2011 Annual Report

SETTING THE BAR

ENERGY. AMBITION.
INGENUITY. OPPORTUNITY.
TRADEMARKS OF NEW YORK
CITY—ONE OF THE LEADING
COMMERCIAL OFFICE
MARKETS IN THE WORLD.
HAVING A DISTINCT POINT OF VIEW,
IMPLEMENTING STRATEGIES,
DEVELOPING KEY RELATIONSHIPS
AND UTILIZING OUR TEAMS'
UNMATCHED SKILL SET.
SL GREEN TURNS IDEAS INTO
REALITY—CREATING VALUE
FOR OUR SHAREHOLDERS.
EXECUTION. DEDICATION.
DETERMINATION.
SL GREEN SETS THE BAR.

TO OUR FELLOW SHAREHOLDERS

If 2010 was a transitional year for the business sector in New York City, 2011 was one in which our economy began to move steadily in the right direction, featuring a diverse group of recovering industries, new market investment opportunities and the emerging availability of smart capital. And once again there were certain premier organizations that led the way as standard bearers for that recovery—helping to once again demonstrate to the world that New York is the city that never sleeps and where nothing is impossible.

Those companies with the knowledge, resources and conviction to take full advantage of the improving climate were amply rewarded. SL Green was, and continues to be, such a company.

Those of you who are long-time shareholders are accustomed to SL Green's record of achievement. This company has built and maintained a business model and organization that has regularly outperformed its peer companies across the nation during its 14-year existence as a public company—even taking into consideration the brief period a few years ago when the stock market overreacted and temporarily punished the stocks of REITs with New York City financial services sector exposure. As you may remember, our share value rebounded as soon as the worst fears abated and as we continued to demonstrate strong ongoing operating results.

The strength of our platform stems from setting clear goals for each year—mapping out our intentions and expectations and then working hard to deliver. We set the bar. And every year we raise it again and again. That's because we have developed and executed the right set of elements for success.

Building and operating a superior portfolio—During 2011, SL Green was by far the most active acquirer of Manhattan commercial office and retail assets, and one of the local market's most active lenders, through our debt and preferred equity investment program. Property acquisitions totaled $4.4 billion in gross transaction value, and debt and preferred equity investments totaled another $995 million. Our investment team executed on opportunities that our competitors didn't see in time, or were reluctant to pursue due to complexity, or that were simply out of their reach because of the way SL Green had positioned itself competitively. We had to raise new equity, finance our investment positions and/or monetize embedded investment gains; we moved quickly and decisively.

One of our major points of pride at SL Green is: *Having a point of view and acting on it*. When we feel that the market is moving in a certain direction or when we see a unique opportunity to create value, we take action. That same determined attitude carries over to our leasing and management activity—which is why we've been able to lead the market in attracting and retaining tenants through good times and bad. And that's how we are able to deliver results.

Balance sheet—Today we enjoy more than $1.2 billion of liquidity as a direct result of sourcing capital in various forms during 2011, including $525 million of common equity issued through our ATM programs, $250 million of unsecured bonds, $438 million in gross asset sales, and $1.5 billion from secured financings. Of great significance, we successfully restructured and refinanced our $1.5 billion revolving credit facility—in fact, we were oversubscribed by a *who's who* of financial institutions. We also pushed out our average debt maturity to 5.4 years and have virtually no more debt to attend to in 2012.

New York City—It's our focus and our discipline. If there's one thing that we've learned over the years, it's that this city is truly the world's hub of economic activity. And we strongly believe that, in the long run, New York City's commercial real estate—if managed effectively to meet changing customer needs—will outperform every other U.S. market. We also have learned that it's possible to branch out profitably within our home market to take advantage of opportunities outside our traditional office investment activities, such as retail and residential.

Our Team—We not only own New York's best portfolio, but we employ the best teams of professionals at all levels of the company to make the most of it. There are good reasons why we are able to execute transactions that others can't, and why we are able to maintain occupancy levels above the market, year after year, even after taking over properties that are mostly or completely vacant. And our ability to create and build on the types of relationships mentioned below stem, most of all, from others' confidence in our teams' abilities to deliver desired results.

Relationships—No successful company is an island. And that's especially true in our business, where strong working relationships with other key organizations are essential—with lenders, partners, tenants, brokers and many others. In 2009, we were the first major New York real estate owner to develop a borrowing relationship with the Bank of China—a relationship that continues to evolve and benefit us both. Our well-known alignment with powerhouse retail operator Jeff Sutton has become ever stronger and expanded over the past several years—together we now dominate Manhattan's best retail traffic corridors. And through a long-standing relationship with Jeff Gural, Chairman of Newmark Grubb Knight Frank, we added 1552–1560 Broadway to this portfolio—a property destined to be one of the most exciting retail locations in Times Square. Prior to 2011, we were solely a lending partner of The Moinian Group. That relationship has now developed into equity partnerships at both 3 Columbus Circle and 180 Maiden Lane. The multi-family industry in New York has been on our radar for several years—and we finally made our move into it with Stonehenge Partners, a leading New York based residential owner/operator with whom we have a long-standing relationship. In 2011, our relationship-building ability

even applied to a working partnership with one of our New York rivals, Vornado, as we combined our respective 280 Park Avenue debt positions, established joint equity ownership of the property and are now embarking on an ambitious redevelopment that will turn it into one of the city's most coveted Park Avenue addresses. We are also pleased to have expanded our investment partnership with Canada Pension Plan Investment Board ("CPPIB"), with whom we now own two premier Midtown office towers — 600 Lexington Avenue and 10 East 53rd Street.

As we look back at 2011, we see an incredible list of highlights. These include:

- The conversion of debt holdings to equity ownership interests at 280 Park Avenue, 3 Columbus Circle, 110 East 42nd Street and 180 Maiden Lane;
- 2.7 million square feet of leases signed in our Manhattan portfolio;
- The closing of a new and improved $1.5 billion line of credit, an investment-grade execution that was oversubscribed;
- The acquisitions of our partners' ownership interests in 1515 Broadway and 521 Fifth Avenue;
- The assemblage of a sizable Times Square retail location and acquisition of 724 Fifth Avenue with Jeff Sutton, which completes a half block front assemblage when combined with 720 Fifth Avenue;
- The acquisition of 51 East 42nd Street, which completes a full block assemblage adjacent to Grand Central Terminal;
- Our first foray into multi-family, with the acquisition of several retail/residential properties with Stonehenge Partners;
- Large mortgage refinancings for 919 Third Avenue, $500 million; 3 Columbus Circle, $260 million; and 180 Maiden Lane, $280 million;
- The successful sale of 28 West 44th Street along with agreements to sell 292 Madison Avenue, One Court Square, and the retail condominium units at 141 Fifth Avenue — all expected to close in 2012;
- The start of construction for the 180 Broadway Redevelopment project, which will feature a strategically located retail opportunity along with new housing for Pace University students; and
- Five major awards from BOMA, the Building Owners and Managers Association (three in our Manhattan portfolio, two in the Suburban portfolio).

So, obviously we had a great year on all fronts, which of course raises the question of what we will do for an encore in 2012? I encourage you to review our Goals & Objectives set forth at our Annual Investor Conference from December — it's a long list but we're well on our way to checking things off one by one — including the refinancing of 1515 Broadway with Bank of China. Barring a complete disruption of the real estate financial markets, 2012 should be another year filled with exciting highlights for SL Green.

In the coming year, you can expect to see us continue to uncover and seek out unique investment opportunities that we believe will deliver outsized returns, while we will continue to be active overall in the market as both a buyer and seller of office properties.

We'll stay active in both the retail property and debt and preferred equity investment sectors as long as we believe that they will continue to deliver outstanding returns.

Working with Stonehenge, we will seek additional compelling residential investment opportunities.

We will look to expand our electronic signage investment activity beyond our existing Times Square locations. While this is not a major business line for us, its potential as an outsized revenue generator at certain types of locations is very attractive.

We'll look to expand our existing strategic relationships and seek new ones as appropriate, in order to fuel further growth and enhance our operating platform.

At 1552–1560 Broadway, we will commence the development of our sizable assemblage — a most unique opportunity for a national retailer seeking a dominating presence in the Crossroads of the World.

At 280 Park, our redevelopment plans are set and we can officially present one of Midtown's finest Class A office environments along one of the world's iconic avenues.

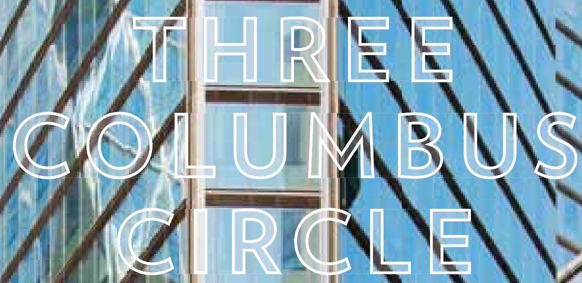
And we will move forward in designing and securing approvals for the development of a major new office building at Grand Central Terminal — another world-class location.

I'm excited about discussing the above anticipated highlights and others that will form the basis of our continuing excellence as a company in the year ahead — and I truly look forward to reviewing our numerous accomplishments next year at this time. As already noted, this is an organization of outstanding professionals that sets and resets the performance bar, year after year, at ever-higher levels. And then certainly meets its objectives. We truly have a passion for this business, which I am sure you appreciate. Thank you for believing in us as much as we believe in ourselves — we will continue to deliver every ounce of value to you that is possible.

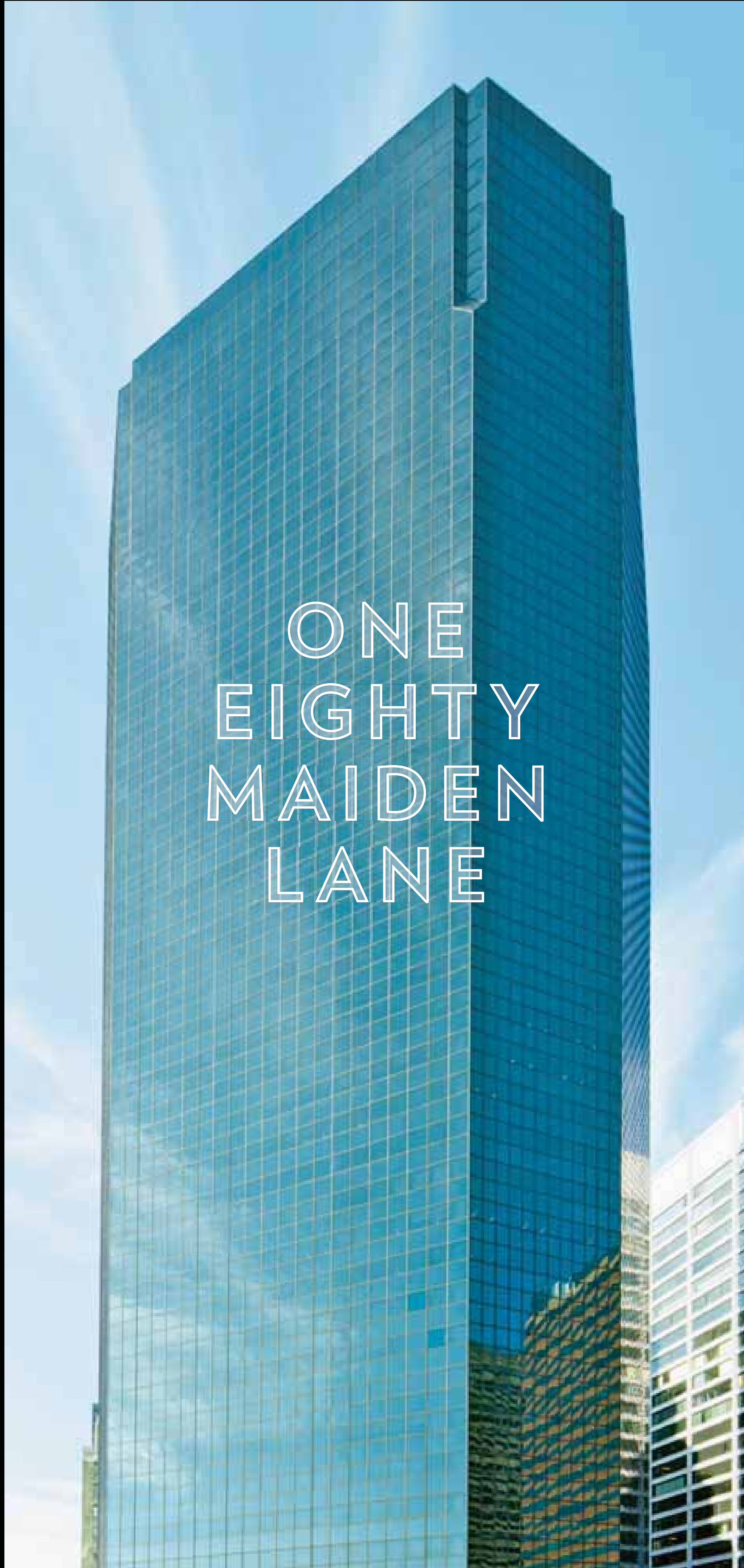
Marc Holliday
Chief Executive Officer
Executive Committee

THE PORTFOLIO

Scale. Quality. Market Penetration. SL Green's Manhattan portfolio is unrivaled. Our asset profile is strong and durable—and we invest substantial effort and capital to keep it that way—reaping the rewards with an average Manhattan portfolio occupancy of 96% since 1993 and consistently outperforming the market. The SL Green investment portfolio encompasses 45 million square feet—equivalent in size to the 5th largest CBD in the United States—with ownership interests in 27 million square feet of premier urban office and retail properties, our 6 million square foot suburban office portfolio, debt and preferred equity investments secured by nearly 12 million square feet, and with recently acquired residential assets.



THREE COLUMBUS CIRCLE


ONE
EIGHTY
MAIDEN
LANE

Top: One Madison Avenue. The centerpiece of Midtown South and part of Credit Suisse Securities (USA) Inc. headquarters campus.
Bottom: One Twenty Five Park Avenue. A modern classic Grand Central office tower.

Above: Seven Fifty Two Madison Avenue. Giorgio Armani's sleek Upper Madison Avenue address, acquired in 2012.

FIFTEEN
FIFTEEN
BROADWAY

Top: One Hundred Park Avenue. Recipient of BOMA's 2009 International Building of the Year Award for its renovation.
Bottom: Thirteen Fifty Avenue of the Americas. Amazon.com recently expanded to 71,000 square feet—their NYC Headquarters.

TWO
EIGHTY
PARK
AVENUE

SIX
HUNDRED
LEXINGTON
AVENUE

ONE TWENTY WEST FORTY FIFTH STREET

Top: Eight Ten Seventh Avenue. Recently renovated office tower featuring first class tenant space with outstanding Central Park views.
Bottom: Fifty One East Forty Second Street. Acquired in 2011, completes the full-block assemblage of SL Green's future Grand Central development site.

SEVEN SEVENTEEN FIFTH AVENUE

Top: Three Sixty Hamilton Avenue, White Plains, New York. One of 10 buildings in New York State with LEED Gold Certification.
Bottom: Eleven Hundred King Street, Rye Brook, New York. In a prestigious corporate neighborhood set on 72 acres, this is one of six Class A office buildings in the campus.

