shall be responsible for the payment of "Future Commissions" (as hereinafter defined) due the "Tenant's Broker" (as hereinafter defined) pursuant to and in accordance with the terms of the Brokerage Agreements described in "Schedule D" attached hereto. "**Future Commissions**" shall mean leasing commissions which, pursuant to the Brokerage Agreements described in Schedule D, become due as a result of the exercise after the date hereof of any renewal, extension, expansion or other option under an Existing Lease. "**Tenant's Broker**" shall mean the "Broker" as defined in each of the Brokerage Agreements described in "Schedule D" attached hereto. If as of the

Closing Date, Seller shall have paid any Tenant Inducement Costs or leasing commissions for which Purchaser is responsible ("**Purchaser's TIC's**") pursuant to the foregoing, Purchaser shall reimburse Seller for same at Closing. Purchaser hereby agrees to (i) assume, (ii) release Seller from and (iii) indemnify and hold harmless Seller against any and all liability relating to, Purchaser's TIC's. For purposes hereof, "**Tenant Inducement Costs**" shall mean any out of pocket payments required under an Existing Lease to be paid by the landlord thereunder to or for the benefit of the tenant thereunder which is in the nature of a tenant inducement or concession, including without limitation, tenant improvement costs, design, refurbishment and other work allowances, lease buy out costs and moving allowances; provided, that Tenant Inducement Costs shall not include loss of income resulting from any free rent period, it being agreed that Seller shall bear such loss resulting from any free rental period with respect to the period prior to the Master Lease Termination Date and Purchaser shall bear such loss with respect to the period from and after the Master Lease Termination Date. This paragraph shall survive Closing.

(h) At or prior to the Closing, the parties will jointly prepare and agree upon a closing statement (the "**Closing Statement**") which will show the net amount due to Seller as the result of the adjustments and prorations provided for herein.

(i) This Section 7 shall survive the Closing and the Master Lease Termination Date.

8. **CONDITION OF THE PROPERTY; REPRESENTATIONS**

(a) Purchaser expressly acknowledges and agrees that Seller shall not be liable for any latent or patent defects in the Property and that except as expressly set forth in this Agreement, neither Seller, nor any person acting on behalf of Seller, nor any person or entity which prepared or provided any of the materials reviewed by Purchaser in conducting its due diligence, nor any direct or indirect officer, director, partner, shareholder, employee, agent, representative, accountant, advisor, attorney, principal, affiliate, consultant, contractor, successor or assign of any of the foregoing parties (Seller, and all of the other parties described in the preceding portions of this sentence (other than Purchaser), shall be referred to herein collectively as the "**Exculpated Parties**") has made any oral or written representations or warranties, whether expressed or implied, by operation of law or otherwise, with respect to the Property, the zoning and other laws, regulations and rules applicable thereto or the compliance by the Property therewith, the revenues and expenses generated by or associated with the Property, or otherwise

relating to the Property or the transactions contemplated herein. Purchaser further acknowledges and agrees that, except as expressly set forth in this Section 8, all materials which have been provided by any of the Exculpated Parties have been provided without any warranty or representation, expressed or implied as to their content, suitability for any purpose, accuracy, truthfulness or completeness and Purchaser shall not have any recourse against Seller or any of the other Exculpated Parties in the event of any errors therein or omissions therefrom. Purchaser is familiar with the physical and environmental condition of the

Property and has conducted (or elects not to conduct) such investigations of the affairs and conditions of the Property as Purchaser has considered appropriate and Purchaser is acquiring the Property based solely on its own independent investigation and inspection of the Property and not in reliance on any information provided by Seller, or any of the other Exculpated Parties, except for the representations expressly set forth herein.

(b) Purchaser acknowledges and agrees that, except as expressly set forth in this Section 8, it is purchasing the Property "AS IS" and "WITH ALL FAULTS", based upon the condition of the Property as of the date of this Agreement, reasonable wear and tear and, subject to the provisions of Sections 9 and 10 of this Agreement, loss by condemnation or fire or other casualty excepted. Purchaser acknowledges that it has reviewed and approved the Master Lease, the TIAA Lease and the Existing Leases. Purchaser acknowledges and agrees that its obligations under this Agreement shall not be subject to any financing contingency or, except as expressly set forth in Sections 12 and 21 of this Agreement, other contingencies or satisfaction of conditions and Purchaser shall have no right to terminate this Agreement or receive a return of the Deposit (or the accrued interest thereon) except as expressly provided for in this Agreement.

(c) Seller hereby represents to Purchaser as follows as of the date hereof (each a "**Representation**"):

(i) Attached hereto as "Schedule B" is a correct and complete list of the leases, licenses, occupancy and other agreements for space in the Premises.

(ii) As of the Master Lease Termination Date, there will be no service, union, maintenance or supply agreements affecting the Premises and which will be binding on Purchaser and the Management Agreement (the "**Management Agreement**"), dated June , 2004, between Teachers Insurance and Annuity Association of America, as owner and Teachers Insurance and Annuity Association, as manager will also be terminated.

(iii) Attached hereto as "Schedule E" is a correct and complete list of the security deposits held by Seller under the Existing Leases.

(iv) There is no uninsured action, suit, litigation, hearing or administrative proceeding pending against or, to the best of Seller's knowledge, threatened in writing, against Seller with respect to all or any portion of the Premises other than one personal injury litigation commenced by a former employee of Seller.

(v) There are no condemnation or eminent domain proceedings pending or, to the best of Seller's knowledge, threatened, against the Premises.

(vi) Seller: (A) is a duly organized and validly existing corporation in good standing under the laws of New York, and (B) has all requisite power and authority, and has obtained any necessary consents required, to enter into and carry out the transactions contemplated by this Agreement.

(vii) Copies of insurance certificates setting forth coverage maintained with respect to the Premises is attached hereto as "Schedule F" and the premiums on the policies evidenced by such certificates have been paid in full through the Closing Date.

(viii) True, correct and complete copies of all Existing Leases and all amendments, modifications and supplements thereof have been delivered to Purchaser or made available to Purchaser on the web site of Seller's Broker (as hereinafter defined).

(ix) Exhibit D contains a true, correct and complete list of all leasing brokerage, commission and other similar agreements affecting the Existing Leases and/or the Premises, and Seller has delivered to Purchaser true, correct and complete copies of same.

(x) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code.

Any and all uses of the phrase, "to the best of the Seller's knowledge" or other references to Seller's knowledge in this Agreement shall mean the actual, present, conscious knowledge of Thomas Nelson and Opal Tom (the "**Seller Knowledge Individuals**") as to a fact at the time given without investigation or inquiry. Without limiting the foregoing, Purchaser acknowledges that the Seller Knowledge Individuals are not obligated to perform any investigation or review of any files or other information in the possession of Seller, or to make any inquiry of any persons, or to take any other actions in connection with the representations of Seller set forth in this Agreement. Neither the actual, present, conscious knowledge of any other individual or entity, nor the constructive knowledge of the Seller Knowledge Individuals or of any other individual or entity, shall be imputed to the Seller Knowledge Individuals.

The Representations of Seller contained in this Section 8 shall survive the Master Lease Termination Date for ninety (90 days following the Master Lease Termination Date. Each such Representation shall automatically be null and void and of no further force and effect on the day which is ninety (90 days following the Master Lease Termination Date unless, prior to such day, Purchaser shall have commenced a legal proceeding (a "**Proceeding**") against Seller alleging that Seller is in breach of such Representation and that Purchaser shall have suffered actual damages as a result thereof. If Purchaser shall have timely commenced a Proceeding and a court of competent jurisdiction shall, pursuant to a final, non-appealable order in connection with such Proceeding, determine that: (1) Seller was in breach of any of the applicable Representations as of the date of this Agreement and (2) Purchaser suffered actual damages (the "**Damages**") by reason of such breach and (3) Purchaser did not have knowledge of such breach on or prior to the Closing Date then, Purchaser shall be entitled to receive an amount equal to the Damages.

(d) The Representations of Seller set forth in paragraph (c) above, are subject to the following limitations: (i) Seller does not represent that any particular Existing Lease (other than the Master Lease and the TIAA Lease) will be in force or effect as of the Closing or that the tenants thereunder, will not be in default and (ii) to the extent that Seller has delivered or made available to Purchaser any Existing Leases, or other written materials containing provisions inconsistent with any of such Representations, then such Representations shall be deemed to conform to such provisions.

(e) Purchaser hereby represents to Seller as of the date hereof that: (1) Purchaser (A) is a duly organized and validly existing limited liability company in good standing under the laws of Delaware and is qualified to conduct business in New York and (B) has all requisite power and authority, and has obtained any necessary consents required, to enter into and carry out the transactions contemplated by this Agreement, (2) Purchaser's acquisition of the

Premises does not constitute a purchase of securities within the meaning of federal or state securities laws, and Purchaser waives all rights, if any, to make any claim in connection with any federal or state securities law and (3) Purchaser: (A) is not an "employee benefit plan" within the meaning of Section 3(3) of ERISA and (B) is not using any "plan assets," within the meaning of 29 CFR Reg. Sec. 25103-101, of any plan subject to ERISA to effect any transaction under this Agreement. The provisions of this paragraph (e) shall survive the Closing.

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9. **DAMAGE AND DESTRUCTION**

(a) If all or any part of the Improvements is damaged by fire or other casualty occurring following the date hereof and prior to the Closing Date, whether or not such damage affects a material part of the Improvements, then:

(i) if the estimated cost of repair or restoration is less than or equal to $10,000,000 and if the estimated time to complete such repair or restoration is twelve (12) months or less, neither party shall have the right to terminate this Agreement and the parties shall nonetheless consummate this transaction in accordance with this Agreement, without any abatement of the Purchase Price or any liability or obligation on the part of Seller by reason of said destruction or damage. In such event, Seller shall assign to Purchaser and Purchaser shall have the right to make a claim for and to retain any rent insurance proceeds applicable to the period from and after the Closing Date and any casualty insurance proceeds received under the insurance policies in effect with respect to the Premises on account of said physical damage or destruction (to be applied to repair and restoration and to the extent not previously expended on repair or restoration) and at Closing, Purchaser shall receive a credit against the Purchase Price for the amount of the deductible on such casualty insurance policy (to be applied to repair and restoration and to the extent not previously expended on repair or restoration).