MIDTOWN OFFICE PORTFOLIO

(Numbers correspond to Page 20)

CENTRAL PARK

11

57th Street

09

30

16

18

15

32

34

★

31

10

28

GRAND CENTRAL TERMINAL

08

17

14

TIMES SQUARE

13

26

02

25

20

06

04

21

42nd Street

35

22

03

07

27

23

12

05

33

34th Street

Tenth Avenue

Ninth Avenue

Eighth Avenue

Seventh Avenue

Avenue of the Americas

Fifth Avenue

Madison Avenue

Park Avenue

Lexington Avenue

Third Avenue

Second Avenue

First Avenue

19

MIDTOWN RETAIL, DEVELOPMENT AND RESIDENTIAL PORTFOLIO

(Numbers correspond to Page 21)

Major Shopping Districts

Retail Acquired in 2012

Residential Acquired in 2012

CENTRAL PARK

37

59th Street

57th Street

45

43

38

TIMES SQUARE

48

47th Street

Eleventh Avenue

Tenth Avenue

Ninth Avenue

Eighth Avenue

Seventh Avenue

Avenue of the Americas

Fifth Avenue

Madison Avenue

Park Avenue

Lexington Avenue

Third Avenue

Second Avenue

First Avenue

41

40

39

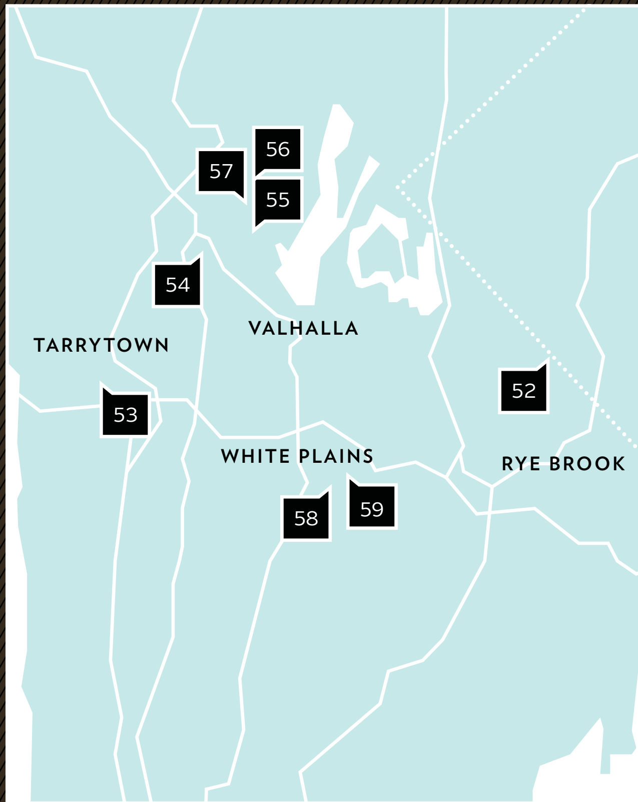
34th Street

23rd Street

36

THE SUBURBAN PORTFOLIO

(Numbers correspond to Page 21)



DOWNTOWN OFFICE, RETAIL AND DEVELOPMENT PORTFOLIO

(Numbers correspond to Pages 20 and 21)

Acquired in 2012

NEW YORK CITY OFFICE PORTFOLIO

(as of 12/31/2011)

Key	Manhattan Properties	SubMarket	Ownership	Usable Square Feet	Percent Leased (%)	Shown on page
	CONSOLIDATED PROPERTIES					
	"Same Store"					
01	100 Church Street	Downtown	Fee Interest	1,047,500	70.9	
02	120 West 45th Street	Midtown	Fee Interest	440,000	84.3	13
03	220 East 42nd Street	Grand Central	Fee Interest	1,135,000	95.2	
04	317 Madison Avenue	Grand Central	Fee Interest	450,000	85.6	
05	333 West 34th Street	Penn Station	Fee Interest	345,400	90.2	
06	420 Lexington Ave (Graybar)	Grand Central	Leasehold Interest	1,188,000	90.3	
07	461 Fifth Avenue	Midtown	Leasehold Interest	200,000	98.8	
08	485 Lexington Avenue	Grand Central	Fee Interest	921,000	90.8	
09	555 West 57th Street	Midtown West	Fee Interest	941,000	99.2	
10	609 Fifth Avenue	Rockefeller Center	Fee Interest	160,000	84.7	
11	625 Madison Avenue	Plaza District	Leasehold Interest	563,000	94.6	
12	673 First Avenue	Grand Central	Leasehold Interest	422,000	99.7	
13	711 Third Avenue	Grand Central	Leasehold Interest	524,000	94.8	
14	750 Third Avenue	Grand Central	Fee Interest	780,000	97.1	
15	810 Seventh Avenue	Times Square	Fee Interest	692,000	86.4	14
16	919 Third Avenue	Grand Central	Fee Interest	1,454,000	99.9	25
17	1185 Avenue of the Americas	Rockefeller Center	Leasehold Interest	1,062,000	99.9	27
18	1350 Avenue of the Americas	Rockefeller Center	Fee Interest	562,000	90.0	10
19	1 Madison Avenue	Park Avenue South	Fee Interest	1,176,900	99.8	7
20	331 Madison Avenue/ 48 East 43rd Street	Grand Central	Fee Interest	114,900	96.9	
	Subtotal/Weighted Average			**14,178,700**	**92.9**	
	"Non Same Store"					
21	51 East 42nd Street	Grand Central	Fee Interest	142,000	95.5	14
22	110 East 42nd Street	Grand Central	Fee Interest	205,000	69.9	
23	125 Park Avenue	Grand Central	Fee Interest	604,245	70.0	7
24	180 Maiden Lane	Financial East	Fee Interest	1,090,000	97.7	6
25	521 Fifth Avenue	Grand Central	Fee Interest	460,000	90.9	
26	1515 Broadway	Times Square	Fee Interest	1,750,000	100.0	9, 26
	Subtotal/Weighted Average			**4,251,245**	**92.5**	
	Total/Weighted Average Manhattan Consolidated Properties			**18,429,945**	**92.8**	
	UNCONSOLIDATED PROPERTIES					
	"Same Store"					
27	100 Park Avenue – 50%	Grand Central	Fee Interest	834,000	95.0	10
28	800 Third Avenue – 42.95%	Grand Central	Fee Interest	526,000	84.3	
29	388 & 390 Greenwich Street – 50.6%	Downtown	Fee Interest	2,635,000	100.0	
30	1745 Broadway – 32.3%	Midtown	Fee Interest	674,000	100.0	
	Subtotal/Weighted Average			**4,669,000**	**97.3**	
	"Non Same Store"					
31	280 Park Avenue – 49.5%	Park Avenue	Fee Interest	1,219,158	74.5	11
32	600 Lexington Avenue – 55%	Eastside	Fee Interest	303,515	72.6	12
	Subtotal/Weighted Average			**1,522,673**	**74.1**	
	Total/Weighted Average Unconsolidated Properties			**6,191,673**	**91.6**	
	Manhattan Office Total/Weighted Average			**24,621,618**	**92.5**	
	FEE INTEREST					
33	2 Herald Square	Herald Square/Penn Station	Fee Interest	354,400	100.0	
34	885 Third Avenue	Midtown/Plaza District	Fee Interest	607,000	100.0	
35	292 Madison Avenue	Grand Central	Fee Interest	203,800	100.0	
	Total/Weighted Average Land			**1,165,200**	**100.0**	

RETAIL AND DEVELOPMENT PORTFOLIO

(as of 12/31/2011)

Key	Manhattan Properties	SubMarket	Ownership	Usable Square Feet	Percent Leased (%)	Shown on page
	RETAIL					
	"Same Store"					
36	141 Fifth Avenue – 50%	Flatiron	Fee Interest	13,000	100.0	
37	747 Madison Avenue – 33.33%	Plaza District	Fee Interest	10,000	100.0	
38	1604 Broadway – 63%	Times Square	Leasehold Interest	29,876	23.7	
39	11 West 34th Street – 30%	Herald Square/Penn Station	Fee Interest	17,150	100.0	
40	21–25 West 34th Street – 50%	Herald Square/Penn Station	Fee Interest	30,100	100.0	
41	27–29 West 34th Street – 50%	Herald Square/Penn Station	Fee Interest	15,600	100.0	
42	379 West Broadway – 45%	Cast Iron/Soho	Leasehold Interest	62,006	100.0	
43	717 Fifth Avenue – 32.75%	Midtown/Plaza District	Fee Interest	119,550	89.4	15
44	Williamsburg Terrace	Brooklyn, New York	Fee Interest	52,000	100.0	
	Total/Weighted Average Retail Properties			**349,282**	**89.9**	
	GRAND TOTAL MANHATTAN OWNERSHIP(1)			**26,928,797**		
	DEVELOPMENT					
45	3 Columbus Circle – 48.9%	Columbus Circle	Fee Interest	741,500	16.8	5
46	125 Chubb Way	Lyndhurst, New Jersey	Fee Interest	278,000	32.1	
47	150 Grand Street	White Plains, New York	Fee Interest	85,000	26.0	
48	1552–1560 Broadway – 50%	Times Square	Fee Interest	35,897	59.7	
49	7 Renaissance Square – 50%	White Plains, New York	Fee Interest	65,641	–	
50	180–182 Broadway – 25.5%	Cast Iron/Soho	Fee Interest	153,000	–	
51	7 Landmark Square	Stamford, Connecticut	Fee Interest	36,800	10.8	
	Total/Weighted Average Development Properties			**1,395,838**	**18.7**	

THE SUBURBAN PORTFOLIO

(as of 12/31/2011)

Key	Suburban Properties	SubMarket	Ownership	Usable Square Feet	Percent Leased (%)	Shown on page
	CONSOLIDATED PROPERTIES					
	"Same Store"					
52	1100 King Street	Rye Brook, Westchester	Fee Interest	540,000	75.4	16
53	520 White Plains Road	Tarrytown, Westchester	Fee Interest	180,000	73.6	
54	115–117 Stevens Avenue	Valhalla, Westchester	Fee Interest	178,000	85.5	
55	100 Summit Lake Drive	Valhalla, Westchester	Fee Interest	250,000	61.2	
56	200 Summit Lake Drive	Valhalla, Westchester	Fee Interest	245,000	87.5	
57	500 Summit Lake Drive	Valhalla, Westchester	Fee Interest	228,000	78.1	
58	140 Grand Street	White Plains, Westchester	Fee Interest	130,100	93.6	
59	360 Hamilton Avenue	White Plains, Westchester	Fee Interest	384,000	94.3	16
	Westchester, New York Subtotal			**2,135,100**	**80.6**	
60	Landmark Square	Stamford, Connecticut	Fee Interest	826,000	82.6	
61	680 Washington Boulevard	Stamford, Connecticut	Fee Interest	133,000	88.5	
62	750 Washington Boulevard	Stamford, Connecticut	Fee Interest	192,000	93.6	
63	1055 Washington Boulevard	Stamford, Connecticut	Leasehold Interest	182,000	84.5	
64	300 Main Street	Stamford, Connecticut	Fee Interest	130,000	88.8	
65	1010 Washington Boulevard	Stamford, Connecticut	Fee Interest	143,400	53.3	
66	500 West Putnam Avenue	Greenwich, Connecticut	Fee Interest	121,5000	51.3	
	Connecticut Subtotal			**1,727,900**	**80.3**	
	Total/Weighted Average Consolidated Properties			**3,863,000**	**80.5**	
	UNCONSOLIDATED PROPERTIES					
	"Same Store"					
67	One Court Square – 30%	Long Island City, New York	Fee Interest	1,402,000	100.0	
68	The Meadows – 50%	Rutherford, New Jersey	Fee Interest	582,100	79.0	
69	16 Court Street – 35%	Brooklyn, New York	Fee Interest	317,600	90.3	
70	Jericho Plaza – 20.26%	Jericho, New York	Fee Interest	640,000	95.2	
	Total/Weighted Average Unconsolidated Properties			**2,941,700**	**93.8**	
	Suburban Grand Total			**6,804,700**	**86.2**	

Retail and Development properties not shown on map: Williamsburg Terrace, Brooklyn, New York; 125 Chubb Way, Lyndhurst, New Jersey; 150 Grand Street, White Plains, New York; 7 Renaissance Square, White Plains, New York; 7 Landmark Square, Stamford, Connecticut

Unconsolidated suburban properties not shown on map: One Court Square, Long Island City, New York; The Meadows, Rutherford, New Jersey; 16 Court Street, Brooklyn, New York; Jericho Plaza, Jericho, New York

(1) Inclusive of 3 Columbus Circle, 1552–1560 Broadway and 180–182 Broadway.

THE BALANCE SHEET

With a strong balance sheet, we enjoy continual demand from providers of capital to lend and invest in our premier Manhattan and suburban portfolios—giving us flexible financial options and cost of capital advantages. During 2011, this translated to efficient financing for $4.4 billion of real estate investments. We demonstrated our breadth of access by financing our growth with equity raised through joint ventures, sales of assets, and public issuances of common stock, supplemented with mortgage debt, and an issuance in the unsecured bond markets. S&P awarded us with our first BBB- investment grade rating during the year, and we used that rating along with our deep lender relationships to refinance our $1.5 billion revolving line of credit with 21 of the world's most sophisticated and highest credit quality lenders.

STRONG LIQUIDITY POSITION
(in billions of dollars)

1.5
1.0
.5
0
2001
2011

Cash
including marketable securities

Revolving credit facility
availability

MINIMAL NEAR-TERM DEBT MATURITIES(1)
(in billions of dollars)

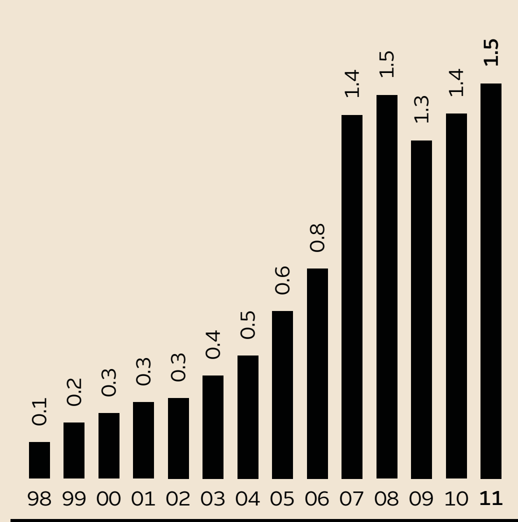
4
3
2
1
0
2012
2016
Thereafter

Revolving credit facility
Unsecured fixed rate debt
Secured fixed rate debt
Secured floating rate debt

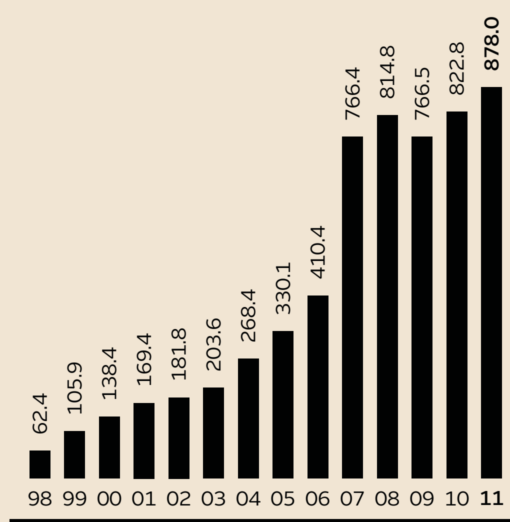
(1) Pro forma for sales of 141 Fifth Avenue, 292 Madison Avenue and 1 Court Square; reflects as of right extension options.

FINANCIAL HIGHLIGHTS

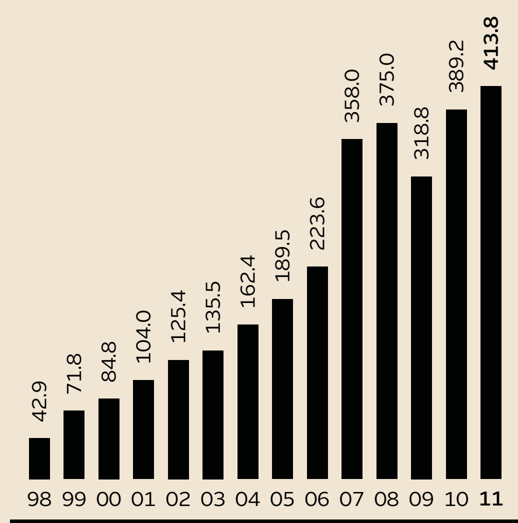
Year ended December 31, (dollars in millions)	2011	2010	% Change
Total Combined Revenues	$ 1,484	$ 1,369	8.4%
EBITDA	$ 878	$ 822	6.7%
Funds From Operations[1]	$ 414	$ 389	6.3%
Total Market Capitalization	$14,230	$12,618	12.8%
Square Feet Owned (in millions) (Manhattan only)	27	24	13.2%
Combined Net Operating Income	$ 802	$ 715	12.3%



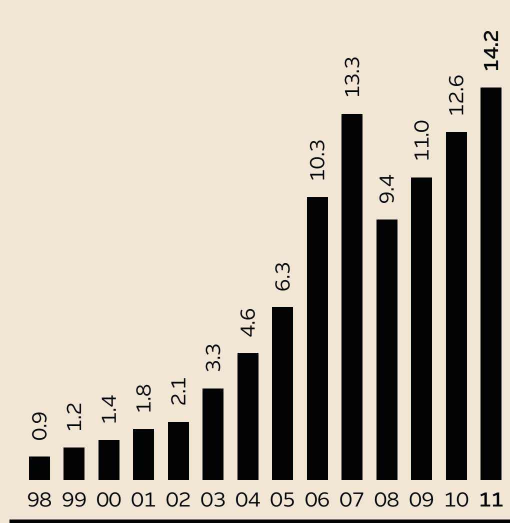
TOTAL COMBINED REVENUES
(in billions of dollars)



EBITDA
(in millions of dollars)

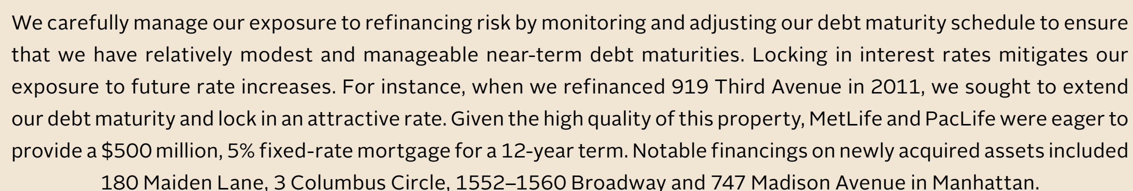


FUNDS FROM OPERATIONS[1]
(in millions of dollars)



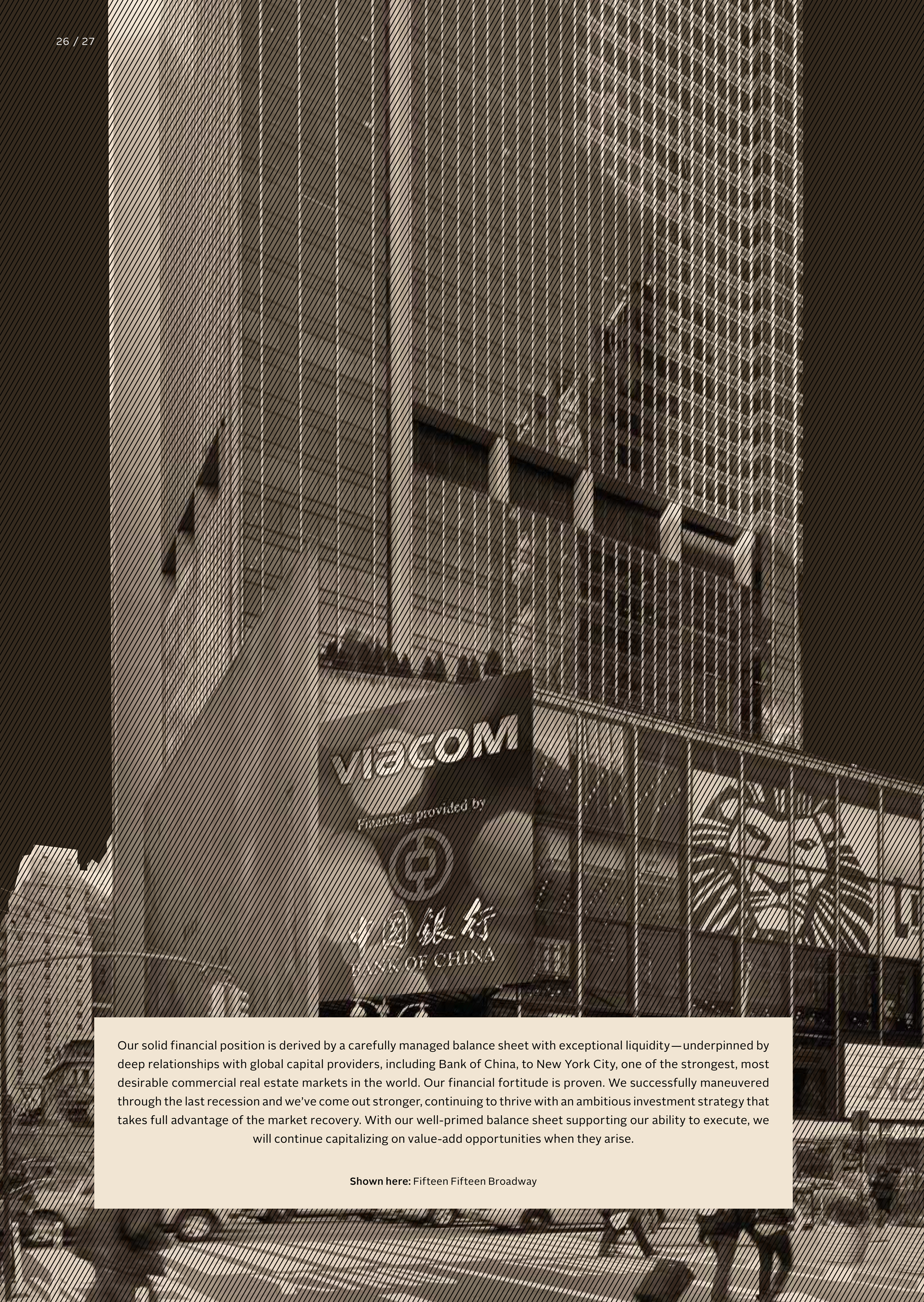
TOTAL MARKET CAPITALIZATION
(in billions of dollars)

(1) See page 59 for reconciliation of net income attributable to SL Green common stockholders.



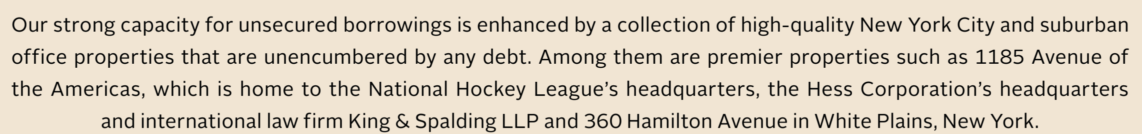
We carefully manage our exposure to refinancing risk by monitoring and adjusting our debt maturity schedule to ensure that we have relatively modest and manageable near-term debt maturities. Locking in interest rates mitigates our exposure to future rate increases. For instance, when we refinanced 919 Third Avenue in 2011, we sought to extend our debt maturity and lock in an attractive rate. Given the high quality of this property, MetLife and PacLife were eager to provide a $500 million, 5% fixed-rate mortgage for a 12-year term. Notable financings on newly acquired assets included 180 Maiden Lane, 3 Columbus Circle, 1552–1560 Broadway and 747 Madison Avenue in Manhattan.

Shown here: Nine Nineteen Third Avenue



Our solid financial position is derived by a carefully managed balance sheet with exceptional liquidity—underpinned by deep relationships with global capital providers, including Bank of China, to New York City, one of the strongest, most desirable commercial real estate markets in the world. Our financial fortitude is proven. We successfully maneuvered through the last recession and we've come out stronger, continuing to thrive with an ambitious investment strategy that takes full advantage of the market recovery. With our well-primed balance sheet supporting our ability to execute, we will continue capitalizing on value-add opportunities when they arise.

Shown here: Fifteen Fifteen Broadway



Our strong capacity for unsecured borrowings is enhanced by a collection of high-quality New York City and suburban office properties that are unencumbered by any debt. Among them are premier properties such as 1185 Avenue of the Americas, which is home to the National Hockey League's headquarters, the Hess Corporation's headquarters and international law firm King & Spalding LLP and 360 Hamilton Avenue in White Plains, New York.

Shown here: Eleven Eighty Five Avenue of the Americas

THE MARKET

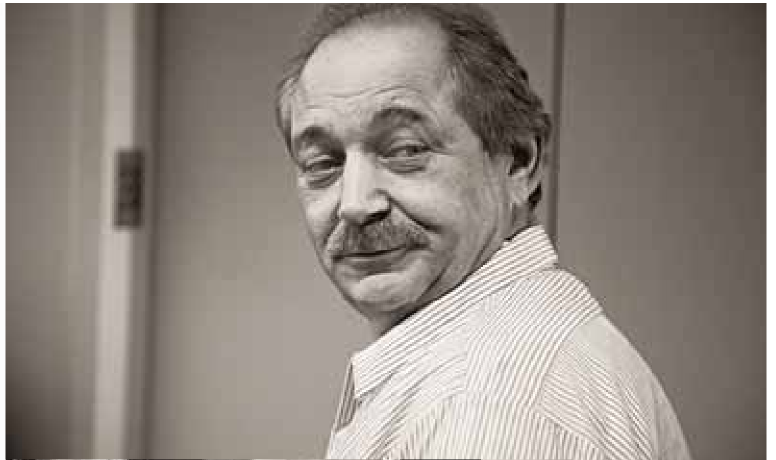
New York City. This is the world's most recognized and powerful skyline, forever enduring as a global center of commerce, finance and culture. If there is one place to build a successful commercial real estate platform for the long term, it's here—with nearly 400 million square feet of inventory and never-ending demand from a diverse customer base that thrives and grows in sync with the world economy and the universal desire to be where the action is. That's why SL Green is concentrated here.

Shown here: Aerial view of Midtown Manhattan

THE
TEAM

The SL Green Team. Consummate professionals—caring for our tenants, maintaining our buildings, leasing and delivering the ideal space for our customers and their needs, answering their service requests, underwriting and making the best investments. Day after day. At all levels of the organization there is an ever-present dedication and determination to maximize our reputation and level of service. Our people deliver, and they are known throughout New York as the best in the business.

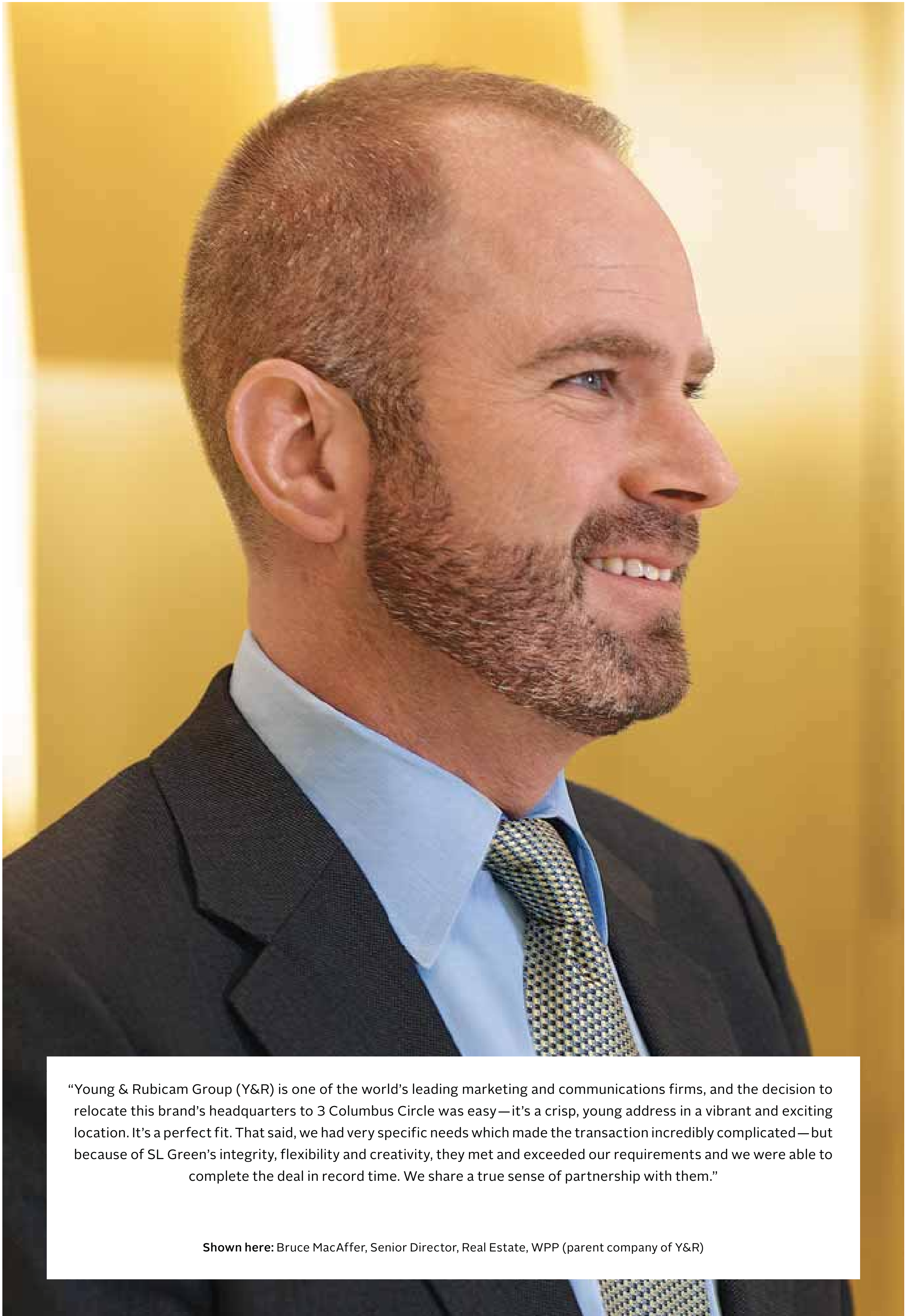
Top row: BOMA Operating Building of the Year Award recipient (250,000sf–499,999sf)—600 Lexington Avenue **Second row:** BOMA Operating Building of the Year Award recipient (100,000sf–249,999sf)—461 Fifth Avenue **Third row:** BOMA Corporate Award recipient—1515 Broadway **Bottom row:** BOMA Best Suburban Office Park Award recipient—1100 King Street, Rye Brook; BOMA Best Lobby Award recipient—200 Summit Lake Drive, Valhalla (far right)



1515 BROADWA
VISITOR CHECK-IN

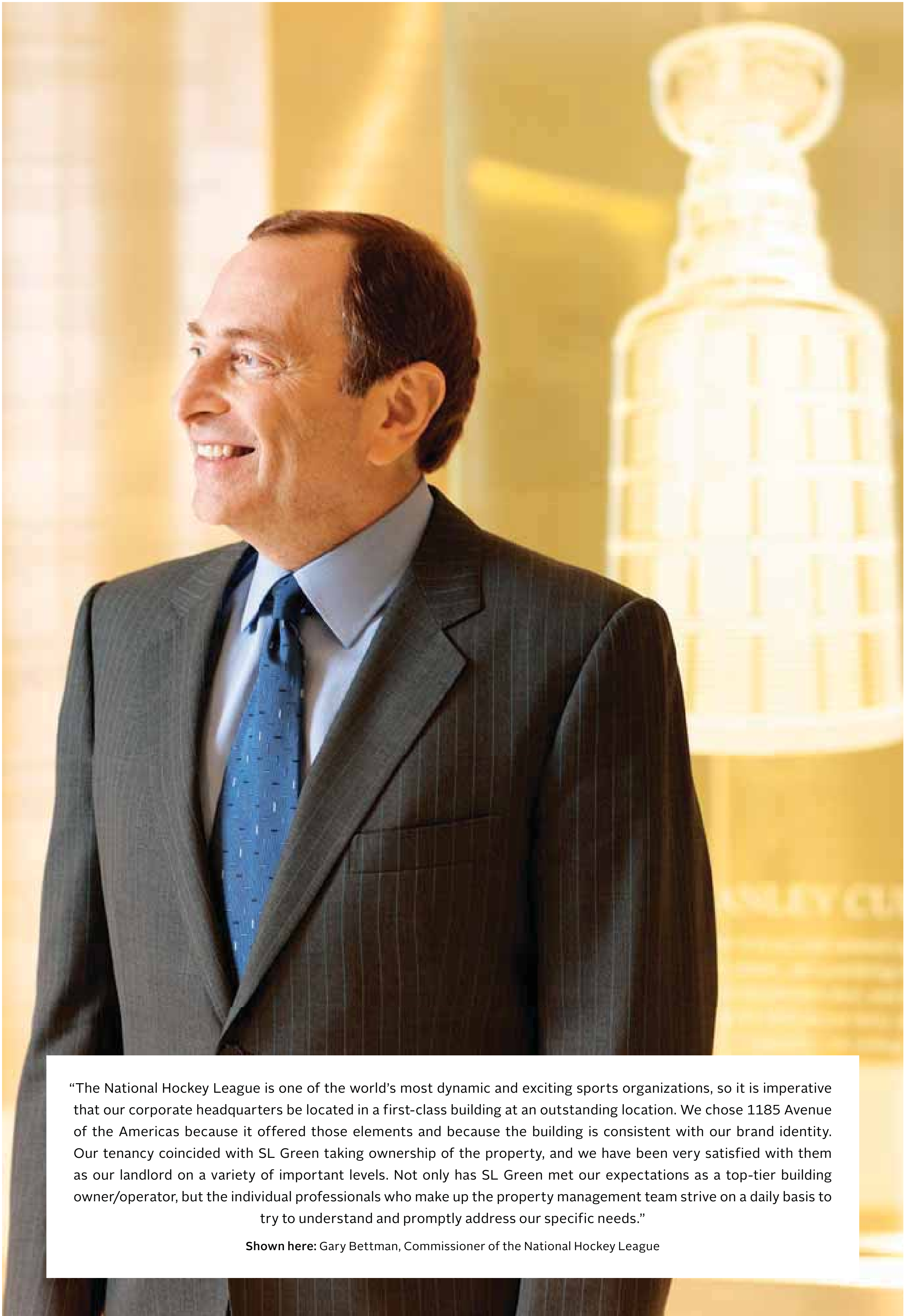
THE RELATIONSHIPS

In real estate, great buildings in the best locations are the most obvious ingredient for success. But for SL Green, there's much more. Strong relationships are critical at every stage of an investment's life cycle—strong relationships with partners, lenders, borrowers, sellers, buyers, brokers, public officials, tenants and the community at large are all essential. With a laser-like focus, we are determined to deliver shared value to all of our key constituencies, so that they will prioritize conducting business with us. Our results, in the form of repeat and expanding business, speak for themselves.