(ii) if the estimated cost of repair or restoration exceeds $10,000,000 or if the estimated time to complete such repair or restoration exceeds twelve (12) months, Purchaser shall have the option, exercisable within ten (10) business days after receipt of notice of the occurrence of such fire or other casualty, time being of the essence, either (x) to terminate this Agreement by delivering notice thereof to Seller, whereupon the Deposit (together with any interest accrued thereon) shall be returned to Purchaser and this Agreement shall be deemed canceled and of no further force or effect, and neither party shall have any further rights or liabilities against or to the other except for such provisions which are expressly provided in this Agreement to survive the termination hereof or (y) to waive unconditionally its right to terminate this Agreement by delivering notice thereof to Seller (in form reasonably satisfactory to Seller). If a fire or other casualty described in this clause (ii) shall occur and Purchaser shall not deliver notice under either (x) or (y) above within such 10-business day period, then Purchaser shall be deemed to have elected not to terminate this Agreement. If a fire or other casualty described in this clause (ii) shall occur and Purchaser timely delivers a notice under (y) above or is deemed to have elected to go forward pursuant to the terms hereof, then Purchaser and Seller shall consummate the transactions hereunder in accordance with this Agreement without any abatement of the Purchase Price or any liability or obligation on the part of Seller by reason of said destruction or damage and, in such event, Seller shall assign to Purchaser and Purchaser shall have the right to make a claim for and to retain any insurance proceeds applicable to the period from and after the Closing Date and any casualty insurance proceeds received under the insurance policies in effect with respect to the Premises on account of said physical damage or destruction (to be applied to repair and restoration and to the extent not previously expended on repair or restoration) and at Closing, Purchaser shall receive a credit against the Purchase Price for the amount of the deductible on such casualty insurance policy (to be applied to repair and restoration and to the extent not previously expended on repair or restoration).

(b) The estimated cost to repair and/or restore and the estimated time to complete contemplated in subsection (a) above shall be established by reasonable estimates obtained by Seller from independent contractors, subject to the provisions of paragraph (c) below.

(c) The provisions of this Section 9 supersede the provisions of Section 5-1311 of the General Obligations Law of the State of New York. Any disputes under this Section 9 as to the cost of repair or restoration or the time for completion of such repair or restoration shall be resolved by expedited arbitration before a single arbitrator acceptable to both Seller and Purchaser in their reasonable judgment in accordance with the rules of the American Arbitration Association; provided that if Seller and Purchaser fail to agree on an arbitrator within five (5) days after a dispute arises, then either party may request the Real Estate Board of New York, Inc. to designate an arbitrator. Such arbitrator shall be an independent architect or engineer having at least ten (10) years of experience in the construction of office buildings in Manhattan. The determination of the arbitrator shall be conclusive and binding upon the parties. The costs and expenses of such arbitrator shall be borne equally by Seller and Purchaser.

10. **CONDEMNATION**

(a) If, prior to the Closing Date, any part of the Premises is taken or if Seller shall receive an official notice from any governmental authority having eminent domain power over the Premises of its intention to take, by eminent domain proceeding, any part of the Premises (a "**Taking**"), then:

(i) if such Taking is temporary or not material (for purposes of this Section 10 "material" means that the condemnation award will exceed $10,000,000) as reasonably determined by an independent architect chosen by Seller (subject to the provisions of paragraph (b) below), and does not materially and adversely affect access to the Premises, neither party shall have any right to terminate this Agreement, and the parties shall nonetheless consummate this transaction in accordance with this Agreement, without any abatement of the Purchase Price or any liability or obligation on the part of Seller by reason of such Taking; provided, however, that Seller shall, on the Closing Date, (i) assign and remit to Purchaser, and Purchaser shall be entitled to receive and keep, the net proceeds of any award or other proceeds of such Taking which may have been collected by Seller as a result of such Taking less the reasonable expenses incurred by Seller in connection with such Taking, or (ii) if no award or other proceeds shall have been collected, deliver to Purchaser an assignment of Seller's right to any such award or other proceeds which may be payable to Seller as a result of such Taking and Purchaser shall reimburse Seller for the reasonable expenses incurred by Seller in connection with such Taking. Any such award or other proceeds shall be applied to repair or restoration.

(ii) if such Taking is material, as reasonably determined by an independent architect chosen by Seller (subject to the provisions of paragraph (b) below), Purchaser shall have the option, exercisable within ten (10) business days after receipt of notice of such Taking, time being of the essence, either (x) to terminate this Agreement by delivering notice thereof to Seller, whereupon the Deposit (together with any interest earned thereon) shall be returned to Purchaser and this Agreement shall be deemed canceled and of no further force or effect, and neither party shall have any further rights or liabilities against or to the other except pursuant to the provisions of this Agreement which are expressly provided to survive the termination hereof or (y) to waive unconditionally its right to terminate this Agreement by delivering notice thereof to Seller (in form reasonably satisfactory to Seller). If a Taking described in this clause (ii) shall occur and Purchaser shall not deliver notice under either (x) or (y) above within such 10-business day period, then Purchaser shall be deemed to have elected not to terminate this Agreement. If a Taking described in this clause (ii) shall occur and Purchaser timely delivers a notice under (y) above or is deemed to have elected to go forward pursuant to the terms hereof, then Purchaser and Seller shall consummate the transactions hereunder in accordance with this Agreement without any abatement of the Purchase Price or any liability or obligation on the part of Seller by reason of said Taking; provided, however, that Seller shall, on the Closing Date, (i) assign and remit to Purchaser, and Purchaser shall be entitled to receive and keep, the net proceeds of any award or other proceeds of such Taking which may have been collected by Seller as a result of such Taking less the reasonable expenses incurred by Seller in connection with such Taking, or (ii) if no award or other proceeds shall have been collected, deliver to Purchaser an assignment of Seller's right to any such award or other proceeds which may be payable to Seller as a result of such Taking and Purchaser shall reimburse Seller for the reasonable expenses incurred by Seller in connection with such Taking. Any such award or other proceeds shall be applied to repair or restoration.

(b) The provisions of this Section 10 supersede the provisions of Section 5-1311 of the General Obligations Law of the State of New York. Any disputes under this Section 10 as to whether the Taking is material or not shall be resolved by expedited arbitration before a single arbitrator acceptable to both Seller and Purchaser in their reasonable judgment in accordance with the rules of the American Arbitration Association; provided that if Seller and Purchaser fail to agree on an arbitrator within five (5) days after a dispute arises, then either party may request the Real Estate Board of New York, Inc. to designate an arbitrator. Such arbitrator shall be an independent architect having at least ten (10) years of experience in the construction of office buildings in Manhattan. The costs and expenses of such arbitrator shall be borne equally by Seller and Purchaser.

11. **CLOSING**

The closing (the "**Closing**") of the transactions contemplated hereunder shall occur on July 19, 2004 (the "**Scheduled Closing Date**") with Purchaser having a right to adjourn the

Scheduled Closing Date to July 30, 2004 (the "Extended Closing Date"; the actual date of the Closing is herein referred to as the "**Closing Date**"). Seller and Purchaser shall submit, in escrow, those documents and/or deliveries required of each of them, to the Escrow Agent on or before the Closing Date, pursuant to their respective closing instructions. Purchaser acknowledges and agrees that none of the documents and/or deliveries submitted by Seller may be released from escrow, until such time as Seller has confirmed in writing its and/or its designees receipt of the Purchase Price. Time is of the essence as to the Purchaser's obligation to close the transactions contemplated hereunder on the Extended Closing Date. The Purchase Price must be received by Seller by 2:00 p.m. (New York Time) in order to constitute receipt of the Purchase Price on that day.

12. **CLOSING DELIVERIES; MASTER LEASE TERMINATION DATE DELIVERIES**

(a) On the Closing Date, Seller shall deliver or cause to be delivered to Purchaser, executed, as appropriate, the following:

(i) A Bargain and Sale Deed Without Covenant Against Grantor's Acts (the "**Deed**") in the form attached hereto as "Exhibit 1";

(ii) A New York State Department of Taxation and Finance Combined Real Estate Transfer Tax Return and Credit Line Mortgage Certificate (the "**TP-584**");

(iii) A New York City Department of Finance Real Property Transfer Tax Return (the "**NYC-RPT**");

(iv) An Affidavit in Lieu of Registration Statement in the form attached hereto as "Exhibit 2";

(v) An Assignment and Assumption of the Master Lease (the "**Master Lease Assignment**") in the form attached hereto as "Exhibit 3";

(vi) A Bill of Sale (the "**Bill of Sale**") in the form attached hereto as "Exhibit 4";

(vii) An Assignment and Assumption of the Management Agreement (the "**Management Agreement Assignment**"), in the form attached hereto as "Exhibit 5", if same shall be entered into by the parties thereto;

(viii) Letters to all tenants under the Existing Leases in the form attached hereto as "Exhibit 6";

(ix) A certification as to Seller's nonforeign status in the form attached hereto as "Exhibit 7";

(x) Originals or, if unavailable, copies, of the Existing Leases then in effect and all related tenant files, to the extent in Seller's possession, all of which shall be kept in the office of the managing agent at the Premises;

(xi) Originals or, if unavailable, copies, of books, records, plans and specifications, permits, licenses and approvals, technical manuals and similar materials for the Improvements to the extent same are in Seller's possession, all of which shall be kept in the office of the managing agent at the Premises;

(xii) A Secretary's Certificate for the Seller certifying the due authorization of the transaction contemplated herein;

(xiii) A Good Standing Certificate for the Seller issued by the Secretary of State of New York;

(xiv) Keys, card keys, codes, to the extent applicable, for the Premises, all of which shall be kept in the office of the managing agent at the Premises;and

(xv) Executed tenant estoppel certificates from the Required Tenants (as hereinafter defined) either in the form attached hereto as "Exhibit 8" or in the form such Required Tenant is expressly obligated to deliver under its applicable Existing Lease, (subject to (a) non-material modifications thereof; it being agreed that qualifications to the executing party's knowledge or words of similar import shall be deemed non-material, (b) such tenant making note of items which constitute Permitted Encumbrances or which Seller otherwise agrees to discharge, and (c) modifications thereof to conform the same to Existing Leases or other information delivered to Purchaser or made available for its review on the web site of Seller's Broker; hereinafter collectively referred to as "Permitted Estoppel Modifications"). In lieu of any such estoppel certificate from a Required Tenant, Seller may (but shall not be obligated to) deliver a Seller estoppel certificate ("**Seller Estoppel**") which covers the matters such Required Tenant is expressly obligated to certify to under its applicable Existing Lease or if the Existing Lease does not require any such certification, then covering the matters set forth in the form attached as Exhibit "8-A"; provided, that, Purchaser shall not be obligated to accept a Seller estoppel certificate in lieu of a tenant estoppel certificate with respect to Existing Leases from the Major Tenants (as hereinafter defined). The "**Required Tenants**" are: (i) the Major Tenants and (ii) tenants which, together with the Major Tenants, occupy seventy-five percent (75%) of the leased space by Tenants other than Seller at the Premises. All estoppel certificates delivered by Tenants shall be accepted by Purchaser and counted towards the foregoing percentage, provided that Purchaser shall not be obligated to accept a Tenant Estoppel if such Tenant Estoppel reflects any materially adverse matter or any statement that is not a Permitted Estoppel Modification. At Closing Seller shall deliver an estoppel certificate from Teachers Insurance and Annuity Association of America with respect to the Master Lease and the TIAA Lease, each in the form attached hereto as "Exhibit 8". The Major Tenants are: Fairchild Publications, Inc., RSM McGladrey, Inc., North Fork Bank, Eisner, LLP, Teachers Insurance and Annuity Association of America ("**TIAA**"), as tenant under the Master Lease and TIAA, as tenant under

the TIAA Lease. Purchaser acknowledges that Fairchild Publications, Inc. has not taken possession of its space and is not yet required to pay rent, and any estoppel certificate from such tenant shall be modified accordingly. Any estoppel certificate from Seller shall by its terms survive for only six (6) months following the Closing Date and, if at any time after Seller's delivery thereof with respect to an Existing Lease, Purchaser shall receive a tenant estoppel certificate with respect thereto substantially similar to the Seller Estoppel relating to such Existing Lease, then such Seller estoppel certificate shall be deemed null and void and of no further force or effect. The failure to obtain estoppel certificates from the Required Tenants shall not be a default on the part of the Seller but rather the failure of a condition precedent to Purchaser's obligation to close, in which case, Purchaser shall have the right to waive such requirement or terminate this Agreement and received a return of the Deposit. Seller shall request estoppel certificates from all the tenants under the Existing Leases, shall use commercially reasonable efforts to obtain the estoppels and shall deliver copies of executed estoppels to Purchaser promptly after Seller receives same.