"Young & Rubicam Group (Y&R) is one of the world's leading marketing and communications firms, and the decision to relocate this brand's headquarters to 3 Columbus Circle was easy—it's a crisp, young address in a vibrant and exciting location. It's a perfect fit. That said, we had very specific needs which made the transaction incredibly complicated—but because of SL Green's integrity, flexibility and creativity, they met and exceeded our requirements and we were able to complete the deal in record time. We share a true sense of partnership with them."

Shown here: Bruce MacAffer, Senior Director, Real Estate, WPP (parent company of Y&R)



"The National Hockey League is one of the world's most dynamic and exciting sports organizations, so it is imperative that our corporate headquarters be located in a first-class building at an outstanding location. We chose 1185 Avenue of the Americas because it offered those elements and because the building is consistent with our brand identity. Our tenancy coincided with SL Green taking ownership of the property, and we have been very satisfied with them as our landlord on a variety of important levels. Not only has SL Green met our expectations as a top-tier building owner/operator, but the individual professionals who make up the property management team strive on a daily basis to try to understand and promptly address our specific needs."

Shown here: Gary Bettman, Commissioner of the National Hockey League

"As fellow investors in New York City, Stonehenge Partners has known and respected SL Green and its accomplishments for years. In 2011, we finally found the chance to team up to take advantage of a unique opportunity. As the local multi-family market stays strong, and as we uncover new ways of collaborating, we anticipate and look forward to expanding our business relationship."

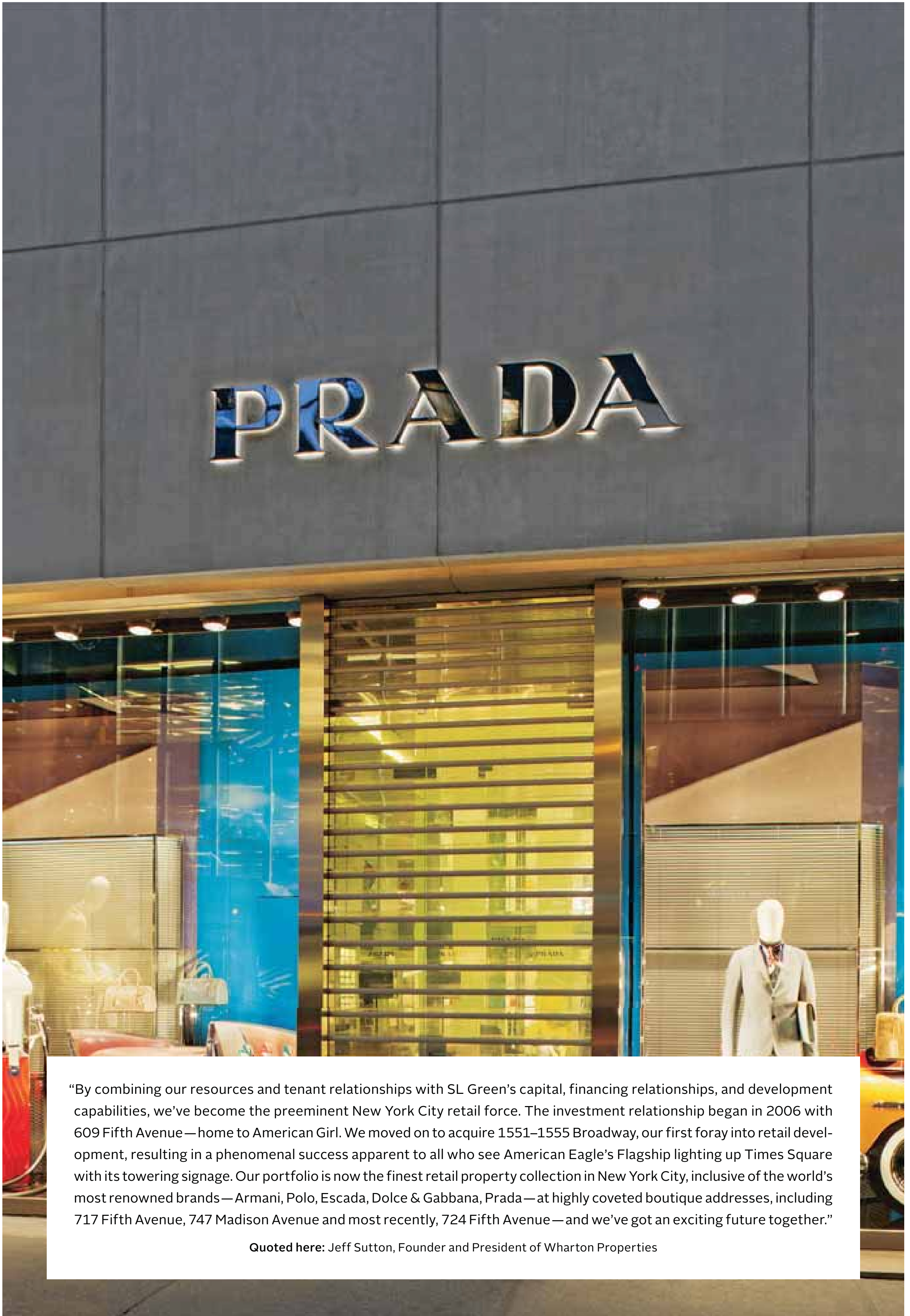
Shown from left to right: Ofer Yardeni, Co-founder and Managing Partner and Joel Seiden, Co-founder and Managing Partner, Stonehenge Partners, Inc.

"The Moinian Group and SL Green have enjoyed a successful relationship for over a decade and 2011 was an exciting year as we once again partnered with SL Green as part of our long-term strategy of recapitalizing the core assets of our New York City portfolio," said Joseph Moinian, CEO of The Moinian Group. "We are extremely gratified to once again work with such a strong partner in ensuring the ongoing success of the revitalized office properties at 3 Columbus Circle and 180 Maiden Lane."

Shown from left to right, Moinian Group Board Members: Harry Dreizen, General Counsel & Executive Vice President, Steve Bederman, Executive Vice President, Joseph Moinian, CEO, Oskar Brecher, Director of Development and Gabriel Dagan, Director of Commercial Operations

“CPPIB chose to partner once again with SL Green on the acquisition of 10 East 53rd Street because of its strong track record and deep local expertise as New York City’s largest commercial office landlord. We look forward to future partnerships with SL Green, as CPPIB continues to expand its real estate portfolio in New York City.”

Quoted here: Graeme Eadie, Senior Vice-President, Real Estate Investments, Canada Pension Plan Investment Board (CPPIB)



"By combining our resources and tenant relationships with SL Green's capital, financing relationships, and development capabilities, we've become the preeminent New York City retail force. The investment relationship began in 2006 with 609 Fifth Avenue—home to American Girl. We moved on to acquire 1551–1555 Broadway, our first foray into retail development, resulting in a phenomenal success apparent to all who see American Eagle's Flagship lighting up Times Square with its towering signage. Our portfolio is now the finest retail property collection in New York City, inclusive of the world's most renowned brands—Armani, Polo, Escada, Dolce & Gabbana, Prada—at highly coveted boutique addresses, including 717 Fifth Avenue, 747 Madison Avenue and most recently, 724 Fifth Avenue—and we've got an exciting future together."

Quoted here: Jeff Sutton, Founder and President of Wharton Properties

ABOUT SL GREEN

SL Green Realty Corp., New York City's largest office landlord, is the only fully integrated real estate investment trust, or REIT, that is focused primarily on acquiring, managing and maximizing value of Manhattan commercial properties. As of December 31, 2011, SL Green owned interests in 65 Manhattan properties totaling more than 38.7 million square feet. This included ownership interests in 27.0 million square feet of commercial properties and debt and preferred equity investments secured by 11.7 million square feet of properties. In addition to its Manhattan investments, SL Green holds ownership interests and debt and preferred equity interests in 32 suburban assets totaling 7.3 million square feet in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, along with four development properties in the suburbs encompassing approximately 0.5 million square feet.

FINANCIAL INFORMATION

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SELECTED FINANCIAL DATA

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

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

We are also providing updated summary selected financial information, which is included below, reflecting the prior period reclassification as discontinued operations of the property sold during 2011 and those designated as held for sale as of December 31, 2011.

	Year Ended December 31,				
Operating Data (in thousands, except per share data)	**2011**	2010	2009	2008	2007
Total revenue	**$1,263,428**	$1,084,386	$ 978,361	$1,047,819	$946,016
Operating expenses	**263,709**	224,693	209,272	219,427	199,892
Real estate taxes	**174,454**	145,830	136,636	121,857	116,729
Ground rent	**32,919**	31,191	31,826	31,494	32,389
Interest expense, net of interest income	**285,917**	230,648	232,655	289,061	256,941
Amortization of deferred finance costs	**14,118**	9,046	7,065	6,139	15,893
Depreciation and amortization	**277,345**	225,193	220,396	210,813	169,066
Loan loss and other investment reserves, net of recoveries	**6,722**	17,751	150,510	115,882	—
Transaction related costs	**5,561**	11,849	—	—	—
Marketing, general and administration	**80,103**	75,946	73,992	104,583	93,045
Total expenses	**1,140,848**	972,147	1,062,352	1,099,256	883,955
Equity in net income from unconsolidated joint ventures	**1,583**	39,607	62,878	59,961	46,765
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**2,918**	128,921	6,691	103,056	31,509
Purchase price fair value adjustment	**498,195**	—	—	—	—
Gain (loss) on investment in marketable securities	**4,866**	490	(396)	(147,489)	—
Depreciable real estate reserves	**(5,789)**	(2,750)	—	—	—
Gain (loss) on early extinguishment of debt	**904**	(1,900)	86,006	77,465	—
Income from continuing operations	**625,257**	276,607	71,188	41,556	140,335
Discontinued operations	**51,865**	42,549	477	362,492	542,362
Net income	**677,122**	319,156	71,665	404,048	682,697
Net income attributable to noncontrolling interest in operating partnership	**(14,629)**	(4,574)	(1,221)	(14,561)	(26,084)
Net income attributable to noncontrolling interests in other partnerships	**(15,083)**	(14,007)	(12,900)	(8,677)	(10,383)
Net income attributable to SL Green	**647,410**	300,575	57,544	380,810	646,230
Preferred dividends	**(30,178)**	(29,749)	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	**$ 617,232**	$ 270,826	$ 37,669	$ 360,935	$626,355
Net income per common share—Basic	**$ 7.37**	$ 3.47	$ 0.54	$ 6.22	$ 10.66
Net income per common share—Diluted	**$ 7.33**	$ 3.45	$ 0.54	$ 6.20	$ 10.54
Cash dividends declared per common share	**$ 0.55**	$ 0.40	$ 0.6750	$ 2.7375	$ 2.89
Basic weighted average common shares outstanding	**83,762**	78,101	69,735	57,996	58,742
Diluted weighted average common shares and common share equivalents outstanding	**86,244**	79,761	72,044	60,598	61,885

Balance Sheet Data (in thousands)	As of December 31, 2011	2010	2009	2008	2007
Commercial real estate, before accumulated depreciation	**$11,147,151**	$ 8,890,064	$ 8,257,100	$ 8,201,789	$ 8,622,496
Total assets	**13,483,852**	11,300,294	10,487,577	10,984,353	11,430,078
Mortgages and other loans payable, revolving credit facility, senior unsecured notes and trust preferred securities	**6,035,397**	5,251,013	4,892,688	5,581,559	5,658,149
Noncontrolling interests in operating partnership	**195,030**	84,338	84,618	87,330	81,615
Equity	**6,453,309**	5,397,544	4,913,129	4,481,960	4,524,600

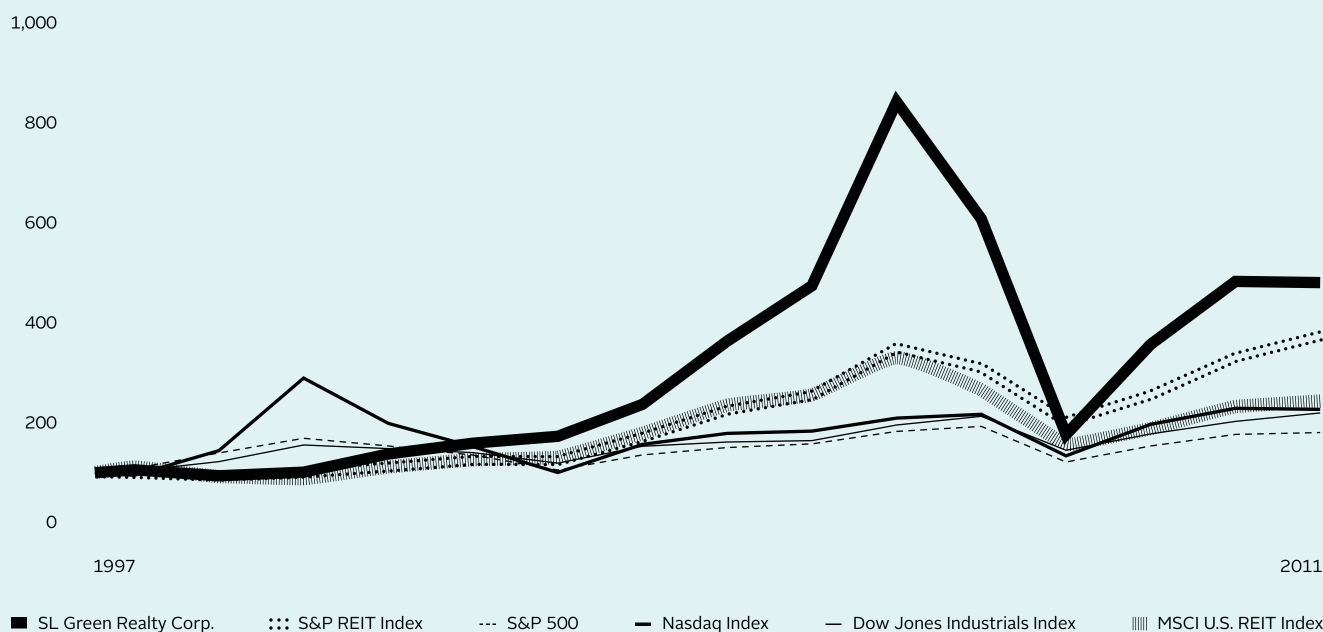
Other Data (in thousands)	Year Ended December 31, 2011	2010	2009	2008	2007
Funds from operations available to all stockholders(1)	**$ 413,813**	$ 389,161	$ 318,817	$ 344,856	$ 343,186
Net cash provided by operating activities	**312,860**	321,058	275,211	296,011	406,705
Net cash (used in) provided by investment activities	**(739,597)**	18,815	(345,379)	396,219	(2,334,337)
Net cash provided by (used in) financing activities	**232,099**	(350,758)	(313,006)	(11,305)	1,856,418

(1) Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and as subsequently amended, defines FFO as net income (loss) (computed in accordance with generally accepted accounting principles, or GAAP), excluding gains (or losses) from debt restructurings, sales of properties and real estate impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, and interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions. Years prior to 2011 have been adjusted to reflect FFO under the 2011 amended definition.

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

TOTAL RETURN TO SHAREHOLDERS

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



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. We are a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Annual Report.

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P. or ROP, are subsidiaries of our Operating Partnership.

The New York City commercial real estate market strengthened in 2011, and SL Green took advantage of the strengthening market in improving occupancies and deploying capital in the borough of Manhattan to strategically position the Company for future growth as market conditions improve.

Leasing and Operating

Improvements in leasing conditions, which began during 2010, continued into 2011. Total 2011 Manhattan new leasing activity was 30.1 million square feet, the largest amount of new leasing in any year since 2000. Net absorption exceeded 5.2 million square feet during the year, of which 3.2 million square feet was absorbed in mid-town Manhattan, the location of 53% of our office properties (by square footage). The Midtown submarket absorption resulted in decreases in overall office vacancy from 10.6% at December 31, 2010 to 9.6% at December 31, 2011 and the portion of available space comprised of sublease space declined to 1.6% of total available inventory. In addition, no new office space was added to the Midtown office inventory, with approximately 0.8 million square feet (0.2% of the total 392.9 million square foot Manhattan office inventory) currently under construction and scheduled to come online by 2013.