Seller shall be deemed to have delivered the items set forth in clauses (x), (xi), and (xiv) above if the same are left at the Property on the Closing Date.

(b) On the Closing Date, Purchaser shall deliver or cause to be delivered to Seller, executed, as appropriate, the following:

(i) The TP-584;

(ii) The NYC-RPT;

(iii) The Master Lease Assignment;

(iv) The Bill of Sale;

(v) The Management Agreement Assignment; and

(vi) The Purchase Price, as adjusted pursuant to this Agreement.

(c) On the Master Lease Termination Date, Seller shall deliver or cause to be delivered to Purchaser, executed, as appropriate, the following:

(i) An Assignment and Assumption of the Existing Leases (the "**Existing Leases Assignment**"), as such Existing Leases are in effect on the Master Lease Termination Date, in the form attached hereto as "Exhibit 12";

(ii) The cash security deposits (together with interest accrued thereon less a 1% per annum administrative fee) and letters of credit held by Seller as security under the Existing Leases, but only to the extent the same have not been applied due to any material default after the expiration of all applicable cure periods or returned to tenants in accordance with the Existing Leases;

(iii) Tenant Notice Letters in the form of Exhibit 6-A;

(iv) To the extent not previously delivered to Purchaser on the Closing Date, originals, or if unavailable, copies of all leases, licenses, occupancy and other agreements for space at the Property and any other items described in Section 12(a) not delivered to Purchaser on the Closing Date

(v) Termination of CBRE Management Agreement and written agreement by CBRE not to seek any payment from Purchaser in connection therewith; and

(vi) Termination of the Management Agreement with TIAA and written agreement by TIAA not to seek any payment from Purchaser in connection therewith.

This Section 12(c) shall survive the Master Lease Termination Date.

On the Master Lease Termination Date, Purchaser shall deliver or cause to be delivered to Seller, executed, as appropriate the Existing Leases Assignment.

(d) Purchaser hereby acknowledges and agrees that the acceptance of the Deed by Purchaser shall be deemed to be full performance and discharge of every agreement and obligation on the part of Seller to be performed under this Agreement except those, if any, which are herein specifically stated to survive delivery of the Deed. Unless so specifically stated, no agreement or representation made herein by Seller shall survive the delivery of the Deed.

13. **TAX REDUCTION PROCEEDINGS**

Purchaser shall prosecute the application filed by Seller for the reduction of the assessed valuation of the Premises or any portion thereof for real estate taxes for the New York City fiscal year July 1, 2004 to June 30, 2005 (the "**04/05 Tax Year**"), and Purchaser shall file and prosecute such application for the New York City fiscal year July 1, 2005 to June 30, 2006 (the "**05/06 Tax Year**"). Purchaser shall have the right to withdraw, settle or otherwise compromise any protest or reduction proceeding affecting real estate taxes assessed against the Premises (i) for any fiscal period prior to the 05/06 Tax Year and (ii) for the 05/06 Tax Year, in each instance with the prior consent of Seller, not to be unreasonably withheld or delayed. The amount of any tax refunds (net of attorneys' fees and other costs of obtaining such tax refunds and subject to the immediately preceding sentence) with respect to any portion of the Premises for the tax year in which the Master Lease Termination Date occurs shall be apportioned between Seller and Purchaser as of the Master Lease Termination Date. To the extent that any tenant shall, in accordance with the terms of its Existing Lease, the Master Lease or the TIAA Lease, be entitled

to receive a portion of any tax refunds, which Seller or Purchaser is entitled to receive hereunder, then such party shall be obligated to pay such portion thereof to such tenant in accordance with its Lease. If, in lieu of a tax refund, a tax credit is received with respect to any portion of the Premises for the tax year in which the Master Lease Termination Date occurs, then (x) within thirty (30) days after receipt by Seller or Purchaser, as the case may be, of evidence of the actual amount of such tax credit (net of attorneys' fees and other costs of obtaining such tax credit), the tax credit apportionment shall be readjusted between Seller and Purchaser, and (y) upon realization by Purchaser of a tax savings on account of such credit, Purchaser shall pay to Seller an amount equal to the savings realized (as apportioned). All refunds, credits or other benefits applicable to any fiscal period prior to the 05/06 Tax Year shall belong solely to Seller (and Purchaser shall have no interest therein) and, if the same shall be paid to Purchaser or anyone acting on behalf of Purchaser, same shall be paid to Seller within five (5) days following receipt thereof. The provisions of this Section 13 shall survive the Closing and the Master Lease Termination Date.

14. **EMPLOYEES**

To the extent that Purchaser offers employment to any of the employees (the "**Employees**") employed at the Premises after the Master Lease Termination Date, Purchaser agrees that it shall be solely responsible for all liabilities whatsoever with respect to such hired Employees, for any and all: (i) salaries (for the period from and after the Master Lease Termination Date), (ii) benefits attributable to the period from and after the Master Lease Termination Date, and (iii) notices, payments, fines or assessments due to any governmental authority pursuant to any laws, rules or regulations with respect to the employment, discharge or layoff from and after the Master Lease Termination Date, including, but not limited to, such liability as arises under the Worker Adjustment and Retraining Notification Act, Section 4980B of the Internal Revenue Code (COBRA) and any rules or regulations as have been issued in connection with any of the foregoing (items (i) – (iii), collectively the "**Post Termination Employee Liabilities**"). Purchaser agrees that it shall be solely responsible for all payments and liabilities whatsoever with respect to any and all benefit continuation, severance payments and/or other payments that may be payable as a result of the termination, on or after the Master Lease Termination Date, of any employees of Seller or Seller's managing agent working at the

Premises (the "**Termination Employee Liabilities**"). Purchaser hereby agrees to indemnify Seller and its affiliates against, and agrees to hold them harmless from, any and all claims, losses, damages and expenses (including, without limitation, reasonable attorneys' fees) and other liabilities and obligations relating to the Post Termination Employee Liabilities and/or the Termination Employee Liabilities and/or otherwise incurred or suffered as a result of any claim by any Employee or any terminated employee that arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, ERISA and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law in equity (including any claims for wrongful discharge or otherwise), arising as a result of the termination of any employee on or after the Master Lease Termination Date and/or out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) from and after the Master Lease Termination Date. The provisions of this Section 15 shall only be applicable to employees who are covered by any applicable collective bargaining agreement for the Premises. The provisions of this Section 14 shall survive the Closing.

15. **COVENANTS OF SELLER**

(a) During the period from the date hereof until the Master Lease Termination Date, Seller shall:

(i) be permitted to enter into any agreements with respect to all or any portion of the Property, provided that such agreements expire by their terms on or prior to the Master Lease Termination Date subject to paragraph (b) below;

(ii) maintain in full force and effect the insurance policies currently in effect with respect to the Premises;

(iii) subject to paragraph (b) below, and with Purchaser's prior written consent, not to be unreasonably withheld, have the right to institute legal proceedings against any tenant under an Existing Lease with respect to any material default or failure to perform a material obligation by any such tenant prior to the Master Lease Termination Date;

(iv) have the right to (1) apply any security deposits held under the Existing Leases in respect of tenants who are in material default under the applicable Existing Lease after the expiration of all applicable cure periods and (2) return the security deposit of any tenant under the Existing

Leases, who is entitled to the return of such deposit pursuant to the term of its Existing Lease;

(v) operate and manage the Premises in a manner consistent with current practice; provided, however, that Seller shall have no obligation to make capital improvements except as expressly provided in the Master Lease;

(vi) deliver to Purchaser, promptly after receipt by Seller or its agents or representatives, copies of all notices and other correspondence from Tenants;

(vii) provide to Purchaser copies of the worksheets and all related reporting documentation used by Seller to determine the amounts of Overage Rents and escalations for all applicable Tenants;

(viii) at Seller's sole expense, remove the existing roofing systems and install ballasted IRMA roofs, with 20-year warranties, on part of the setback on the 5th floor and on the setback of the 31st floor of the 485 Property (as hereinafter defined); and

(ix) not, and shall cause its managing agent not, to hire any additional employees or change the classification of any employees at the Premises as of the date hereof.

(b) During the period from the date hereof until the Master Lease Termination Date, Seller shall not, without Purchaser's prior approval, terminate, amend, renew or modify any Existing Lease, or except as permitted by paragraph (d) below, enter into any new lease, license, sublease or other agreement for space at the Premises, nor consent to any assignment or sublease of, or structural or building system alteration under (unless required pursuant to an Existing Lease), any lease, license, sublease or other agreement for space at the Premises, it being agreed that Seller may amend, renew or modify any Existing Lease, to the extent required pursuant to its existing terms (e.g., if a renewal option contained in the Existing Lease is exercised).

(c) Whenever in Section 15(b) hereof Seller is required to obtain Purchaser's approval with respect to any transaction described therein, Purchaser shall, within ten (10) business days after receipt of Seller's request therefor, which request shall be accompanied by a description of the material terms of the proposed transaction, notify Seller of its approval or disapproval of same and, if Purchaser fails to notify Seller of its disapproval within said ten (10) business day period, Purchaser shall be deemed to have not approved same.

(d) Purchaser hereby acknowledges that it has been advised that Seller will be entering into the agreements described below after the date hereof and hereby approves of the entering into of such agreements:

(1) The Master Lease in the form attached hereto as "Exhibit 9";

(2) A Lease (the "**TIAA Lease**") in the form attached hereto as "Exhibit 10"; and

(3) The Management Agreement in the form and substance reasonably agreed between Seller and Purchaser and which will not decrease Purchaser's rights in any material respect or increase Purchaser's obligations, nor will Purchaser be responsible for any costs thereunder.