Net absorption that reduced vacancy, and lack of new supply created conditions in which rents increased during the year. Asking rents for direct space in midtown increased during 2011 by 3.7% to $66.75 per square foot. By the end of 2011, asking rents had increased by 9.5% since the recessionary trough in rents in early 2010. Over the same period, net effective rents (which take into consideration leasing concessions and commissions), increased by 21.3%.

SL Green has historically outperformed the Manhattan office market, and it did so in 2011. Our office property occupancy on stabilized same-store assets increased to 95.4% from 94.6% in the earlier year (excluding 100 Church which is in lease-up). The Company's mark-to-market on leases that replaced previously occupied space was 7.3% for 2011. Our leasing activity during 2011 was representative of a diverse array of industries, with a broad cross section of leasing as evidenced by our largest leases in 2011 that included professional services, health care, media and advertising, and government.

Acquisition and Disposition Activity

In anticipation of the improving market, and because we were able to source opportunities with value enhancement components, SL Green acquired equity interests in 9 buildings during 2011, with total investments of $3.9 billion. Certain of the investments provide upside through repositioning and leasing including 3 Columbus Circle, that was purchased with 20.1 percent occupancy in January 2011 and that was leased to 61% through January 2012, and 280 Park Avenue, which when repositioned will be among the highest quality office buildings in Manhattan. In addition, major 2011 transactions included purchasing our partner's interests in the high quality 521 Fifth Avenue and 1515 Broadway properties, and a portfolio of prime retail properties that included three multifamily residential assets which closed in 2012.

We also took advantage of the improving market conditions and interest by institutions and individuals seeking ownership interests in properties to sell assets, disposing of properties with more limited growth opportunities, and raising efficiently priced capital for reinvestment. During the year, we sold 28 West 44th Street, and entered into contracts to sell One Court Square, 141 Fifth Avenue and our fee interest in 292 Madison Avenue.

Debt and Preferred Equity

Beginning in 2010, we saw the increase in opportunities to acquire existing debt and preferred equity positions in high quality Manhattan office properties at discounts that enabled us to generate high risk adjusted yields, and offer off-market access to property acquisitions. As the year progressed, and the availability of debt and preferred equity in high quality properties that could be purchased at discounts waned, we began to see opportunities to originate financings, typically in the form of preferred equity and mezzanine debt, for owners or acquirers seeking higher leverage than has been available from traditional lending sources that continue to be constrained, and that provide only modest amounts of leverage. The typical investments made by us during the last half of 2011 were to reputable owners or acquirers, and at leverage levels which are senior to sizable equity investments by the borrowers. During 2011, our preferred equity and debt activities included purchases of $160.3 million, originations of $449.4 million, redemptions of $287.2 million and conversions of $302.2 million into property ownership. Property equity ownership resulting from this lending program during 2011 included 280 Park Avenue and 110 East 42nd Street.

Outlook

Several factors introduced into the market during the second half of 2011 have modestly reduced expectations of the recovery in jobs and in demand for office space in 2012. Those factors include weaker financial results from large New York City based financial

institutions as driven by exogenous factors such as the European credit crisis. Despite these factors, we continue to see a solid leasing market and due to the more limited supply of space and lack of new supply, the potential for improving leasing fundamentals as we progress through the year.

Our significant activities for 2011 included:

- Acquired or consolidated in joint venture interests on five properties for aggregate gross purchase prices of $2.0 billion encompassing 3.6 million square feet.
- Invested in four properties through joint ventures for aggregate gross purchase prices of $1.8 billion and encompassing 2.0 million square feet.
- Closed on a $1.5 billion 4-year revolving credit facility.
- Sold 6.7 million shares of common stock through our "at-the-market" equity offering programs raising net proceeds of $517.1 million were used to repay certain of our existing indebtedness, make investments in additional properties and debt and preferred equity investments, and for general corporate purposes.
- Issued $250.0 million principal amount of 5.00% senior unsecured notes, due 2018, at par. The net proceeds from the offering (approximately $246.5 million) were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes.
- Closed on 15 mortgages and loans payable totaling approximately $3.3 billion.
- Signed 205 office leases totaling 2.3 million square feet in Manhattan during 2011.
- Signed 109 office leases totaling 0.6 million square feet in the Suburbs during 2011.

As of December 31, 2011, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	26	18,429,945	92.8%
	Unconsolidated properties	7	6,191,673	91.6%
Suburban	Consolidated properties	25	3,863,000	80.5%
	Unconsolidated properties	6	2,941,700	93.8%
		64	31,426,318	91.2%

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

We also owned investments in nine stand-alone retail properties encompassing approximately 349,282 square feet, seven development properties encompassing approximately 1,395,838 square feet and three land interests as of December 31, 2011. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 million rentable square feet.

Critical Accounting Policies

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

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. In addition, we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2011, we recorded a $5.8 million impairment charge in connection with the expected sale of one of our equity investments. During 2010, we recorded a $2.8 million impairment charge on one of our equity investments. These charges are included in depreciable real estate reserves. We do not believe that the value of any of our consolidated properties was impaired at December 31, 2011 and 2010, respectively.

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

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

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for $200.0 million which we guarantee at one joint venture and performance guarantees under a master lease at another joint venture.

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 debt and preferred equity 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 debt and preferred equity 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 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 debt and preferred equity investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses on each individual investment. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $10.9 million, $19.8 million and $38.4 million in loan loss reserves and charge offs during the years ended December 31, 2011, 2010 and 2009, respectively, on investments being held to maturity, and none, $1.0 million and $69.1 million against our held for sale investment during the years ended December 31, 2011, 2010 and 2009, respectively. We also recorded approximately $4.4 million and $3.7 million in recoveries during the years ended December 31, 2011 and 2010, respectively, in connection with the sale of investments.

Debt and preferred equity investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers

or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the loan will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the loan.

Derivative Instruments

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

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

Results of Operations

Comparison of the year ended December 31, 2011 to the year ended December 31, 2010

The following comparison for the year ended December 31, 2011, or 2011, to the year ended December 31, 2010, or 2010, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us in the same manner at January 1, 2010 and at December 31, 2011 and totaled 45 of our 51 consolidated properties, representing approximately 68% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2010 and 2011 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2011	2010	$ Change	% Change
Rental revenue	$ 961.9	$ 782.5	$ 179.4	22.9%
Escalation and reimbursement revenue	145.6	118.2	27.4	23.2
Total	$1,107.5	$ 900.7	$ 206.8	23.0%
Same-Store Properties	$ 880.0	$ 873.3	$ 6.7	0.8%
Acquisitions	226.3	24.1	202.2	839.0
Other	1.2	3.3	(2.1)	(63.6)
Total	$1,107.5	$ 900.7	$ 206.8	23.0%

Occupancy in the Same-Store Properties was 90.3% at December 31, 2011 and 89.4% at December 31, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties during 2011 compared to a partial period or not being included in 2010.

Occupancy for our same-store Manhattan portfolio at December 31, 2011 was 94.0 percent as compared to 92.7 percent for the same period in the previous year. During the year ended December 31, 2011, we signed 205 office leases in our Manhattan portfolio totaling 2.3 million square feet. Forty-three leases totaling 614,833 square feet represented office leases that replaced previous vacancies, while 162 office leases comprising 1,690,423 square feet had average starting rents of $55.34 per rentable square foot, representing a 7.3 percent increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed during the year ended December 31, 2011 was 9.6 years and average tenant concessions were 3.7 months of free rent with a tenant improvement allowance and lease commissions of $49.59 per rentable square foot. Of the 2.0 million square feet of office leases which commenced during 2011, 434,018 square feet represented office leases that replaced previous vacancies, while 1.6 million square feet represented office leases that had average starting rents of $53.37 per rentable square foot, representing a 4.3 percent increase over the previously fully escalated rents on the same office spaces.

Occupancy for our Suburban portfolio was 86.2 percent at December 31, 2011 as compared to 87.3 percent for the same period in the previous year. During the year ended December 31, 2011, we signed 109 office leases in the Suburban portfolio totaling 574,046 square feet. Thirty-three leases and 183,425 square feet represented office leases that replaced previous vacancies, while 76 office leases comprising 390,621 square feet had average starting rents of $33.86 per rentable square foot, representing a 2.5 percent decrease over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed during the year ended December 31, 2011 was 7.3 years and average tenant concessions were 6.9 months of free rent with a tenant improvement allowance and lease commissions of $33.16 per rentable square foot. Of the 528,788 square feet of office leases which commenced during 2011, 107,595 square feet represented office leases that replaced previous vacancies, while 421,193 square feet represented office leases that had average starting rents of $33.75 per rentable square foot, representing a 2.8 percent decrease over the previously fully escalated rents on the same office spaces.

At December 31, 2011, approximately 4.1% and 11.6% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during 2012. We estimated that the current market rents on these expected 2012 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 12.7% and 3.6% higher, respectively, than then existing in-place fully escalated rents. We estimated that the current market rents on all our consolidated Manhattan and Suburban properties were approximately 10.9% and 3.0% higher, respectively, than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

The increase in escalation and reimbursement revenue was due to higher recoveries at the Acquisitions ($26.8 million) and Same-Store Properties ($0.9 million) which were offset by lower recoveries at the Other properties ($0.3 million). The increase in recoveries at the Same-Store Properties was primarily due to operating expense escalations ($2.3 million) which were partially offset by lower real estate tax recoveries ($1.0 million) and electric reimbursements ($0.4 million).

Investment and Other Income (in millions)	2011	2010	$ Change	% Change
Equity in net income of unconsolidated joint ventures	**$ 1.6**	$ 39.6	$(38.0)	(96.0)%
Investment and preferred equity income	**120.4**	147.9	(27.5)	(18.6)
Other income	**35.5**	35.7	(0.2)	(0.6)
Total	**$157.5**	$223.2	$(65.7)	(29.4)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 800 Third Avenue ($0.7 million), 1221 Avenue of the Americas, which was sold in May 2010 ($10.5 million), 1515 Broadway, which we consolidated in April 2011 ($7.8 million), 1552 Broadway ($1.3 million), 280 Park Avenue ($18.1 million) and 2 Herald Square ($5.9 million) and 885 Third Avenue ($7.1 million), both of which were acquired in December 2010. This was partially offset by higher net income contributions primarily from our investments in Jericho Plaza ($0.8 million), 1551 Broadway due to a refinancing prior to the sale ($2.2 million), 3 Columbus Circle ($1.6 million), 450 West 33rd Street, a mezzanine debt joint venture ($1.1 million), 717 Fifth Avenue ($1.8 million), 180 Broadway ($1.2 million) and 600 Lexington Avenue ($4.2 million). Occupancy at our joint venture properties was 92.3% at December 31, 2011 and 95.2% at December 31, 2010. At December 31, 2011, approximately 7.0% and 10.7% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during 2012. We estimated that current market rents on these expected 2012 lease expirations at our Manhattan and Suburban joint venture properties were approximately 29.5% higher and 5.7% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income decreased during 2011. In 2011, debt investments totaling $352.8 million (inclusive of the 280 Park Avenue transaction) were sold or repaid resulting in the recognition of additional income of $43.0 million during 2011. In September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately $64.8 million. During 2011, we also originated or purchased $615.0 million of new debt investments at a weighted average current yield of 10.0%. The weighted average investment balance outstanding and weighted average yield were $809.1 million and 7.9%, respectively, for 2011 compared to $862.0 million and 8.5%, respectively, for 2010. As of December 31, 2011, the debt and preferred equity investments had a weighted average term to maturity of approximately 3.0 years.

The decrease in other income was primarily due to lower contribution from the Service Corporation ($2.4 million) and lower lease buy-out income ($1.6 million), which was partially offset by an increase in other fee income ($2.7 million).

Property Operating Expenses (in millions)	2011	2010	$ Change	% Change
Operating expenses	**$263.7**	$224.7	$39.0	17.4%
Real estate taxes	**174.5**	145.8	28.7	19.7
Ground rent	**32.9**	31.2	1.7	5.4
Total	**$471.1**	$401.7	$69.4	17.3%
Same-Store Properties	**$385.9**	$375.6	$10.3	2.7%
Acquisitions	**74.0**	12.8	61.2	478.1
Other	**11.2**	13.3	(2.1)	(15.8)
Total	**$471.1**	$401.7	$69.4	17.3%

Same-Store Properties operating expenses increased approximately $10.3 million. There were increases in real estate taxes ($4.4 million), payroll costs ($1.1 million), cleaning and repairs and maintenance ($4.7 million), ground rent ($1.7 million) and other expenses ($0.2 million). This was partially offset by decreases in utilities ($0.3 million) and insurance costs ($1.5 million).

Other Expenses (in millions)	2011	2010	$ Change	% Change
Interest expense, net of interest income	**$300.0**	$239.7	$ 60.3	25.2%
Depreciation and amortization expense	**277.3**	225.2	52.1	23.1
Loan loss and other investment reserves, net of recoveries	**6.7**	17.8	(11.1)	(62.4)
Transaction related costs	**5.6**	11.8	(6.2)	(52.5)
Marketing, general and administrative expense	**80.1**	75.9	4.2	5.5
Total	**$669.7**	$570.4	$ 99.3	17.4%

The increase in interest expense was primarily attributable to higher average consolidated debt balances outstanding during the period due to the increase in investment activity in 2011, inclusive of the acquisitions of 1515 Broadway, 521 Fifth Avenue and 180 Maiden Lane. The weighted average debt balance outstanding increased from $4.8 billion during the year ended December 30, 2010 to $5.8 billion during the year ended December 31, 2011. The weighted average interest rate increased from 4.76% for the year ended December 31, 2010 to 4.87% for the year ended December 31, 2011.

Loan loss and other investment reserves decreased year over year. We recorded $11.1 million in reserves and $4.4 million in recoveries in 2011 compared to $17.8 million in reserves and no recoveries in 2010.

Marketing, general and administrative expense represented 5.4% of total revenues, including our share of joint venture revenues, in 2011 compared to 5.6% in 2010.

Comparison of the year ended December 31, 2010 to the year ended December 31, 2009

The following comparison for the year ended December 31, 2010, or 2010, to the year ended December 31, 2009, or 2009, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us at January 1, 2009 and at December 31, 2010, excluding properties which were sold or reclassified to assets held for sale in 2011 and total 43 of our 47 consolidated properties, representing approximately 70% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired subsequent to January 1, 2009 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2010	2009	$ Change	% Change
Rental revenue	$782.5	$746.6	$35.9	4.8%
Escalation and reimbursement revenue	118.2	119.0	(0.8)	(0.7)
Total	$900.7	$865.6	$35.1	4.1%
Same-Store Properties	$855.3	$851.4	$ 3.9	0.5%
Acquisitions	43.7	8.5	35.2	414.1
Other	1.7	5.7	(4.0)	(70.2)
Total	$900.7	$865.6	$35.1	4.1%

Our consolidated rental revenue increased primarily from the Acquisitions, which included 100 Church Street (January 2010) and 125 Park Avenue (August 2010). Occupancy in the Same-Store Properties was 91.5% at December 31, 2010 and 93.5% at December 31, 2009.

During the year ended December 31, 2010, we commenced 232 leases in the Manhattan portfolio totaling 2.4 million square feet, of which 194 leases and 2.3 million square feet represented office leases. Average starting Manhattan office rents of $43.17 per rentable square foot on 1.8 million square feet of office leases commenced during the year ended December 31, 2010 represented a 2.8% decrease over the previously fully escalated rents. The average lease term was 10.6 years and average tenant concessions were 4.8 months of free rent with a tenant improvement allowance of $35.04 per rentable square foot.

During the year ended December 31, 2010, we commenced 117 leases in the Suburban portfolio totaling 899,000 square feet, of which 99 leases and 857,000 square feet represented office leases. Average starting Suburban office rents of $29.30 per rentable square foot on 695,000 square feet of office leases commenced during for the year ended December 31, 2010 represented a 9.8% decrease over the previously fully escalated rents. The average lease term was 6.8 years and average tenant concessions were 3.7 months of free rent with a tenant improvement allowance of $14.98 per rentable square foot.

At December 31, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 5.0% and 5.1% higher, respectively, than then existing in-place fully escalated rents. Approximately 8.3% of the space leased at our consolidated properties expires during 2011.

The decrease in escalation and reimbursement revenue was due to lower recoveries at the Same-Store Properties ($4.0 million) which was partially offset by an increase in recoveries from the Acquisitions ($3.5 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower electric reimbursements ($3.9 million) and operating expense and real estate tax escalations ($0.7 million) which were partially offset by other reimbursed expenses ($0.6 million).

Investment and Other Income (in millions)	2010	2009	$ Change	% Change
Equity in net income from unconsolidated joint ventures	$ 39.6	$ 62.9	$(23.3)	(37.0)%
Investment and preferred equity income	147.9	65.6	82.3	125.5
Other income	35.7	47.1	(11.4)	(24.2)
Total	$223.2	$175.6	$ 47.6	27.1%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 1221 Avenue of the Americas due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($21.2 million), 521 Fifth Avenue ($1.2 million), 600 Lexington Avenue due to the expensing of transaction related costs ($3.6 million) and 1515 Broadway ($5.2 million). This was partially offset by higher net income contributions primarily from our investments in 100 Park Avenue ($3.8 million), 141 Fifth Avenue ($1.2 million), 29 West 34th Street ($1.0 million) and Gramercy ($3.5 million).

Occupancy at our joint venture properties was 95.0% at December 31, 2010 and 95.1% at December 31, 2009. At December 31, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 16.3% and 9.3% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.7% of the space leased at our joint venture properties expires during 2011.

Preferred equity and investment income increased primarily due to additional income generated upon the repayment of loans as well as new investment activity. In addition, in September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately $64.8 million. The income was recorded in preferred equity and investment income on the accompanying statement of income. In addition, the weighted average investment balance outstanding and weighted average yield were $862.0 million and 8.5%, respectively, for 2010 compared to $652.9 million and 8.4%, respectively, for 2009.

The decrease in other income was primarily due to lower fee income earned ($11.2 million).

Property Operating Expenses (in millions)	2010	2009	$ Change	% Change
Operating expenses	$224.7	$209.3	$15.4	7.4%
Real estate taxes	145.8	136.6	9.2	6.7
Ground rent	31.2	31.8	(0.6)	(1.9)
Total	$401.7	$377.7	$24.0	6.4%
Same-Store Properties	$365.0	$359.5	$ 5.5	1.5%
Acquisitions	24.6	4.2	20.4	485.7
Other	12.1	14.0	(1.9)	(13.6)
Total	$401.7	$377.7	$24.0	6.4%

Same-Store Properties operating expenses, excluding real estate taxes, increased approximately $1.4 million. There were increases in payroll costs ($3.1 million) and repairs and maintenance ($1.5 million). This was partially offset by decreases in utilities ($2.5 million) and ground rent ($0.7 million).

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

Other Expenses (in millions)	2010	2009	$ Change	% Change
Interest expense, net of interest income	$239.7	$239.7	$ —	—%
Depreciation and amortization expense	225.2	220.4	4.8	2.2
Loan loss and other investment reserves, net of recoveries	17.8	150.5	(132.7)	(88.2)
Transaction related costs	11.9	—	11.9	100.0
Marketing, general and administrative expense	75.9	74.0	1.9	2.6
Total	$570.5	$684.6	$(114.1)	(16.7)%

The decrease in interest expense was primarily attributable to the early repurchase of our exchangeable and non-exchangeable notes and the reduction of the outstanding balance on our 2007 unsecured revolving credit facility which was partially offset by the issuance of new exchangeable and non-exchangeable notes. The weighted average debt balance decreased from $5.1 billion as of December 31, 2009 to $4.8 billion as of December 31, 2010, while the weighted average interest rate increased from 4.3% for the year ended December 31, 2009 to 4.76% for the year ended December 31, 2010.

We expensed approximately $11.9 million of transaction related costs during the year ended December 31, 2010. Transaction related costs included approximately $1.8 million for non-recoverable costs incurred in connection with the pursuit of a redevelopment project.

Marketing, general and administrative expense represented 6.9% of total revenues in 2010 compared to 7.4% in 2009.

Liquidity and Capital Resources

We currently expect that our principal sources of funds to meet our short-term and long-term liquidity requirements for working capital and funds for acquisition and redevelopment of properties, tenant improvements, leasing costs, repurchases or repayments of outstanding indebtedness (which may include exchangeable debt) and for debt and preferred equity investments will include:

(1) Cash flow from operations;
(2) Cash on hand;
(3) Borrowings under our 2011 revolving credit facility;
(4) Other forms of secured or unsecured financing;
(5) Net proceeds from divestitures of properties and redemptions, participations and dispositions of debt and preferred equity investments; and
(6) Proceeds from common or preferred equity or debt offerings by us, our Operating Partnership (including issuances of limited partnership units in the operating partnership and trust preferred securities) or ROP.

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

Our combined aggregate principal maturities of our property mortgages and other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2011 are as follows (in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
Property Mortgages and loans	$ 52,443	$568,649	$647,776	$270,382	$ 556,400	$2,278,190	$4,373,840
Corporate obligations	119,423	—	98,578	657	624,804	877,194	1,720,656
Joint venture debt—our share	176,457	93,683	123,983	102,476	527,814	800,102	1,824,515
Total	$348,323	$662,332	$870,337	$373,515	$1,709,018	$3,955,486	$7,919,011

As of December 31, 2011, we had approximately $163.5 million of cash on hand, inclusive of approximately $25.3 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may seek to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us at efficient levels or at all. Management believes that these sources of liquidity, if we are able to access them, along with potential refinancing opportunities for secured debt, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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

Cash Flows

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

Cash and cash equivalents were $138.2 million and $332.8 million at December 31, 2011 and 2010, respectively, representing a decrease of $194.6 million. The decrease was a result of the following changes in cash flows (in thousands):

	Year Ended December 31,		
	2011	2010	Increase (Decrease)
Net cash provided by operating activities	**$ 312,860**	$ 321,058	$ (8,198)
Net cash (used in) provided by investing activities	**$ (739,597)**	$ 18,815	$ (758,412)
Net cash provided by (used in) financing activities	**$ 232,099**	$ (350,758)	$ 582,857

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2011, our portfolio was 91.2% occupied. Our debt and preferred equity and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2011, when compared to the year ended December 31, 2010, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	$ (176,142)
Capital expenditures and capitalized interest	(50,955)
Escrow cash-capital improvements/acquisition deposits	69,496
Joint venture investments	(22,076)
Distributions from joint ventures	59,439
Proceeds from sales of real estate/partial interest in property	(462,573)
Debt and preferred equity and other investments	(175,601)
Increase in net cash provided by investing activities	$ (758,412)

Funds spent on capital expenditures, which comprise building and tenant improvements, increased from $108.1 million for the year ended December 31, 2010 to $159.1 million for the year ended December 31, 2011. The increased capital expenditures relate primarily to costs incurred in connection with the redevelopment of properties and the build-out of space for tenants resulting from leasing activity.

We fund our investment activity through various sources including property-level financing, our 2011 revolving credit facility, senior unsecured notes, convertible or exchangeable securities, construction loans, asset sales and from time to time, we issue common or preferred stock. During the year ended December 31, 2011, when compared to the year ended December 31, 2010, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$ 1,887,716
Repayments under our debt obligations	(1,612,064)
Proceeds from issuance of common stock	516,168
Proceeds from issuance of preferred stock	(122,041)
Redemption of noncontrolling interests	13,012
Noncontrolling interests, contributions in excess of distributions	(133,093)
Other financing activities	38,041
Dividends and distributions paid	(4,882)
Increase in cash used in financing activities	$ 582,857

Capitalization

As of December 31, 2011, we had 85,797,723 shares of common stock, 2,764,737 units of limited partnership interest in our operating partnership held by persons other than the Company, 11,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock, and 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, outstanding. In addition, we also had preferred limited partnership interests in our Operating Partnership having aggregate liquidation preferences of $33.8 million held by persons other than the Company.

In 2011, we, along with the Operating Partnership, entered into "at-the-market" equity offering programs, or ATM programs, to sell an aggregate of $775.0 million of our common stock. As of December 31, 2011, we had sold 6.7 million shares of our common stock through the ATM programs for aggregate gross proceeds of approximately $525.0 million ($517.1 million of net proceeds after related expenses). The net proceeds were used to repay debt, fund new investments and for other corporate purposes. As of December 31, 2011, we had $250.0 million available to issue under the ATM programs.

Rights Plan

We adopted a shareholder rights plan which provided, among other things, that when specified events occur, our common stockholders would be entitled to purchase from us a new created series of junior preferred shares. This plan expired in March 2010.

Dividend Reinvestment and Stock Purchase Plan

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

During the years ended December 31, 2011 and 2010, approximately 473 and 250,900 shares of our common stock were issued and approximately $34,000 and $11.3 million of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

Second Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 10,730,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the Second Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At December 31, 2011, approximately 3.8 million fungible units, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 4.8 million shares of common stock if all shares available under the 2005 Plan were issued as five-year stock options.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program provided for restricted stock awards to be made to plan participants if the holders of our common equity achieved a total return in excess of 40% over a 48-month period commencing April 1, 2003. In April 2007, the compensation committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Plan. In accordance with the terms of the program, 40% of each award vested on March 31, 2007 and the remainder vested ratably over the subsequent three years based on continued employment. The fair value of the awards under this program on the date of grant was determined to be $3.2 million. This fair value is expensed over the term of the restricted stock award. Forty percent of the value of the award was amortized over four years from the date of grant and the balance was amortized, in equal parts, over five, six and seven years (i.e., 20% of the total value was amortized over five years (20% per year), 20% of the total value was amortized over six years (16.67% per year) and 20% of the total value was amortized over seven years (14.29% per year). We recorded compensation expense of $23,000 and $0.1 million related to this plan during the years ended December 31, 2010 and 2009, respectively. The cost of the 2003 Outperformance Plan had been fully expensed as of March 31, 2010.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan were entitled to earn LTIP Units in our Operating Partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value equal to 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. On June 14, 2006, the compensation committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Outperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned vested on each of November 30, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately $1.6 million and $2.3 million of compensation expense during the years ended December 31, 2010 and 2009, respectively, in connection with the 2005 Outperformance Plan. The cost of the 2005 Outperformance Plan had been fully expensed as of June 30, 2010.

2006 Long-Term Outperformance Compensation Program

In August 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units were earned under the 2006 Outperformance Plan.

The cost of the 2006 Outperformance Plan (approximately $16.4 million, subject to adjustment for forfeitures) was amortized into earnings through July 31, 2011. We recorded approximately $70,000, $0.2 million and $0.4 million of compensation expense during the years ended December 31, 2011, 2010 and 2009, respectively, in connection with the 2006 Outperformance Plan. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units were earned under the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of September 30, 2011.

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

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients may earn, in the aggregate, from approximately $15 million up to approximately $75 million of LTIP Units in our Operating Partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance has been achieved, approximately $25 million of awards may be earned at any time after the beginning of the second year and an additional approximately $25 million of awards may be earned at any time after the beginning of the third year. The amount of awards earned

will range from approximately $15 million if our aggregate stock price appreciation during the performance period is 25% to the maximum amount of approximately $75 million if our aggregate stock price appreciation during the performance period is 50% or greater. No awards will be earned if our aggregate stock price appreciation is less than 25%. After the awards are earned, they will remain subject to vesting, with 50% of any LTIP Units earned vesting on January 1, 2013 and an additional 25% vesting on each of January 1, 2014 and 2015 based, in each case, on continued employment through the vesting date. We will not pay distributions on any LTIP Units until they are earned, at which time we will pay all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period. In January 2011, the compensation committee determined that under the terms of the 2010 Long-Term Compensation Plan, as of December 5, 2010, maximum performance had been achieved and, accordingly, approximately 366,815 LTIP Units had been earned under the 2010 Long-Term Compensation Plan. In January 2012, the compensation committee determined that under the terms of the 2010 Long-Term Compensation Plan, as of December 1, 2011, maximum performance had been achieved and, accordingly, approximately 385,583 LTIP Units had been earned under the 2010 Long-Term Compensation Plan. In accordance with the terms of the program, 50% of these LTIP Units will vest on January 1, 2013 and the remainder is scheduled to vest ratably over the subsequent two years based on continued employment.

Overall, the 2010 Long-Term Compensation Plan contemplates maximum potential awards of 1,179,987 LTIP Units and a cap of approximately $75 million when earned. However, sufficient shares were not available under the 2005 Plan to fund the entire 2010 Long-Term Compensation Plan in December 2009, and the awards granted at that time, in the aggregate, were limited to 744,128 LTIP Units, subject to performance-based and time-based vesting, unless and until additional shares became available under the 2005 Plan prior to the end of the performance period for the 2010 Long-Term Compensation Plan. At our annual meeting of stockholders on June 15, 2010, our stockholders approved the adoption of the 2005 Plan which, among other things, increased the number of shares available under the plan. That increase allowed us to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The remaining awards were granted in June 2010. The cost of the 2010 Long-Term Compensation Plan (approximately $31.7 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $9.3 million, $4.0 million and $0.6 million during the years ended December 31, 2011, 2010 and 2009, respectively, related to this program.

SL Green Realty Corp. 2011 Outperformance Plan

In August 2011, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2011 Outperformance Plan, or the 2011 Outperformance Plan. Participants in the 2011 Outperformance Plan may earn, in the aggregate, up to $85 million of LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2011. Under the 2011 Outperformance Plan, participants will be entitled to share in a "performance pool" comprised of LTIP Units with a value equal to 10% of the amount, if any, by which our total return to stockholders during the three-year period exceeds a cumulative total return to stockholders of 25%, subject to the maximum of $85 million of LTIP Units; provided that if maximum performance has been achieved, approximately one-third of each award may be earned at any time after the beginning of the second year and an additional approximately one-third of each award may be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2011 Outperformance Plan unless and until they are earned. If LTIP Units are earned, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

As of December 31, 2011, only 50% of the 2011 Outperformance Plan had been granted. The cost of the 2011 Outperformance Plan for the 50% granted (approximately $12.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $0.1 million during the year ended December 31, 2011 related to this program.

Deferred Stock Compensation Plan for Directors

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

During the year ended December 31, 2011, approximately 8,184 phantom stock units were earned. As of December 31, 2011, there were approximately 66,849 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the

Securities and Exchange Commission with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2011, approximately 55,600 shares of our common stock had been issued under the ESPP.

Market Capitalization

At December 31, 2011, borrowings under our mortgages and other loans payable, our 2011 revolving credit facility, senior unsecured notes, trust preferred securities and our share of joint venture debt represented 55.7% of our combined market capitalization of approximately $14.2 billion (based on a common stock price of $66.64 per share, the closing price of our common stock on the New York Stock Exchange on December 31, 2011). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our Operating Partnership, and our share of joint venture debt.

Indebtedness

The table below summarizes our consolidated mortgages and other loans payable, our 2011 revolving credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2011 and 2010, respectively (dollars in thousands).

	December 31,	
Debt Summary:	**2011**	2010
Balance		
Fixed rate	**$4,802,009**	$4,136,362
Variable rate—hedged	**30,000**	—
Total fixed rate	**4,832,009**	4,136,362
Variable rate	**921,349**	674,318
Variable rate—supporting variable rate assets	**341,138**	440,333
Total variable rate	**1,262,487**	1,114,651
Total	**$6,094,496**	$5,251,013
Percent of Total Debt:		
Total fixed rate	**79.3%**	78.8%
Variable rate	**20.7%**	21.2%
Total	**100.0%**	100.0%
Effective Interest Rate for the Year:		
Fixed rate	**5.99%**	5.95%
Variable rate	**2.16%**	1.79%
Effective interest rate	**4.87%**	4.76%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.30% at both December 31, 2011 and 2010, respectively). Our consolidated debt at December 31, 2011 had a weighted average term to maturity of approximately 5.8 years.

Certain of our debt and preferred equity investments, with a face amount net of discount, of approximately $341.1 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2011.

Mortgage Financing

As of December 31, 2011, our total mortgage debt (excluding our share of joint venture debt of approximately $1.8 billion) consisted of approximately $3.4 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.77% and approximately $942.5 million of variable rate debt with an effective weighted average interest rate of approximately 3.02%.

Corporate Indebtedness

2011 Revolving Credit Facility

In November 2011, we entered into a $1.5 billion revolving credit facility, or the 2011 revolving credit facility. The 2011 revolving credit facility bears interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP. At December 31, 2011, the applicable spread was 150 basis points. The 2011 revolving credit facility matures in November 2015 and has a one-year as-of-right extension option, subject to certain conditions and the payment of an extension fee of 20 basis points. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the 2011 revolving credit facility to $1.75 billion at any time prior to the maturity date. We are required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility, which fee is based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP. As of December 31, 2011, the facility fee was 35 basis points. At December 31, 2011, we had approximately $350.0 million of borrowings and outstanding letters of credit totaling approximately $99.3 million outstanding under the 2011 revolving credit facility, with undrawn capacity of approximately $1.1 billion. See Restrictive Covenants below.