(e) Notwithstanding any other provision of this Agreement (including, without limitation, Section 7(g)), in connection with the Existing Lease between Seller, as landlord, and Fairchild Publications, Inc. ("Fairchild"), as tenant (the "Fairchild Lease"), Seller shall be solely responsible for and shall indemnify, reimburse and hold harmless Purchaser against (i) any and all brokerage costs, fees and commissions or any Landlord contribution, reimbursement, rent credit or other amount in connection with any tenant improvements which may be or become due in connection with the Phase I Premises or Phase II Premises (as defined in the Fairchild Lease) or Fairchild's exercise of its option to lease premises located on the 6th floor or basement, or any and all amounts paid or credited by Purchaser to Fairchild on or after the Closing Date on account thereof ; (ii) any landlord contribution, reimbursement, rent credit or other amount due to Fairchild in connection with upgrading bathrooms in its premises under the Fairchild Lease; and (iii) any loss, cost or damage (including rent credit or offset) sustained or costs incurred by Purchaser as a result of Seller's failure to perform or pay for, on a timely basis, any work required to be performed by Seller pursuant to the Fairchild Lease.

(f) Seller agrees to indemnify, defend and hold harmless Purchaser from and against any loss, cost, liability or claims made or asserted by Colliers ABR, Seller's leasing agent, for any commissions or other compensation due to them in connection with any Existing Leases (or prior leases) at the Premises.

16. **SECURITY DEPOSITS**

(a) Cash security deposits under the Existing Leases shall be transferred to Purchaser on the Master Lease Termination Date pursuant to Section 12(c)(ii) unless applied or returned pursuant to Section 15(a)(iv). Purchaser agrees to indemnify and hold Seller harmless from any liability to the tenants under the Leases or otherwise, with reference to such security deposits transferred to Purchaser on the Master Lease Termination Date, as aforesaid.

(b) To the extent that any security deposit is composed of a letter of credit: (i) Seller shall make commercially reasonable efforts to have the same assigned and transferred, which expense shall be shared equally by Seller and Purchaser, to Purchaser as of the Master Lease Termination Date and (ii) if not transferable as of the Master Lease Termination Date, Seller shall cooperate with Purchaser in all reasonable respects following the Master Lease Termination Date so as to transfer the same to Purchaser or to obtain a replacement letter of credit with respect thereto, at equal expense to Purchaser and Seller (except to the extent set forth below), in favor of Purchaser. In addition to, but not in limitation of, the foregoing, Seller shall also deliver to Purchaser on the Master Lease Termination Date such documentation, including, without limitation, sight drafts executed in blank, as Purchaser shall reasonably require

in connection with drawing under the letters of credit which have not been transferred to Purchaser. Any transfer or replacement fees associated with transferring the letters of credit or obtaining replacement letters of credit, as aforesaid, shall be the responsibility of Seller. Until any such letter of credit shall be transferred or replaced, Seller shall draw upon the same and deliver the proceeds to Purchaser promptly following Purchaser's written request; provided that Purchaser shall defend, indemnify and hold harmless Seller from and against any and all loss, cost, damage, liability or out-of-pocket expense incurred by Seller as a result of any such actions taken by Seller at Purchaser's request.

(c) This Section 16 shall survive the Closing and the Master Lease Termination Date.

17. **BROKERS**

(a) Purchaser represents and warrants to Seller that it has not dealt or negotiated with, or engaged on its own behalf or for its benefit, any broker, finder, consultant, advisor, or professional in the capacity of a broker or finder (each a "**Broker**") in connection with this Agreement or the transactions contemplated hereby other than Cushman & Wakefield, Inc. ("**Seller's Broker**"). Purchaser hereby agrees to indemnify, defend and hold Seller and the other Seller Related Parties harmless from and against any and all claims, demands, causes of action, losses, costs and expenses (including reasonable attorneys' fees, court costs and disbursements) arising from any claim for commission, fees or other compensation or reimbursement for expenses made by any Broker (other than Seller's Broker) engaged by or claiming to have dealt with Purchaser in connection with this Agreement or the transactions contemplated hereby.

(b) Seller represents and warrants to Purchaser that it has not dealt or negotiated with, or engaged on its own behalf or for its benefit, any Broker (other than Seller's Broker) in connection with this Agreement or the transactions contemplated hereby. Seller hereby agrees to indemnify, defend and hold Purchaser harmless from and against any and all claims, demands, causes of action, losses, costs and expenses (including reasonable attorneys' fees, court costs and disbursements) arising from any claim for commission, fees or other compensation or reimbursement for expenses made by any Broker (including Seller's Broker) engaged by or claiming to have dealt with Seller in connection with this Agreement or the transactions contemplated hereby.

(c) The provisions of this Section 17 shall survive the termination of this Agreement or the Closing.

18. **DEFAULTS**

(a) If (i) Purchaser shall default in the payment of the Purchase Price or if Purchaser shall default in the performance of any of its other material obligations to be performed on the Closing Date, or (ii) Purchaser shall default in the performance of any of its material obligations to be performed prior to the Closing Date and, with respect to any default under this clause (ii) only, such default shall continue for ten (10) days after notice to Purchaser, Seller's sole remedy by reason thereof shall be to terminate this Agreement and, upon such termination, Seller shall be entitled to retain the Deposit (and any interest earned thereon), as liquidated damages for Purchaser's default hereunder, it being agreed that the damages by reason of Purchaser's default are difficult, if not impossible, to ascertain, and thereafter Purchaser and Seller shall have no further rights or obligations under this Agreement except for those that are expressly provided in this Agreement to survive the termination hereof.

(b) If (x) Seller shall default in any of its material obligations to be performed on the Closing Date or (y) Seller shall default in the performance of any of its material obligations to be performed prior to the Closing Date and, with respect to any default under this clause (y) only, such default shall continue for ten (10) days after notice to Seller, Purchaser as its sole remedy by reason thereof (in lieu of prosecuting an action for damages or proceeding with any other legal course of conduct, the right to bring such actions or proceedings being expressly and voluntarily waived by Purchaser, following and upon advice of its counsel) shall have the right

(i) to seek to obtain specific performance of Seller's obligations hereunder, provided that any action for specific performance shall be commenced within sixty (60) days after the Extended Closing Date, or (ii) to receive a return of the Deposit (together with any interest earned thereon), it being understood that if Purchaser fails to commence an action for specific performance within sixty (60) days after the Extended Closing Date, Purchaser's sole remedy shall be to receive a return of the Deposit (together with any interest earned thereon). Upon return of the Deposit (together with any interest thereon) as described in clause (ii) above, this Agreement shall terminate and neither party hereto shall have any further obligations hereunder except for those that are expressly provided in this Agreement to survive the termination hereof. Notwithstanding the foregoing, Purchaser shall have no right to seek specific performance if Seller shall be prohibited from performing its obligations hereunder by reason of any law, regulation, or other legal requirement applicable to Seller.

(c) The provisions of this Section 18 shall survive the termination hereof.

19. **TRANSACTION COSTS**

(a) Seller, in addition to its apportionment obligations hereunder, shall also be responsible for: (i) any transfer taxes imposed in connection with the sale of the Premises, (ii) 50% of Escrow Agent's escrow fee, if any, (iii) the cost of its legal counsel, (iv) any commission due Seller's Broker and (iv) expenses that Seller may incur in connection with the removal of Title Objections.

(b) Purchaser, in addition to its apportionment and other payment obligations hereunder, shall also be responsible for: (i) 50% of Escrow Agent's escrow fee, if any, (ii) the cost of its legal counsel and the other professionals employed by it, (iii) the costs and expenses incurred in its due diligence, (iv) all recording and filing fees, (v) costs associated with updating the One Dimensional Survey and the 485 Survey and the costs of the Three Dimensional Survey and/or updating same, (vi) title insurance premiums, and (vii) any other title related expense, charge or disbursement other than those Seller is obligated to pay pursuant to Section 19(a) above. At Closing, Purchaser shall reimburse Seller for the cost of the Three Dimensional Survey, in the amount of $7,500.

(c) This Section 19 shall survive the Closing or termination of this Agreement.

20. **NOTICES**

All notices, demands, requests or other communications (collectively referred to as "**Notices**") required to be given or which may be given hereunder shall be in writing and shall be sent by (a) certified or registered mail, return receipt requested, postage prepaid, or (b) national overnight delivery service, or (c) facsimile transmission (provided that the original shall be simultaneously delivered by national overnight delivery service or personal delivery), or (d) to the extent that an e-mail address is provided below, by e-mail (provided that the original shall be simultaneously delivered by national overnight delivery service or personal delivery), or (e) personal delivery, addressed as follows:

To Seller:	TIAA Realty Inc. 730 Third Avenue - 7th Floor New York, NY 10017 Attention: Thomas Fjellman Fax: (212) [916-4527] tfjellman@tiaa-cref.org
With a copy to:	Harold D. Piazza, Jr., Esq. Teachers Insurance and Annuity Association of America 730 Third Avenue - 9th Floor New York, NY 10017 Fax: (212) 916-6392 hpiazza@tiaa-cref.org
and to:	Steven M. Alden, Esq. Debevoise & Plimpton LLP 919 Third Avenue New York, NY 10022 Fax: (212) 909-6836 smalden@debevoise.com
To Purchaser:	c/o SL Green Realty Corp. 420 Lexington Avenue New York, NY 10170 Attention: Marc Holliday and Andrew Levine Fax: (212) 216-1785 marc.holliday@slgreen.com and andrew.levine@slgreen.com
With a copy to:	Greenberg Traurig, LLP 200 Park Avenue New York, NY 10166 Attention: Robert J. Ivanhoe, Esq.

Fax: (212) 805-9333
ivanhoer@gtlaw.com

Any Notice so sent by certified or registered mail, national overnight delivery service or personal delivery shall be deemed given on the date of receipt or refusal as indicated on the return receipt, or the receipt of the national overnight delivery service or personal delivery service. Any Notice sent by facsimile transmission shall be deemed given when received as confirmed by the telecopier electronic confirmation receipt. A Notice may be given either by a party or by such party's attorney. Seller or Purchaser may designate, by not less than five (5) business days' notice given to the others in accordance with the terms of this Section 20, additional or substituted parties to whom Notices should be sent hereunder.

21. **CONDITIONS TO CLOSING; CONDITION TO EFFECTIVENESS**

(a) Purchaser's obligation to purchase the Property is subject to the satisfaction or waiver by Purchaser of the following condition precedent:

(i) Seller shall have complied, in all material respects, with its obligations under this Agreement including delivery of all items set forth in Section 12 above.

(b) Seller's obligation to sell the Property is subject to the satisfaction or waiver by Seller of the following condition precedent:

(i) Purchaser shall have complied, in all material respects, with its obligations under this Agreement.

(c) Purchaser acknowledges that Seller has executed this Agreement prior to obtaining required approval of Seller's Board of Trustees. Accordingly, notwithstanding any other provision of this Agreement (including, without limitation, Section 8(c)(vi)) (I) Seller's execution and delivery of this Agreement shall be subject to Seller obtaining, on or before 5:00 p.m. New York City time on June 16, 2004, the approval of Seller's Board of Directors; (II) this Agreement shall not be effective for any purpose whatsoever unless such approval is obtained and (III) if such approval is not obtained by such time, this Agreement shall be null and void, the Deposit shall be returned to Purchaser and neither party shall have further rights or obligations hereunder. Seller shall notify Purchaser on or before 6:00 p.m. New York City time on June 16, 2004, whether such approval has been obtained.

22. **ENTIRE AGREEMENT**

This Agreement contains all of the terms agreed upon between Seller and Purchaser with respect to the subject matter hereof, and all prior agreements, understandings, representations and statements, oral or written, between Seller and Purchaser are merged into this Agreement. The provisions of this Section 22 shall survive the Closing or the termination hereof.

23. **AMENDMENTS**

This Agreement may not be changed, modified or terminated, nor provisions waived, except by an instrument executed by Seller and Purchaser. The provisions of this Section 23 shall survive the Closing or the termination hereof.

24. **WAIVER**

No waiver by either party of any failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent failure or refusal to so comply. The provisions of this Section 24 shall survive the Closing or the termination hereof.

25. **PARTIAL INVALIDITY**

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by law. The provisions of this Section 25 shall survive the Closing or the termination hereof.

26. **SECTION HEADINGS**

The headings of the various sections of this Agreement have been inserted only for the purposes of convenience, and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement. The provisions of this Section 26 shall survive the Closing or the termination hereof.

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27. **GOVERNING LAW**

This Agreement shall be governed by the laws of the State of New York without giving effect to conflict of laws principles thereof. The provisions of this Section 27 shall survive the Closing or the termination hereof.

28. **THIRD PARTY BENEFICIARY**

This Agreement is an agreement solely for the benefit of Seller and Purchaser (and their permitted successors and/or assigns). No other person, party or entity shall have any rights hereunder nor shall any other person, party or entity be entitled to rely upon the terms, covenants and provisions contained herein. The provisions of this Section 28 shall survive the Closing or the termination hereof.

29. **JURISDICTION AND SERVICE OF PROCESS**

The parties hereto agree to submit to personal jurisdiction in the State of New York in any action or proceeding arising out of this Agreement and, in furtherance of such agreement, the parties hereby agree and consent that without limiting other methods of obtaining jurisdiction, personal jurisdiction over the parties in any such action or proceeding may be obtained within or without the jurisdiction of any court located in New York and that any process or notice of motion or other application to any such court in connection with any such action or proceeding may be served upon the parties by registered or certified mail to or by personal service at the last known address of the parties, whether such address be within or without the jurisdiction of any such court. The provisions of this Section 29 shall survive the Closing or the termination hereof.

30. **WAIVER OF TRIAL BY JURY**

SELLER AND PURCHASER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT. THE PROVISIONS OF THIS SECTION 30 SHALL SURVIVE THE CLOSING OR THE TERMINATION HEREOF.

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31. **PARTIES**

This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon Seller and Purchaser and their respective successors and permitted assigns; provided that none of the representations or warranties made by Seller hereunder shall inure to the benefit of any person or entity that may, after the Closing Date, succeed to Purchaser’s interest in the Property.

32. **ASSIGNMENT**

Subject to Section 37 below, Purchaser may not assign or otherwise transfer this Agreement or any of its rights or obligations hereunder or any of the direct or indirect ownership interests in Purchaser, without first obtaining Seller’s consent thereto; provided that the Purchaser named herein shall have the one-time right to assign this Agreement to a Controlled Affiliate. “**Controlled Affiliate**” means any entity “controlled by” the purchaser named herein.

"Controlled by" means the right of consent over the business and affairs of the assignee by reason of the ownership of a majority of the beneficial interests in such assignee, by contract or otherwise. Any such assignment shall be conditioned upon Purchaser delivering to Seller an executed original of the assignment and assumption agreement wherein the assignee assumes all of the obligations of the Purchaser named herein and proof reasonably satisfactory to Seller that the assignee constitutes a Controlled Affiliate on or before the date which is three (3) business days prior to the Scheduled Closing Date, or the Extended Closing Date if the Scheduled Closing Date is extended as provided herein. An assignment or transfer of this Agreement shall not relieve the Purchaser named herein of any of its obligations hereunder.

33. **RECORDING**

Neither this Agreement nor any memorandum hereof may be recorded without first obtaining Seller's written consent thereto. The provisions of this Section 33 shall survive the Closing or the termination hereof.

34. **CONFIDENTIALITY AND PRESS RELEASE**

(a) Purchaser acknowledges and agrees that it shall be bound by all of the terms and conditions of that certain Confidentiality Agreement relating to the premises, executed by

Purchaser and dated May 20, 2004. Between the date hereof through and including the Closing Date and except as otherwise expressly provided in clause (b) below, Purchaser and Seller shall not (and shall use reasonable efforts to cause Purchaser's and Seller's respective agents, employees, attorneys and advisors including, without limitation, financial institutions to not) disclose, make known, divulge, disseminate or communicate the Purchase Price or any of the terms of this Agreement or this transaction or any agreement, document or understanding pertinent to the instant transaction without the consent of the other party, except (i) as required by law, (ii) to Purchaser's or Seller's employees and advisors involved in the transaction or (iii) to Purchaser's prospective lenders or prospective investors.

(b) Prior to the Closing Date, Purchaser and Seller shall confer and agree on a press release to be issued jointly by Purchaser and Seller disclosing the transaction and the appropriate time for making such release. Neither Purchaser nor Seller shall issue any press releases (or other public statements) with respect to the transaction contemplated in this Agreement without approval of the other party.

(c) Notwithstanding anything to the contrary contained in this Section 34, Seller recognizes that SL Green Realty Corp., who indirectly owns interests in Purchaser, is a public company and, accordingly, Seller acknowledges and agrees that Purchaser or SL Green Realty Corp. may disclose in press releases, filings with governmental authorities, financial statements and/or other communications such information regarding the transactions contemplated hereby as may be necessary or advisable under securities laws, including without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and any, rules or regulations thereunder, GAAP or other accounting rules or procedures or SL Green Realty Corp.'s prior custom, practice or procedure.

(d) The provisions of Section 34(a) shall survive the termination of this Agreement and the provisions of Section 34(b) shall survive the termination hereof or the Closing.

35. **INTENTIONALLY DELETED**

36. **MISCELLANEOUS**

(a) This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and together constitute one and the same instrument.

(b) Any consent or approval to be given hereunder (whether by Seller or Purchaser) shall not be effective unless the same shall be given in advance of the taking of the action for which consent or approval is requested and shall be in writing. Except as otherwise expressly provided herein, any consent or approval requested of Seller or Purchaser may be withheld by Seller or Purchaser in its sole and absolute discretion.

(c) The agreements contained herein shall not be construed in favor of or against either party, but shall be construed as if both parties prepared this Agreement.

(d) The provisions of this Section 36 shall survive the Closing or the termination hereof.

37. **BIFURCATION; SHARED SYSTEMS**

(a) Notwithstanding anything to the contrary contained in this Agreement, Purchaser shall have the right at or before Closing, and at no cost to Seller, to designate different grantees for each building comprising the Premises (i.e., one grantee for the property commonly known as 750 Third Avenue, New York, New York (the "**750 Property**"), and a different grantee for the property commonly known as 485 Lexington Avenue, New York, New York (the "**485 Property**")), provided SL Green Realty Corp. (i) provides, directly or indirectly, at least thirty five percent (35%) of the total equity necessary to close the transaction contemplated by this Agreement and (ii) directs the day-to-day management of each such grantee and whose consent is necessary for major decisions of each such grantee. If Purchaser exercises the foregoing option, the grantees, collectively, shall be considered "Purchaser" for purposes of this Agreement.

(b) At all times prior to the Master Lease Termination Date, Seller shall cooperate with Purchaser to create all easements and restrictive covenants which Purchaser reasonably deems necessary or desirable for shared equipment and facilities to continue to operate both the 750 Property and the 485 Property substantially as presently operated by Seller. Prior to the Closing Date, Seller shall cooperate with Purchaser in Purchaser's efforts, if any, to

separately finance the acquisition of the 750 Property and the 485 Property, including with regard to the creation of the foregoing easements and restrictive covenants and the bifurcation of the Master

Lease, as Purchaser's lender(s) may reasonably require, provided same shall not adversely affect Seller's rights under this Agreement.

(c) Any out-of-pocket costs reasonably incurred by Seller in connection with Seller's performing its obligations under this Article 37 shall be reimbursed to Seller by Purchaser on the Closing Date.

38. **1031 EXCHANGE**

(a) Seller understands that Purchaser may seek to structure the acquisition of the Property in such a way that will allow Purchaser to take advantage of the provisions of Internal Revenue Code (the "**Code**") Section 1031 governing tax free exchanges and reorganizations. Seller shall reasonably cooperate with Purchaser in such efforts at no cost or liability to Seller. Purchaser reserves the right, in effectuating such like-kind exchange, to assign its rights, but not its obligations, under this Agreement to a Qualified Intermediary or Exchange Accommodation Transferee or other similar functionary, and Seller hereby consents to such assignment. Seller agrees to execute such reasonable documents and otherwise to cooperate in such respects as may reasonably be requested by Purchaser in order to enable Purchaser to carry out a like-kind exchange as aforesaid.

(b) Any out-of-pocket costs reasonably incurred by Seller in connection with Seller's performing its obligations under this Article 38 shall be reimbursed to Seller by Purchaser on the Closing Date.

(c) Purchaser shall indemnify, defend and hold harmless Seller from and against any loss, cost, expense or damage arising from the property being exchanged for the Premises pursuant to this Article 38.

39. **TERMINATION**

Notwithstanding anything to the contrary contained herein, in the event that this Agreement shall be terminated and the Deposit, together with all interest accrued thereon, is returned to Purchaser, neither party shall have any further rights or obligations hereunder, other than those which expressly survive the termination hereof.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

SELLER:

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: ______________________________
Name:
Title:

PURCHASER:

750-485 FEE OWNER LLC

By: ______________________________
Name: Marc Holliday
Title: President

SL GREEN REALTY CORP. is executing this Agreement below to evidence its agreement to be liable for the obligations of Purchaser as set forth in Sections 2(c), 3 (opening paragraph), 14, 17, 37(c) and 38(b) and (c) only)

SL GREEN REALTY CORP.

By: ______________________________
Name: Marc Holliday
Title: President and Chief Executive Officer

CHICAGO TITLE INSURANCE COMPANY is executing this Agreement below to evidence its willingness to act as Escrow Agent in accordance with the terms of this Agreement, to perform and be responsible for the obligations of Escrow Agent under this Agreement and to acknowledge receipt of the Deposit in accordance with Section 3(a) of this Agreement.