The Company, ROP and the Operating Partnership are all borrowers jointly and severally obligated under the 2011 revolving credit facility. No other subsidiary of ours is an obligor under the 2011 revolving credit facility.

2007 Revolving Credit Facility

The 2011 revolving credit facility replaced our $1.5 billion revolving credit facility, or the 2007 revolving credit facility, which was terminated concurrently with the entering into the 2011 revolving credit facility. The 2007 revolving credit facility bore interest at a spread over the 30-day LIBOR ranging from 70 basis points to 110 basis points, based on our leverage ratio, and required a 12.5 to 20 basis point fee, also based on our leverage ratio, on the unused balance payable annually in arrears. The 2007 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2007 revolving credit facility and as of October 31, 2011, we were in compliance with all such restrictions and covenants.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2011 (in thousands):

Issuance	December 31, 2011 Unpaid Principal Balance	December 31, 2011 Accreted Balance	December 31, 2010 Accreted Balance	Coupon Rate[4]	Effective Rate	Term (in Years)	Maturity
January 22, 2004[1][5][7]	$ —	$ —	$ 84,823	5.15%	5.900%	7	January 15, 2011
August 13, 2004[1][5]	98,578	98,578	98,578	5.875%	6.100%	10	August 15, 2014
March 31, 2006[1]	275,000	274,804	274,764	6.00%	6.200%	10	March 31, 2016
March 16, 2010[8]	250,000	250,000	250,000	7.75%	7.750%	10	March 15, 2020
June 27, 2005[1][2][5]	657	657	657	4.00%	4.000%	20	June 15, 2025
March 26, 2007[3][5]	120,157	119,423	123,171	3.00%	5.460%	20	March 30, 2027
October 12, 2010[6]	345,000	277,629	268,552	3.00%	7.125%	7	October 15, 2017
August 5, 2011[8]	250,000	249,565	—	5.00%	5.000%	7	August 15, 2018
	$1,339,392	$1,270,656	$1,100,545				

(1) Issued by ROP.
(2) Exchangeable senior debentures which are currently callable at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson Associates Realty Corp., or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491. During the year ended December 31, 2010, we repurchased approximately $115.4 million of these debentures, inclusive of debentures purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.3 million. On the date of the Reckson Merger, $13.1 million was recorded in equity and was fully amortized as of June 30, 2010.
(3) In March 2007, the operating partnership issued $750.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our Operating Partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the year ended December 31, 2010, we repurchased approximately $41.7 million of these bonds, inclusive of notes purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.5 million. On the issuance date, $66.6 million was recorded in equity. As of December 31, 2011, approximately $0.7 million remained unamortized.
(4) Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.
(5) In April 2010, we completed a cash tender offer and purchased $13.0 million of the outstanding 3.000% Exchangeable Senior Notes due 2027 issued by the operating partnership, and $13.2 million of the outstanding 4.000% Exchangeable Senior Debentures due 2025, $38.8 million of the 5.150% Notes due 2011 and $50.0 million of the 5.875% Notes due 2014 issued by Reckson.
(6) In October 2010, the operating partnership issued $345.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on April 15 and October 15. The notes have an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of our common stock on October 6, 2010, or $85.81. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our operating partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are guaranteed by ROP. The net proceeds from the offering were approximately $336.5 million, after deducting fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes. On the issuance date, $78.3 million was recorded in equity. As of December 31, 2011, approximately $67.4 million remained unamortized.
(7) In January 2011, the remaining outstanding $84.8 million of ROP's 5.15% unsecured notes were repaid at par on their maturity date.
(8) Issued by us, the Operating Partnership and ROP, as co-obligors.

Junior Subordinate Deferrable Interest Debentures

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

Restrictive Covenants

The terms of the 2011 revolving credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends (as discussed below), make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and the disposition of assets, and which require compliance with financial ratios including our minimum tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that we will not during any time when we are in default, make distributions with respect to common stock or other equity interests, except to enable us to continue to qualify as a REIT for Federal Income Tax purposes. As of December 31, 2011 and 2010, 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 2011 and 2010, would increase our annual interest cost by approximately $12.3 million and $11.0 million and would increase our share of joint venture annual interest cost by approximately $4.8 million and $6.7 million, respectively.

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

Approximately $4.8 billion of our long-term debt bore interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of December 31, 2011 ranged from LIBOR plus 150 basis points to LIBOR plus 350 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and other loans payable, our 2011 revolving credit facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense (based on weighted average interest rates for the quarter), and our obligations under our capital lease and ground leases, as of December 31, 2011 are as follows (in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
Property Mortgages	$ 52,443	$ 568,649	$ 647,776	$270,382	$ 556,400	$2,278,190	$ 4,373,840
Revolving Credit Facility	—	—	—	—	350,000	—	350,000
Trust Preferred Securities	—	—	—	—	—	100,000	100,000
Senior Unsecured Notes	119,423	—	98,578	657	274,804	777,194	1,270,656
Capital lease	1,555	1,555	1,555	1,592	1,707	42,351	50,315
Ground leases	33,429	33,429	33,429	33,429	33,533	615,450	782,699
Estimated interest expense	312,672	309,280	269,286	244,709	212,328	470,359	1,818,634
Joint venture debt	176,457	93,683	123,983	102,476	527,814	800,102	1,824,515
Total	$695,979	$1,006,596	$1,174,607	$653,245	$1,956,586	$5,083,646	$10,570,659

Off-Balance Sheet Arrangements

We have a number of off-balance sheet investments, including joint ventures and debt and preferred equity 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, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying consolidated financial statements. Additional information about the debt of our unconsolidated joint ventures is included in "Contractual Obligations" above.

Capital Expenditures

We estimate that for the year ending December 31, 2012, we expect to incur approximately $148.6 million of capital expenditures which are net of loan reserves, (including tenant improvements and leasing commissions) on existing wholly-owned properties, and our share of capital expenditures at our joint venture properties, net of loan reserves, will be approximately $44.1 million. We expect to fund these capital expenditures with operating cash flow, 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 our capital needs will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of $1.00 per share, we would pay approximately $86.4 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility and senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/Security/Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately $2.7 million, $2.2 million and $1.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. We paid Alliance approximately $16.1 million, $14.2 million and $14.9 million for three years ended December 31, 2011, respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is $35,516 per annum for year one increasing to $40,000 in year seven.

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately $420,300 in 2011, $390,700 in 2010 and $351,700 in 2009.

Brokerage Services

Cushman & Wakefield Sonnenblick-Goldman Company, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the refinancing of 420 Lexington Avenue.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 13, "Related Party Transactions" in the accompanying financial statements.

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $750.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. This policy expires on December 31, 2012. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2012. Additional coverage may be purchased on a stand-alone basis for certain assets. We maintain liability policies which cover all our properties and provide limits of $201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2012.

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

— Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective December 31, 2010, Belmont increased its terrorism coverage from $400 million to $650 million in a layer in excess of $100.0 million. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.
— NBCR: Belmont acts as a direct insurer of NBCR and since December 31, 2011, has provided coverage up to $750 million on the entire property portfolio for certified acts of terrorism above a program trigger of $100.0 million. Belmont is responsible for a small deductible and 15% of a loss, with the remaining 85% covered by the Federal government.
— General Liability: For the period commencing October 31, 2010, Belmont insures a retention on the general liability insurance of $150,000 per occurrence and a $2.1 million annual aggregate stop loss limit. We have secured excess insurance to protect against catastrophic liability losses above the $150,000 retention. Prior policy years carried a higher per occurrence deductible and/or higher aggregate stop loss. Belmont has retained a third party administrator to manage all claims within the retention and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million per occurrence and in the aggregate on a per location basis.
— Environmental Liability: Belmont insures a deductible of $975,000 per occurrence in excess of $25,000 on a $25 million per occurrence/$30 million aggregate environmental liability policy covering the entire portfolio.

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

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of certified terrorism, subject to the current program trigger of $100.0 million. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2011 revolving credit facility and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, 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 allowing 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 prevail in asserting that we are required to maintain full coverage for these risks, it could result in substantially higher insurance premiums.

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

Funds from Operations

Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and subsequently amended, defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles, or GAAP), excluding gains (or losses) from debt restructurings, sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. Years prior to 2011 have been adjusted to reflect FFO under the 2011 amended definition.

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

FFO for the years ended December 31, 2011, 2010 and 2009 are as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Net income attributable to SL Green common stockholders	**$ 617,232**	$ 270,826	$ 37,669
Add:			
Depreciation and amortization	**277,345**	225,193	220,396
Discontinued operations depreciation adjustments	**676**	5,326	6,857
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	**31,179**	32,163	39,964
Net income attributable to noncontrolling interests	**29,712**	18,581	14,121
Depreciable real estate reserves	**5,789**	2,750	—
(Gain) loss on investment in marketable securities	**—**	(397)	396
Less:			
Gain (loss) on sale of discontinued operations	**46,085**	35,485	(6,841)
Equity in net gain on sale of joint venture property/interest	**2,918**	128,922	6,691
Purchase price fair value adjustment	**498,195**	—	—
Depreciation on non-rental real estate assets	**922**	874	736
Funds from Operations	**$ 413,813**	$ 389,161	$ 318,817
Cash flows provided by operating activities	**$ 312,860**	$ 321,058	$ 275,211
Cash flows (used in) provided by investing activities	**$ (739,597)**	$ 18,815	$ (345,379)
Cash flows used in financing activities	**$ 232,099**	$ (350,758)	$ (313,006)

Inflation

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

Accounting Standards Updates

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

Forward-Looking Information

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provisions thereof. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), development trends of the real estate industry and the Manhattan, Brooklyn, Queens, Westchester County, Connecticut, Long Island and New Jersey office markets, business strategies, expansion and growth of our operations and other similar matters, are forward-looking statements. These forward-looking 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.

Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially,, and we caution you not to place undue reliance on such 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.

Forward-looking statements contained in this report are subject to a number of risks and uncertainties that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by forward-looking statements made by us. These risks and uncertainties include:

- the effect of the credit crisis on general economic, business and financial conditions, and on the New York metropolitan real estate market in particular;
- dependence upon certain geographic markets;
- risks of real estate acquisitions, dispositions and developments, including the cost of construction delays and cost overruns;
- risks relating to debt and preferred equity investments;
- availability and creditworthiness of prospective tenants and borrowers;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;
- adverse changes in the real estate markets, including reduced demand for office space, increasing vacancy, and increasing availability of sublease space;
- availability of capital (debt and equity);
- unanticipated increases in financing and other costs, including a rise in interest rates;
- our ability to comply with financial covenants in our debt instruments;
- our ability to maintain our status as a REIT;
- risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;
- the continuing threat of terrorist attacks, in particular in the New York Metropolitan area and on our tenants;
- our ability to obtain adequate insurance coverage at a reasonable cost and the potential for losses in excess of our insurance coverage, including as a result of environmental contamination; and
- legislative, regulatory and/or safety requirements adversely affecting REITs and the real estate business, including costs of compliance with the Americans with Disabilities Act, the Fair Housing Act and other similar laws and regulations.

Other factors and risks to our business, many of which are beyond our control, are described in other sections of this report and in our other filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

Quantitative and Qualitative Disclosure About Market Risk

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

The table below presents the principal cash flows based upon maturity dates of our debt obligations and debt and preferred equity investments and the related weighted-average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2011 (in thousands):

	Long-Term Debt				Debt and Preferred Equity Investments[1]	
Date	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate	Amount	Weighted Yield
2012	$ 153,062	5.92%	$ 18,804	2.71%	$160,098	5.77%
2013	337,796	5.94	230,853	2.72	10,650	19.93
2014	308,834	5.97	437,520	2.77	440,001	9.91
2015	263,422	5.99	7,617	1.81	45,000	10.53
2016	613,511	5.99	567,693	1.81	217,876	8.64
Thereafter	3,155,383	5.56	—	—	112,317	2.81
Total	**$4,832,008**	**5.56%**	**$1,262,487**	**2.58%**	**$985,942**	**8.28%**
Fair Value	$5,192,000		$1,223,000			

(1) Our debt and preferred equity investments had an estimated fair value ranging between $838.1 million and $936.7 million at December 31, 2011.

The table below presents the principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of December 31, 2011 (in thousands):

	Long-Term Debt			
Date	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
2012	$ 13,398	4.75%	$163,059	2.94%
2013	3,001	4.75	90,681	2.50
2014	107,983	4.72	16,000	2.16
2015	97,568	4.59	4,908	2.00
2016	398,303	4.16	129,511	2.08
Thereafter	724,304	2.78	75,799	2.03
Total	**$1,344,557**	**4.61%**	**$479,958**	**2.56%**
Fair Value	$1,251,000		$463,000	

The table below lists all of our derivative instruments, which are hedging variable rate debt, excluding joint ventures, and their related fair value as of December 31, 2011 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	Mortgage	LIBOR	110,180	6.000%	2/2011	2/2012	$ —
Interest Rate Cap	Mortgage	LIBOR	139,672	5.000%	1/2011	1/2012	—
Interest Rate Swap	Revolving credit facility	LIBOR	30,000	2.295%	7/2010	6/2016	(1,716)
Interest Rate Cap	Mortgage	LIBOR	280,000	6.000%	11/2011	11/2012	—
Currency Hedge	Mortgage receivable	GBP-USD	20,748	1.55185	9/2010	12/2012	(151)
Total Consolidated Hedges							$(1,867)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps had no value at December 31, 2011. We had also hedged certain floating rate debt at a joint venture. These hedges represented an obligation of approximately $35.4 million at December 31, 2011.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)	December 31, 2011	2010
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ 2,684,626	$ 1,750,220
Building and improvements	7,147,527	5,840,701
Building leasehold and improvements	1,302,790	1,286,935
Property under capital lease	12,208	12,208
	11,147,151	8,890,064
Less: accumulated depreciation	(1,136,603)	(916,293)
	10,010,548	7,973,771
Assets held for sale	76,562	—
Cash and cash equivalents	138,192	332,830
Restricted cash	86,584	137,673
Investment in marketable securities	25,323	34,052
Tenant and other receivables, net of allowance of $16,772 and $12,981 in 2011 and 2010, respectively	32,107	27,054
Related party receivables	4,001	6,295
Deferred rents receivable, net of allowance of $29,156 and $30,834 in 2011 and 2010, respectively	281,974	201,317
Debt and preferred equity investments, net of discount of $24,996 and $42,937 and allowance of $50,175 and $61,361 in 2011 and 2010, respectively	985,942	963,772
Investments in unconsolidated joint ventures	893,933	631,570
Deferred costs, net	210,786	172,517
Other assets	737,900	819,443
Total assets	$13,483,852	$11,300,294
Liabilities		
Mortgages and other loans payable	$ 4,314,741	$ 3,400,468
Revolving credit facility	350,000	650,000
Senior unsecured notes	1,270,656	1,100,545
Accrued interest payable and other liabilities	126,135	38,149
Accounts payable and accrued expenses	142,428	133,389
Deferred revenue/gains	357,193	307,678
Capitalized lease obligation	17,112	17,044
Deferred land leases payable	18,495	18,267
Dividend and distributions payable	28,398	14,182
Security deposits	46,367	38,690
Liabilities related to assets held for sale	61,988	—
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	6,833,513	5,818,412
Commitments and contingencies	—	—
Noncontrolling interests in operating partnership	195,030	84,338
6.00% Series H Preferred Units, $0.01 par value, $25.00 liquidation preference, 80 issued and outstanding at December 31, 2011	2,000	—
Equity		
SL Green stockholders equity:		
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 11,700 issued and outstanding at December 31, 2011 and 2010, respectively	274,022	274,022
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 4,000 issued and outstanding at December 31, 2011 and 2010, respectively	96,321	96,321
Common stock, $0.01 par value, 160,000 shares authorized and 89,210 and 81,675 issued and outstanding at December 31, 2011 and 2010, respectively (including 3,427 and 3,369 shares at December 31, 2011 and 2010 held in Treasury, respectively)	892	817
Additional paid-in-capital	4,236,959	3,660,842
Treasury stock at cost	(308,708)	(303,222)
Accumulated other comprehensive loss	(28,445)	(22,659)
Retained earnings	1,704,506	1,172,963
Total SL Green stockholders' equity	5,975,547	4,879,084
Noncontrolling interests in other partnerships	477,762	518,460
Total equity	6,453,309	5,397,544
Total liabilities and equity	$13,483,852	$11,300,294