CHICAGO TITLE INSURANCE COMPANY

By: ______________________________
Name:
Title:

Schedules

A	-	Legal Description
B	-	Existing Leases
C	-	Schedule B of Commitment
D	-	Brokerage Agreements
E	-	Security Deposits
F	-	Insurance Certificate

Exhibits

1	-	Deed
2	-	Affidavit in Lieu of Registration Statement
3	-	Assignment and Assumption of Master Lease
4	-	Bill of Sale
5	-	Assignment and Assumption of Management Agreement
6	-	Tenant Notification Letter (upon Closing)
6-A	-	Tenant Notification Letter (upon Master Lease Termination)
7	-	FIRPTA Affidavit
8	-	Tenant Estoppel
8-A	-	Seller Estoppel
9	-	Master Lease
10	-	TIAA Lease
11	-	Intentionally Deleted
12	-	Assignment and Assumption of Existing Leases
13	-	Assignment, Assumption and Release of CBRE Management Agreement

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SCHEDULE A

LEGAL DESCRIPTION

Parcel One

All that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follow:

BEGINNING at the corner formed by the intersection of the westerly side of Third Avenue with the southerly side of East 47th Street;

RUNNING THENCE Westerly along the southerly side of East 47th Street 230 feet 6 inches;

THENCE Southerly parallel with said westerly side of Third Avenue 100 feet 5 inches to the center line of the block;

THENCE Easterly along the center line of the block 80 feet 6 inches;

Thence Southerly parallel with said westerly side of Third Avenue 100 feet 5 inches to the northerly side of East 46th Street;

THENCE Easterly along said northerly side of East 46th Street 150 feet to the corner formed by the intersection of said northerly side of East 46th Street with the said westerly side of Third Avenue;

THENCE Northerly along said westerly side of Third Avenue 200 feet 10 inches to the point or place of BEGINNING.

Parcel Two

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the easterly side of Lexington Avenue with the southerly side of East 47th Street; running

THENCE Easterly along the southerly side of East 47th Street, 189 feet 6 inches;

THENCE Southerly and parallel with said Lexington Avenue, 100 feet 5 inches to the center line of the block;

THENCE Easterly and parallel with East 47th Street, 80 feet 6 inches;

THENCE Southerly and parallel with Lexington Avenue, 100 feet 5 inches to the northerly side of East 46th Street;

THENCE Westerly along the northerly side of East 46th Street, 270 feet to the easterly side of Lexington Avenue;

THENCE Northerly along the easterly side of Lexington Avenue, 200 feet 10 inches to the point or place of BEGINNING.

SCHEDULE B

EXISTING LEASES

I. 750 THIRD AVENUE

TENANT	AGREEMENTS
150 East 47th St. Pub, Inc. (“**Connolly’s**”)	• Lease, dated December 4, 1997 between Teachers Insurance and Annuity Association of America (“**TIAA**”) and Connolly’s • Letter dated August 10, 1998 from TIAA to Connolly’s re: Commencement Date
B. Dalton Bookseller, Inc. (currently d/b/a Barnes & Noble)	• Lease, dated August 5, 1977 between C.I. Realty Investors and Marboro Bookshops Corp. • Modification of Lease, dated December 1, 1979 between Kenilworth Realty Trust and Barnes & Noble Booskstores, Inc. • Landlord’s Consent, dated December 13, 1979 • Assignment and Assumption, dated December 13, 1979 between Marboro Bookshops Corp., and Barnes & Noble Bookstores, Inc. • Extension and Modification Agreement, dated October [ ], 1991 between TIAA and B. Dalton Bookseller, Inc. • Second Extension and Modification Agreement, dated September 28, 2001 between TIAA and B. Dalton Bookseller, Inc.
BSI Investment Advisors, LLC (“**BSI**”)	• Lease, dated June 7, 2002 between TIAA and BSI • Guaranty of Lease, dated June 7, 2002 by BSI AG, Lugano Switzerland in favor of TIAA • Commencement Date Agreement, dated June 24, 2002 between TIAA and BSI • Basement Space Confirmation Agreement dated September 30, 2002 between TIAA and BSI
North Fork Bank	• Lease, dated October 10, 2003, between TIAA and North Fork Bank • Letter, dated October 10, 2003, from TIAA to North Fork Bank
The Buckingham Research Group, Inc. (“**BRG**”)	• Lease, dated September 13, 2001 between TIAA and BRG • Commencement Date Agreement, dated February 1, 2002 between TIAA and BRG
China Medical Board of New York, Inc. (“**CMB**”)	

- Lease, dated December 30, 1985 between TIAA and CMB
- Amendment of Lease, dated May 15, 1988 between TIAA and CMB
- Second Amendment of Lease, dated May 12, 1995 between TIAA and CMB

Richard A. Eisner & Company, LLP (“**RE**”)

- Lease, dated January 11, 2001 between TIAA and RE
- 64 Guaranties (various dates)
- Commencement Date Agreement, dated January 25, 2002 between TIAA and RE
- First Amendment of Lease, dated May 1, 2002 between TIAA and RE
- Letter dated May 14, 2002 from Hogan & Hartson to TIAA re: official name change from RE to Eisner, LLP
- Letter dated July 25, 2002 from TIAA to Eisner, LLP re: Rent Credit/New Rent Commencement Date

Federal Express Corporation (“**FE**”)

- Lease, dated February 18, 1993 between TIAA and FE
- Lease Modification Agreement dated July [ ], 1997 between TIAA and FE
- Second Amendment, dated April 22, 2003, between TIAA and FE

First Commercial Bank (“**FCB**”)

- Lease, dated January 29, 2002 between TIAA and FCB
- Commencement Date Agreement, dated February 20, 2002 between TIAA and FCB

Fairchild Publication, Inc. (“**FPI**”)

- Lease, dated January 20, 2004 between FPI and TIAA
- Guaranty, dated January 20, 2004, by Advance Publications, Inc. in favor of TIAA

RSM McGladrey, Inc. (“**RSM**”)

- Lease, dated June 14, 2002, between TIAA and RSM
- Letter Agreement, dated June 14, 2002 by TIAA in favor of RSM
- Guaranty, dated June 14, 2002 by H&R Block, Inc., in favor of TIAA
- Commencement Date Agreement, dated August 5, 2002 between TIAA and RSM
- First Amendment to Lease, dated August 8, 2002 between TIAA and RSM

SS&M Third Avenue Realty Corporation (“**SSM**”)

- Lease, dated November 22, 1991 between TIAA and SSM
- First Extension and Modification Agreement, dated September 23, 2002 between TIAA and SSM
- Letter Agreement, dated July 29, 1992, from TIAA to SSM
- Commencement Letter, undated from TIAA to SSM ***[Note: The date is missing.]***

II. 485 Lexington Avenue

TENANT	AGREEMENTS
Cohen Fashion Optical, Inc. (“**Cohen**”)	• Lease, dated August 5, 1977, between C.I. Realty Investors (“**C.I.**”) and Cohen Fashion Optical of 485 Lexington Avenue, Inc. (“**485 Cohen**”) • Confirmation of Lease Term, dated January 27, 1978, between C.I. and 485 Cohen • Extension and Modification Agreement, dated January 31, 1990, between TIAA and 485 Cohen (“**1990 Extension**”) • 2nd Amendment and Extension Agreement, dated December 31, 2002, between TIAA and 485 Cohen. ***[Note: this document is not on the website]*** • Correspondence re: 1990 Extension Agreement
Duane Reade	• Lease, dated February 11, 1977, between C.I. and Duane Reade Corp.

	• Letter Agreement, dated March 19, 1985, from Tischman East Management Corp. ("Tischman") to Duane Reade Drugs • Amendment, dated May 1, 1985 between Tischman and Duane Reade Corp. • Assignment and Assumption Agreement, dated April 26, 1985, from Duane Reade Corp. to Duane Reade • Consent to Assignment, dated June 11, 1985, by WRC Props. as Landlord • Extension and Modification Agreement, dated July 25, 1990, between TIAA and Duane Reade • Agreement, dated April 1, 1991, between TIAA and Duane Reade • Letter, dated April 4, 1991, from TIAA to Duane Reade • Third Lease Extension and Modification Agreement, dated October 31, 2002, between TIAA and Duane Reade • Correspondence re: cleanliness of windows (1984, 1989) • Correspondence re: certificate of insurance (1986) • Correspondence re: assignment for lease (1984)
Kinney System, Inc. ("**Kinney**")	• Lease, dated March 28, 1977, between C.I. and Kinney • First Amendment to Lease, dated March 1, 1980, between Kenilworth Realty Corporation ("Kenilworth") and Kinney • Agreement, dated September 24, 1980, between Kenilworth and Kinney • Second Amendment, dated June 21, 1996, between TIAA and Kinney • Correspondence by broker re: rent • Correspondence re: Electric meter Installation • Correspondence re: Kinney's failure to maintain the leasehold
International Retail, L.L.C. ("**Int'l Retail**")	• Standard Form of Store Lease with Rider, dated September 25, 1998, between TIAA and Int'l Retail

SCHEDULE C

SCHEDULE B OF COMMITMENT

(See Attached)

SCHEDULE D

BROKERAGE AGREEMENTS

[To Be Added]

SCHEDULE E

SECURITY DEPOSITS

750 Third Avenue
Tenant Security
As of 2/19/04

Tenant Name	Unit Ref #	Cash Amount (1)	Letter of Credit Amount

150 47th Street Pub (Connolly's)	B200	59,272,00	
Buckingham Research Group	600	678,636.00	
Richard A. Eisner & Co.	1400 – 1700		4,710,384.00
BSI Investment Advisors, LLC	2200		508,350.00
SS& M Third Avenue	2900		47,230.00
Total Building 750 Third Avenue		737,908.00	5,265,964.00

Note:

(1) The Cash Amount of Security scheduled above is the amount stated in the lease, it does not take into account any undisbursed tenant interest earned.

485 Lexington Avenue
Tenant Security
As of 2/19/04

Tenant Name	Unit Ref #	Cash Amount (1)	Letter of Credit Amount
International Retail, LLC	1300 & 1400		203,695.00

SCHEDULE F

INSURANCE CERTIFICATE

To be attached on June 16, 2004

EXHIBIT 1

BARGAIN AND SALE DEED, WITHOUT COVENANTS AGAINST GRANTOR'S ACTS

THIS INDENTURE is made this day of , 2004 between TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation, with an office at 730 Third Avenue, New York, New York 10017 party of the first part, and , a , with an office at , party of the second part,

W I T N E S S E T H, that the party of the first part, in consideration of Ten ($10.00) dollars, lawful money of the United States, and other good and valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever:

ALL those certain plots, pieces or parcels of land, with the buildings and improvements thereon erected, situate, lying and being in the City and State of New York, more particularly described in "**Schedule A**" attached hereto and made a part hereof.

This conveyance is made subject to easements, restrictions, covenants, conditions and reservations of record, real estate taxes which are not yet due and payable, zoning laws, regulations and ordinances of municipal and other governmental authorities, if any.

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof,

TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises,

TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose. The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

In presence of:

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: ______________________

Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the day of , in the year 2004, before me, the undersigned, a Notary Public in and for said State, personally appeared , a of TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

Schedule A - - Legal Description

Parcel One

All that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follow:

BEGINNING at the corner formed by the intersection of the westerly side of Third Avenue with the southerly side of East 47th Street;

RUNNING THENCE Westerly along the southerly side of East 47th Street; 230 feet 6 inches;

THENCE Southerly parallel with said westerly side of Third Avenue, 100 feet 5 inches to the center line of the block;

THENCE Easterly along the center line of the block 80 feet 6 inches;

Thence Southerly parallel with said westerly side of Third Avenue 100 feet 5 inches to the northerly side of East 46th Street;

THENCE Easterly along said northerly side of East 46th Street 150 feet to the corner formed by the intersection of said northerly side of East 46th Street with the said westerly side of Third Avenue;

THENCE Northerly along said westerly side of Third Avenue 200 feet 10 inches to the point or place of BEGINNING.

Parcel Two

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the easterly side of Lexington Avenue with the southerly side of East 47th Street; running

THENCE Easterly along the southerly side of East 47th Street, 189 feet 6 inches;

THENCE Southerly and parallel with said Lexington Avenue, 100 feet 5 inches to the center line of the block;

THENCE Easterly and parallel with East 47th Street, 80 feet 6 inches;

THENCE Southerly and parallel with Lexington Avenue, 100 feet 5 inches to the northerly side of East 46th Street;

THENCE Westerly along the northerly side of East 46th Street, 270 feet to the easterly side of Lexington Avenue;

THENCE Northerly along the easterly side of Lexington Avenue, 200 feet 10 inches to the point or place of BEGINNING.

	SECTION	5
Bargain and Sale Deed	**BLOCK**	1301

Without Covenant Against Grantor's Arts

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

TO

LOTS 33 and 23
COUNTY OR TOWN New York
STREET ADDRESS 750 Third Avenue and
485 Lexington Avenue

TAX BILLING ADDRESS

RETURN BY MAIL TO:

EXHIBIT 2

AFFIDAVIT IN LIEU OF REGISTRATION STATEMENT

COUNTY OF NEW YORK }
}: ss
STATE OF NEW YORK }

, being duly sworn, deposes and says:

1. I am personally familiar with the real property known by the street addresses of **750 Third Avenue and 485 Lexington Avenue, New York**, Section **5**, Block **1301**, Lots **33 and 23**, and make this affidavit as Grantor in connection with a deed which transfers an interest in the above real property and is dated , 2004, and is between TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation, with an office at 730 Third Avenue, New York, New York 10017, as Grantor, and , a with an office at .

2. The statements made in this affidavit are true of my own knowledge and I submit this Affidavit in order that this Instrument be accepted for recording without being accompanied by a registration statement, as such is defined by article forty-on of title D of chapter twenty-six of the Administrative Code of the City of New York.

3. Exemption from registration is claimed because the Instrument does not affect an entire multiple dwelling such term is defined by Section D26-1.07 (a) (7) of the Administrative Code of the City of New York and Section 4 (7) of the Multiple Dwelling Law. The Instrument does not affect a dwelling which is or is to be occupied as the residence of three or more families because it affects the following (check applicable item):

- ☒ Commercial building
- o One or two-family dwelling
- o condominium unit in a multiple dwelling
- o Cooperative corporation shares relating to a single residential unit in a multiple dwelling
- o Lease of commercial space in a multiple dwelling
- o mineral, gas, water, air or other similar rights not affecting a multiple dwelling
- o vacant land

4. I am aware that this affidavit is required by law to be submitted in order that the Instrument be recorded or accepted for record without being accompanied by registration statements. I am aware that false statements made in this affidavit may be punishable as a felony or misdemeanor under Article 210 of the Penal Law or as an offense under Section 1151-9.0 of the Administrative Code of the City of New York.

Address: 730 Third Avenue
New York, New York 10017
Telephone No. (212) 490-9000

Sworn to Before Me this
of , 2004

____
Notary Public

EXHIBIT 3

ASSIGNMENT AND ASSUMPTION OF MASTER LEASE

THIS ASSIGNMENT AND ASSUMPTION OF MASTER LEASE (this "**Assignment**") is entered as of this day of , 2004 by and between TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation with offices at 730 Third Avenue, New York, New York 10017 ("**Assignor**") and , a with offices at ("**Assignee**").

WHEREAS, in accordance with that certain Contract of Sale (the "**Contract**") dated as of , 2004, between Assignor, as Seller, and Assignee, as Purchaser, Assignor has agreed to convey to Assignee those certain premises located at 750 Third Avenue and 485 Lexington Avenue, New York, New York 10017, as more particularly described in the Contract (capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Contract); and

WHEREAS, Assignor desires to assign its interests as landlord in and Assignee desires to accept the assignment of Assignor's interest as landlord in and to the Master Lease, on the terms and conditions provided herein including Assignee's assumption of Assignor's obligations as landlord under the Master Lease.

NOW, THEREFORE, IN CONSIDERATION of the purchase of the Premises by Assignee from Assignor, and for $10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Master Lease

Assignor hereby assigns and transfers to Assignee as of the date hereof all of Assignor's right, title and interest as landlord in and to the Master Lease described in Exhibit 1 attached hereto and made a part hereof.

Assignee hereby accepts the assignment of all of Assignor's right, title and interest as landlord in and to said Master Lease, and assumes all the obligations of Assignor as landlord under and arising out of the Master Lease which are applicable to the period from and after the date hereof.

Assignor shall indemnify, defend and hold harmless Assignee from and against any cost, loss, expense, claims or liabilities arising in connection with the landlord's obligations under the Master Lease on or prior to the date hereof.

Assignee shall indemnify, defend and hold harmless Assignor from and against any cost, loss, expense, claims or liabilities arising in connection with the landlord's obligations under the Master Lease after the date hereof.

2. Non-recourse to Assignor.

The assignments and transfers of Assignor made pursuant to this Assignment and Assignee's acceptance of the same are without any representation (other than the representation of due execution set forth in paragraph 4 hereof) or warranty by Assignor and without any right of recourse against Assignor.

3. Successors and Assigns.

All of the covenants, terms and conditions set forth herein shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

4. Authority.

Assignor and Assignee covenant and represent to each other that they have the power and authority to enter into this Assignment and that the persons duly executing this Assignment on behalf of Assignor and Assignee have the requisite power and authority to do so.

5. Counterparts.

This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

ASSIGNOR:

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: ______________________________
Name: ____________________________
Title: _____________________________

ASSIGNEE:

____

By: ______________________________
Name: __________________________
Title: ___________________________

[Attach Exhibit 1]

EXHIBIT 4

BILL OF SALE

THIS BILL OF SALE (this "**Assignment**") is entered as of this day of , 2004 by and between TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation with offices at 730 Third Avenue, New York, New York 10017 ("**Assignor**") and , a with offices at ("**Assignee**").

WHEREAS, in accordance with that certain Contract of Sale (the "**Contract**") dated as of , between Assignor, as Seller, and Assignee, as Purchaser, Assignor has agreed to convey to Assignee those certain premises located at 750 Third Avenue and 485 Lexington Avenue, New York, New York, as more particularly described in the Contract (capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Contract); and

WHEREAS, Assignor desires to assign its interests in and Assignee desires to accept the sale of Assignor's interest in various tangible and intangible property affecting the Premises, on the terms and conditions provided herein.

NOW, THEREFORE, IN CONSIDERATION of the purchase of the Premises by Assignee from Assignor, and for $10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Tangible and Intangible Property. Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest, if any, in and to (i) all fixtures, furniture, furnishings, equipment, machinery, inventory, appliances and other articles of tangible personal property owned by Assignor and which are located at and used or usable in connection with the operation of the Property as the owner thereof (as opposed to as a tenant or occupant therein), and (ii) any intangible personal property owned by Assignor and exclusively relating to the occupancy, use or operation of the Premises as the owner thereof (as opposed to as a tenant or occupant therein).

2. Non-recourse to Assignor. The sales and transfers of Assignor made pursuant to this Assignment and Assignee's acceptance of the same are without any representation (other than the representation of due execution set forth in paragraph 4 hereof) or warranty by Assignor and without any right of recourse against Assignor.

3. Successors and Assigns. All of the covenants, terms and conditions set forth herein shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

4. Authority. Assignor and Assignee covenant and represent to each other that they have the power and authority to enter into this Assignment and that the persons duly executing this Assignment on behalf of Assignor and Assignee have the requisite power and authority to do so.

---

5. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

ASSIGNOR:

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: ______________________________
Name: __________________________
Title: ___________________________

ASSIGNEE:

____

By: ______________________________
Name: __________________________
Title: ___________________________

EXHIBIT 5

ASSIGNMENT AND ASSUMPTION OF MANAGEMENT AGREEMENT

EXHIBIT 6

TENANT NOTIFICATION LETTER

, 2004

To: **Tenants of 750 Third Avenue and 485 Lexington Avenue**

Re: 750 Third Avenue and 485 Lexington Avenue, New York, New York

Ladies and Gentlemen:

Please be advised that 750-485 FEE OWNER LLC ("Purchaser") has purchased the captioned property in which you occupy space as a tenant pursuant to a lease (the "Lease") with TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("TIAA"), the previous owner thereof.

In connection with such purchase, TIAA has entered into a lease (the "Master Lease") covering the entire property and, accordingly, has not assigned its interest, as landlord, in the Lease to Purchaser and has not transferred your security deposit, if any, (the "Security Deposit") to Purchaser.

All rental and other payments that become due subsequent to the date hereof should continue to be paid to TIAA in accordance with all existing procedures.

However, copies of all notices from you to TIAA, as landlord under the Lease, concerning any matter relating to your tenancy should also be sent to 750-485 FEE OWNER LLC at c/o SL Green Realty Corp., 420 Lexington Avenue, New York, NY 10170 and CBRE at . To the extent that your Lease requires you to provide any certificate(s) of insurance to TIAA, as landlord, please contact your insurance broker and request that a revised certificate(s) of insurance naming TIAA and the Purchaser as an additional insured be forwarded to TIAA and the notice party designated above.

Very truly yours,

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: ______________________________

EXHIBIT 6-A

TENANT NOTIFICATION LETTER

, 2004

To: **Tenants of 750 Third Avenue and 485 Lexington Avenue**

Re: 750 Third Avenue and 485 Lexington Avenue, New York, New York

Ladies and Gentlemen:

You had been previously advised that 750-485 FEE OWNER LLC ("Purchaser") had purchased the captioned property in which you occupy space as a tenant pursuant to a lease (the "Lease") with TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("TIAA"), the previous owner thereof.

In connection with such purchase, TIAA had entered into a lease (the "Master Lease") covering the entire property and, accordingly, had not assigned its interest, as landlord, in the Lease to Purchaser and had not transferred your security deposit, if any, to Purchaser.

Please be advised that the Master Lease has been terminated and Purchaser has succeeded to the interests as landlord in and to the Lease.

By this letter, you are hereby directed (1) to make all checks, in payment of rent and other sums due to the landlord under your Lease, payable to the order of "   ", and (2) to deliver such checks or otherwise make such payments to the following address:

750-485 FEE OWNER LLC

The foregoing direction is irrevocable, except with the written consent of Purchaser or Purchaser's mortgagee, (or its successors or assigns), notwithstanding any future contrary request or direction from the undersigned or any other person other than (or its successors or assigns). Thank you for your cooperation.

Very truly yours,

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: ______________________________

EXHIBIT 7

FIRPTA AFFIDAVIT

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform , a (the "**Transferee**") that withholding of tax is not required upon the disposition of a U.S. real property interest by TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation, (the "**Transferor**") the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those items are defined in the Internal Revenue Code and Income Tax Regulations promulgated thereunder);

2. Transferor's U.S. employer identification number is 13-1624203; and

3. Transferor's office address is:

   730 Third Avenue, New York, N.Y. 10017.

The Transferor understands that this Certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this Certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have the authority to sign this document on behalf of Transferor.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: ______________________________
Name:
Title:

Dated: , 2004

EXHIBIT 8

TENANT ESTOPPEL

Re: Lease dated (the "**Lease**") between Teachers Insurance and Annuity Association of America ("**Landlord**") and ("**Tenant**"), for certain premises (the "**Premises**") located at 750 Third Avenue or 485 Lexington Avenue, New York, NY (the "**Property**")

Ladies and Gentlemen:

The undersigned, has been advised that ("Purchaser") intends to acquire the Property from Landlord. The undersigned hereby certifies as follows:

1. A complete and accurate description of the Lease is attached hereto as Exhibit A, and there are no agreements between Tenant and Landlord relating to the leasing of the Premises other than as expressly set forth in the attached Exhibit A;

2. The term of the Lease commenced on and expires on ;

3. The Lease is in full force and effect;

4. Tenant has accepted possession of the Premises as being in full compliance with the Lease and is in full occupancy and possession thereof;

5. There are no disputes, defenses or counterclaims to the full enforcement of the Lease by Landlord;

6. Rent and other charges required under the Lease have commenced to accrue. The current monthly base rental is $and has been paid through . No rent or other charges under the Lease has been paid more than 30 days in advance;

7. There are no defaults under the Lease by Landlord or Tenant nor has any event occurred which, by the giving of notice or passage of time, or both, would constitute an event of default by either Landlord or Tenant thereunder;

8. Neither the undersigned nor the Landlord under the Lease has commenced any action or given or received any notice for the purpose of terminating the Lease;

9. The undersigned has no option or right of first refusal to purchase the Premises, the Property or any portion thereof;

---

10. Tenant has paid a security deposit in the amount of $in the form of pursuant to the Lease; and

11. The person executing this certification is duly authorized to execute the same on behalf of Tenant.

This certification is being provided by the undersigned to Landlord and Purchaser and Tenant agrees that the information and statements contained herein may be relied upon by Landlord, Purchaser, and any lender to Purchaser which acquires a lien on the Property.

[ ]

By: ______________________________
Name:
Title:

Dated: , 2004

EXHIBIT 8-A

SELLER ESTOPPEL

Re: Lease dated (the "**Lease**") between Teachers Insurance and Annuity Association of America ("**Landlord**") and ("**Tenant**"), for certain premises (the "**Premises**") located at 750 Third Avenue or 485 Lexington Avenue, New York, NY (the "**Property**")

Ladies and Gentlemen:

The undersigned acknowledges that 705-485 FEE OWNER LLC ("Purchaser") intends to acquire the Property from Landlord. The undersigned hereby certifies as follows:

1. A complete and accurate description of the Lease is attached hereto as Exhibit A, and there are no agreements between Tenant and Landlord relating to the leasing of the Premises other than as expressly set forth in the attached Exhibit A;

2. The term of the Lease commenced on and expires on ;

3. The Lease is in full force and effect;

4. Tenant has accepted possession of the Premises as being in full compliance with the Lease and is in full occupancy and possession thereof;

5. To Landlord's knowledge, there are no disputes, defenses or counterclaims to the full enforcement of the Lease by Landlord;

6. Rent and other charges required under the Lease have commenced to accrue. The current monthly base rental is $and has been paid through . No rent or other charges under the Lease has been paid more than 30 days in advance;

7. To Landlord's knowledge, there are no defaults under the Lease by Landlord or Tenant nor has any event occurred which, by the giving of notice or passage of time, or both, would constitute an event of default by either Landlord or Tenant thereunder;

8. Neither the undersigned nor, to Landlord's knowledge, the Tenant under the Lease has commenced any action or given or received any notice for the purpose of terminating the Lease;

9. Tenant has no option or right of first refusal to purchase the Premises, the Property or any portion thereof;

---

10. Tenant has paid a security deposit in the amount of $in the form of pursuant to the Lease; and

11. The person executing this certification is duly authorized to execute the same on behalf of Landlord.

This certification is being provided by the undersigned to Purchaser and Landlord agrees that the information and statements contained herein may be relied upon by Purchaser and any lender to Purchaser which acquires a lien on the Property.

Teachers Insurance and Annuity Association of America

By: ______________________________
Name:
Title:

Dated: , 2004

EXHIBIT 9

MASTER LEASE

(See Attached)

EXHIBIT 10

TIAA LEASE

(See Attached)

EXHIBIT 11

Intentionally Deleted

EXHIBIT 12

ASSIGNMENT AND ASSUMPTION OF EXISTING LEASES

THIS ASSIGNMENT AND ASSUMPTION OF EXISTING LEASES (this "**Assignment**") is entered as of this day of , 2004 by and between TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation with offices at 730 Third Avenue, New York, New York 10017 ("**Assignor**") and , a with offices at ("**Assignee**").

WHEREAS, in accordance with that certain Contract of Sale (the "**Contract**") dated as of , 2004, between Assignor, as Seller, and Assignee, as Purchaser, Assignor has conveyed to Assignee those certain premises located at 750 Third Avenue and 485 Lexington Avenue, New York, New York 10017, as more particularly described in the Contract (capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Contract); and

WHEREAS, Assignee has leased the Premises to Assignor pursuant to the Master Lease and the Master Lease has expired; and

WHEREAS, Assignor desires to assign its interests in and Assignee desires to accept the assignment of Assignor's interest in and to the Existing Leases, on the terms and conditions provided herein including Assignee's assumption of Assignor's obligations under the Existing Leases.

NOW, THEREFORE, IN CONSIDERATION of the purchase of the Premises by Assignee from Assignor, and for $10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Existing Leases

Assignor hereby assigns and transfers to Assignee as of the date hereof all of Assignor's right, title and interest in and to the Existing Leases described in Exhibit 1 attached hereto and made a part hereof, including any security deposits held by Assignor thereunder.

Assignee hereby accepts the assignment of all of Assignor's right, title and interest in and to said Existing Leases, and assumes all the obligations of Assignor under and arising out of the Existing Leases which are applicable to the period from and after the date hereof and the obligations of Assignor respecting the security deposits turned over to Assignee and Assignee shall hold Assignor harmless and free from any liability with reference to said security deposits to the extent same is received by or credited to Assignee.

Assignor shall indemnify, defend and hold harmless Assignee from and against any cost, loss, expense, claims or liabilities arising in connection with any of the Existing Leases on or prior to the date hereof.

Assignee shall indemnify, defend and hold harmless Assignor from and against any cost, loss, expense, claims or liabilities arising in connection with any of the Existing Leases after the date hereof.

2. Non-recourse to Assignor.

The assignments and transfers of Assignor made pursuant to this Assignment and Assignee's acceptance of the same are without any representation (other than the representation of due execution set forth in paragraph 4 hereof) or warranty by Assignor and without any right of recourse against Assignor.

3. Successors and Assigns.

All of the covenants, terms and conditions set forth herein shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

4. Authority.

Assignor and Assignee covenant and represent to each other that they have the power and authority to enter into this Assignment and that the persons duly executing this Assignment on behalf of Assignor and Assignee have the requisite power and authority to do so.

5. Counterparts.

This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first above written.

ASSIGNOR:

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: ____________________
Name: __________________
Title: __________________

ASSIGNEE:

____

By: ____________________
Name: __________________
Title: __________________

[Attach Exhibit 1]

EXHIBIT 13

TERMINATION OF CBRE MANAGEMENT AGREEMENT

[CBRE to provide a letter acknowledging termination of the Management Agreement and agreeing not to look to Purchaser or its successors or assignees with respect to any amounts due or becoming due thereunder.]

EXHIBIT 14

CHICAGO TITLE INSURANCE COMPANY

ALTA 10-17-92 OWNER'S COVERAGE

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, CHICAGO TITLE INSURANCE COMPANY, a Missouri Corporation (The Company), insures as of the Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested in other than as stated therein;

2. Any defect in or lien or encumbrance on the title;

3. Unmarketability of title;

4. Lack of a right of access to and from the land;

5. Any statutory lien for services, labor or materials furnished prior to the date hereof, and which has now gained or which may hereafter gain priority over the estate or interest as shown in Schedule A of this policy.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

EXCLUSIONS FROM COVERAGE — OWNER'S

The following matters will be expressly excluded from the coverage of the policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or government regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect,

---

lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims or other matters:

(a) created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became insured under this policy;

(c) resulting in no loss or damage to the insured claimant;

(d) attaching or created subsequent to Date of Policy; or

(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws that is based on:

(i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or

(ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer, except where the preferential transfer results from the failure;

(a) to timely record the instrument of transfer; or

(b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

SPECIAL NEW YORK COVERAGE — OWNER'S

If the recording date of the instruments creating the insured interest is later than the policy date, such policy shall also cover intervening liens or encumbrances, except real estate taxes, assessments, water charges and sewer rents.

Exhibit 31.1

CERTIFICATION

I, Marc Holliday Chief Executive Officer, certify that:

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ Marc Holliday

Name: Marc Holliday
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Gregory F. Hughes, Chief Financial Officer, certify that:

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ Gregory F. Hughes

Name: Gregory F. Hughes
Title: Chief Financial Officer

Exhibit 32.1

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

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

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

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

/s/ Marc Holliday

Name: Marc Holliday
Title: Chief Executive Officer

August 9, 2004

Exhibit 32.2

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

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

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

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

/s/ Gregory F. Hughes

Name: Gregory F. Hughes
Title: Chief Financial Officer

August 9, 2004