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

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(Amounts in thousands, except per share data)	**2011**	2010	2009
Revenues			
Rental revenue, net	**$ 961,935**	$ 782,530	$ 746,579
Escalation and reimbursement	**145,596**	118,212	119,029
Investment and preferred equity income	**120,418**	147,926	65,608
Other income	**35,479**	35,718	47,145
Total revenues	**1,263,428**	1,084,386	978,361
Expenses			
Operating expenses (including $16,126 (2011), $14,234 (2010) and $14,882 (2009) paid to affiliates)	**263,709**	224,693	209,272
Real estate taxes	**174,454**	145,830	136,636
Ground rent	**32,919**	31,191	31,826
Interest expense, net of interest income	**285,917**	230,648	232,655
Amortization of deferred financing costs	**14,118**	9,046	7,065
Depreciation and amortization	**277,345**	225,193	220,396
Loan loss and other investment reserves, net of recoveries	**6,722**	17,751	150,510
Transaction related costs	**5,561**	11,849	—
Marketing, general and administrative	**80,103**	75,946	73,992
Total expenses	**1,140,848**	972,147	1,062,352
Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures, gains on sale, purchase price fair value adjustment, noncontrolling interests and discontinued operations	**122,580**	112,239	(83,991)
Equity in net income from unconsolidated joint ventures	**1,583**	39,607	62,878
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**2,918**	128,921	6,691
Purchase price fair value adjustment	**498,195**	—	—
Gain (loss) on sale of investment in marketable securities	**4,866**	490	(396)
Depreciable real estate reserves	**(5,789)**	(2,750)	—
Gain (loss) on early extinguishment of debt	**904**	(1,900)	86,006
Income from continuing operations	**625,257**	276,607	71,188
Net income from discontinued operations	**5,780**	7,064	7,318
Gain (loss) on sale of discontinued operations	**46,085**	35,485	(6,841)
Net income	**677,122**	319,156	71,665
Net income attributable to noncontrolling interests in the operating partnership	**(14,629)**	(4,574)	(1,221)
Net income attributable to noncontrolling interests in other partnerships	**(15,083)**	(14,007)	(12,900)
Net income attributable to SL Green	**647,410**	300,575	57,544
Preferred stock dividends	**(30,178)**	(29,749)	(19,875)
Net income attributable to SL Green common stockholders	**$ 617,232**	$ 270,826	$ 37,669
Amounts attributable to SL Green common stockholders:			
Income (loss) from continuing operations	**$ 563,718**	$ 102,208	$ 30,724
Net income from discontinued operations	**5,646**	6,946	7,091
Gain (loss) on sale of discontinued operations	**45,018**	34,894	(6,630)
Gain on sale of unconsolidated joint ventures/real estate	**2,850**	126,778	6,484
Net income	**$ 617,232**	$ 270,826	$ 37,669
Basic earnings per share:			
Net income (loss) from continuing operations before gains on sale and discontinued operations	**$ 6.73**	$ 1.31	$ 0.45
Net income from discontinued operations	**0.07**	0.09	0.10
Gain (loss) on sale of discontinued operations	**0.54**	0.45	(0.10)
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**0.03**	1.62	0.09
Net income attributable to SL Green common stockholders	**$ 7.37**	$ 3.47	$ 0.54
Diluted earnings per share:			
Net income (loss) from continuing operations before gains on sale and discontinued operations	**$ 6.70**	$ 1.30	$ 0.45
Net income from discontinued operations	**0.07**	0.09	0.10
Gain (loss) on sale of discontinued operations	**0.53**	0.44	(0.10)
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**0.03**	1.62	0.09
Net income attributable to SL Green common stockholders	**$ 7.33**	$ 3.45	$ 0.54
Basic weighted average common shares outstanding	**83,762**	78,101	69,735
Diluted weighted average common shares and common share equivalents outstanding	**86,244**	79,761	72,044

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

CONSOLIDATED STATEMENTS OF EQUITY

(Amounts in thousands, except per share data)	Series C Preferred Stock	Series D Preferred Stock
Balance at December 31, 2008	$151,981	$96,321
Comprehensive Income:		
Net income		
Net unrealized gain on derivative instruments		
SL Green's share of joint venture net unrealized loss on derivative instruments		
Unrealized gain on investments		
Preferred dividends		
Redemption of units and DRIP proceeds		
Reallocation of noncontrolling interest in the operating partnership		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Net proceeds from common stock offering		
Proceeds from stock options exercised		
Distributions to noncontrolling interests		
Cash distribution declared ($0.675 per common share none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2009	$151,981	$96,321
Comprehensive Income:		
Net income		
Net unrealized loss on derivative instruments		
SL Green's share of joint venture net unrealized gain on derivative instruments		
Unrealized gain on marketable securities		
Preferred dividends		
Redemption of units and DRIP proceeds		
Reallocation of noncontrolling interest in the operating partnership		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Deconsolidation of real estate investments		
Equity component of convertible notes		
Net proceeds from preferred stock offering	122,041	
Proceeds from stock options exercised		
Cash contributions from noncontrolling interests		
Cash distributions to noncontrolling interests		
Cash distribution declared ($0.40 per common share of which none represented a return of capital for federal income tax purposes)		
Balance at December 31, 2010	$274,022	$96,321
Comprehensive Income:		
Net income		
Net unrealized loss on derivative instruments		
SL Green's share of joint venture net unrealized gain on derivative instruments		
Unrealized loss on marketable securities		
Preferred dividends		
Redemption of units and DRIP proceeds		
Reallocation of noncontrolling interest in the operating partnership		
Deferred compensation plan & stock award, net		
Amortization of deferred compensation plan		
Proceeds from issuance of common stock		
Proceeds from stock options exercised		
Consolidation of joint venture interest		
Cash distributions to noncontrolling interests		
Cash distribution declared ($0.55 per common share, none of which represented a return of capital for federal income tax purposes)		
Balance at December 31, 2011	**$274,022**	**$96,321**

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

SL Green Realty Corp. Stockholders								
Common Stock								
Shares	Par Value	Additional Paid-In-Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total	Comprehensive Income
57,044	$604	$3,079,159	$(302,705)	$(54,747)	$ 979,939	$ 531,408	$4,481,960	
					57,544	12,900	70,444	$ 70,444
				20,359			20,359	20,359
				(233)			(233)	(233)
				1,083			1,083	1,083
					(19,875)		(19,875)	
653	7	28,560					28,567	
					(23,217)		(23,217)	
246	2	581					583	
		30,040					30,040	
19,550	196	386,942					387,138	
22		619					619	
						(19,617)	(19,617)	
					(44,722)		(44,722)	
77,515	$809	$3,525,901	$(302,705)	$(33,538)	$ 949,669	$ 524,691	$4,913,129	$ 91,653
					300,575	14,007	314,582	$314,582
				(3,039)			(3,039)	(3,039)
				571			571	571
				13,347			13,347	13,347
					(29,749)		(29,749)	
470	5	23,339					23,344	
					(18,948)		(18,948)	
212	2	535	(517)				20	
		31,741					31,741	
					3,011	(9,532)	(6,521)	
		76,039					76,039	
							122,041	
110	1	3,287					3,288	
						2,788	2,788	
						(13,494)	(13,494)	
					(31,595)		(31,595)	
78,307	$817	$3,660,842	$(303,222)	$(22,659)	$1,172,963	$ 518,460	$5,397,544	$325,461
					647,410	15,083	662,493	$662,493
				(3,501)			(3,501)	(3,501)
				902			902	902
				(3,187)			(3,187)	(3,187)
					(30,178)		(30,178)	
13		898					898	
					(39,040)		(39,040)	
262	3	696	(5,486)				(4,787)	
		33,252					33,252	
6,957	70	531,236					531,306	
244	2	10,035					10,037	
						87,798	87,798	
						(143,579)	(143,579)	
					(46,649)		(46,649)	
85,783	$892	$4,236,959	$(308,708)	$(28,445)	$1,704,506	$ 477,762	$6,453,309	$656,707

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except per share data)	Year Ended December 31, 2011	2010	2009
Operating Activities			
Net income	**$ 677,122**	$ 319,156	$ 71,665
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**292,311**	240,445	235,200
Equity in net income from unconsolidated joint ventures	**(1,583)**	(39,607)	(62,878)
Distributions of cumulative earnings from unconsolidated joint ventures	**11,185**	27,472	40,677
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	**(2,918)**	(128,921)	(6,691)
Purchase price fair value adjustment	**(498,195)**	—	—
Depreciable real estate reserves	**5,789**	2,750	—
(Gain) loss on sale of discontinued operations	**(46,085)**	(35,485)	6,841
Gain on sale of debt securities	**(19,840)**		
Loan loss and other investment reserves, net of recoveries	**6,722**	17,751	150,510
(Gain) loss on investments in marketable securities	**(4,866)**	(490)	396
(Gain) loss on early extinguishment of debt	**(904)**	1,900	(86,006)
Deferred rents receivable	**(87,230)**	(47,223)	(26,267)
Other non-cash adjustments	**2,385**	(749)	(2,534)
Changes in operating assets and liabilities:			
Restricted cash—operations	**(681)**	4,513	16,219
Tenant and other receivables	**(4,720)**	271	11,026
Related party receivables	**2,461**	2,398	(894)
Deferred lease costs	**(38,412)**	(42,035)	(21,202)
Other assets	**4,029**	4,860	(28,863)
Accounts payable, accrued expenses and other liabilities	**10,704**	(3,706)	(14,761)
Deferred revenue and land leases payable	**5,586**	(2,242)	(7,227)
Net cash provided by operating activities	**312,860**	321,058	275,211
Investing Activities			
Acquisitions of real estate property	**(446,756)**	(270,614)	(16,059)
Additions to land, buildings and improvements	**(159,100)**	(108,145)	(90,971)
Escrowed cash—capital improvements/acquisition deposits	**29,281**	(40,215)	(5,318)
Investments in unconsolidated joint ventures	**(109,920)**	(87,844)	(107,716)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**112,359**	52,920	38,846
Net proceeds from disposition of real estate/joint venture interest	**160,548**	623,121	27,946
Other investments	**12,186**	32,607	(47,719)
Debt and preferred equity and other investments, net of repayments/participations	**(338,195)**	(183,015)	(144,388)
Net cash (used in) provided by investing activities	**(739,597)**	18,815	(345,379)
Financing Activities			
Proceeds from mortgages and other loans payable	**826,000**	168,360	192,399
Repayments of mortgages and other loans payable	**(765,378)**	(149,832)	(169,688)
Proceeds from revolving credit facility and senior unsecured notes	**1,901,068**	670,992	30,433
Repayments of revolving credit facility and senior unsecured notes	**(2,043,144)**	(1,046,626)	(646,317)
Proceeds from stock options exercised and DRIP issuance	**10,211**	14,535	619
Net proceeds from sale of common stock	**516,168**	—	387,138
Net proceeds from sale of preferred stock	**—**	122,041	—
Purchases of treasury stock	**(5,486)**	—	—
Distributions to noncontrolling interests in other partnerships	**(143,578)**	(13,489)	(19,617)
Contributions from noncontrolling interests in other partnerships	**—**	2,788	—
Redemption of noncontrolling interests in operating partnership	**—**	(13,012)	—
Distributions to noncontrolling interests in operating partnership	**(727)**	(511)	(2,170)
Dividends paid on common and preferred stock	**(63,866)**	(58,984)	(78,321)
Other obligations related to mortgage loan participations	**35,850**	—	—
Deferred loan costs and capitalized lease obligation	**(35,019)**	(47,020)	(7,482)
Net cash provided by (used in) financing activities	**232,099**	(350,758)	(313,006)
Net decrease in cash and cash equivalents	**(194,638)**	(10,885)	(383,174)
Cash and cash equivalents at beginning of period	**332,830**	343,715	726,889
Cash and cash equivalents at end of period	**$ 138,192**	$ 332,830	$ 343,715
Supplemental cash flow disclosures			
Interest paid	**$ 275,106**	$ 222,904	$ 257,393
Income taxes paid	**$ 138**	$ 1,041	$ 818

In December 2011, 2010 and 2009, the Company declared quarterly distributions per share of $0.25, $0.10 and $0.10, respectively. These distributions were paid in January 2012, 2011 and 2010, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, a consolidated variable interest entity. 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. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to reduce or avoid the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to the "Company," "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of December 31, 2011, noncontrolling investors held, in the aggregate, a 3.12% limited partnership interest in the Operating Partnership. We refer to this as the noncontrolling interests in the Operating Partnership. See Note 14.

Reckson Operating Partnership, L.P., or ROP, is a subsidiary of our Operating Partnership.

As of December 31, 2011, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy[1]
Manhattan	Consolidated properties	26	18,429,945	92.8%
	Unconsolidated properties	7	6,191,673	91.6%
Suburban	Consolidated properties	25	3,863,000	80.5%
	Unconsolidated properties	6	2,941,700	93.8%
		64	31,426,318	91.2%

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

We also owned investments in nine stand-alone retail properties encompassing approximately 349,282 square feet, seven development properties encompassing approximately 1,395,838 square feet and three land interests as of December 31, 2011. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 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 has the right to redeem units of limited partnership interests for cash, or if we so elect, shares of our common stock on a one-for-one basis.

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. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as debt and preferred equity investments. See Notes 5 and 6. All significant intercompany balances and transactions have been eliminated.

The FASB amended the guidance for determining whether an entity is a variable interest entity, or VIE, and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

A noncontrolling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet and modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests.

We assess the accounting treatment for each joint venture and debt and preferred equity investment. This assessment includes a review of each joint venture or partnership limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we or our partner approves, among other things, the annual budget, receives a detailed monthly reporting package from us, meets on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount

of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of our joint venture. Our joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

Investment in Commercial Real Estate Properties

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

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

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

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

Depreciation expense (including amortization of the capital lease asset) amounted to approximately $254.5 million, $207.1 million and $205.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. In addition, we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2011, we recorded a $5.8 million impairment charge in connection with the expected sale of one of our equity investments. During 2010, we recorded a $2.8 million impairment charge on one of our equity investments. These charges are included in depreciable real estate reserves in the Consolidated Statements of Income. We do not believe that the value of any of our consolidated properties was impaired at December 31, 2011 and 2010, respectively.

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

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

On January 1, 2009, we adopted FASB guidance that requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests at their fair values on the acquisition date. The guidance also requires that acquisition-related transaction costs be expensed as incurred, acquired research and development value be capitalized and acquisition-related restructuring costs be capitalized only if they meet certain criteria. Beginning January 1, 2009, we began expensing acquisition-related transaction costs as incurred. These costs are included in transaction related costs on our Consolidated Statements of Income.

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

We recognized an increase of approximately $19.8 million, $22.7 million and $24.2 million in rental revenue for the years ended December 31, 2011, 2010 and 2009, respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above-market rate mortgages assumed of approximately $5.9 million, $2.7 million and $2.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2011 (in thousands):

	December 31,	
	2011	2010
Identified intangible assets (included in other assets):		
Gross amount	**$ 673,495**	$ 758,300
Accumulated amortization	**(193,442)**	(133,737)
Net	**$ 480,053**	$ 624,563
Identified intangible liabilities (included in deferred revenue):		
Gross amount	**$ 622,029**	$ 508,339
Accumulated amortization	**(290,893)**	(220,417)
Net	**$ 331,136**	$ 287,922

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

2012	$10,767
2013	9,787
2014	7,869
2015	6,404
2016	5,664

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

2012	$11,818
2013	10,229
2014	7,507
2015	5,821
2016	4,204

Cash and Cash Equivalents

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

Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

We determined the fair value of our current investments in marketable securities using level one, level two and level three inputs. Additionally, we determined the valuation allowance for loan losses based on level three inputs. See "Note 5—Debt and Preferred Equity Investments."

The estimated fair values of tangible and intangible assets and liabilities recorded in connection with business combinations are based on level three inputs. We estimate fair values based on cash flow projections utilizing appropriate discount and/or capitalization rates and available market information.

We determine impairment in real estate investments and debt and preferred equity investments, including intangibles, utilizing cash flow projections that apply estimated revenue and expense growth rates, discount rates and capitalization rates, which are classified as level three inputs.

We use the following methods and assumptions in estimating fair value disclosures for financial instruments.

- *Cash and cash equivalents:* The carrying amount of unrestricted cash and cash equivalents reported in our Consolidated Balance Sheets approximates fair value due to the short maturity of these instruments.
- *Debt and Preferred Equity Investments:* The fair value of debt and preferred equity investments is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings. See Note 5 regarding valuation allowances for loan losses.
- *Mortgage and other loans payable and other debt:* The fair value of borrowings is estimated by discounting the future cash flows using current interest rates at which similar borrowings could be made by us.

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

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

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

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

Level 3—Valuations based significantly on unobservable inputs.

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

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

Investment in Marketable Securities

We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component. Included in accumulated other comprehensive loss at December 31, 2011 and 2010 is approximately $6.9 million and $9.7 million, respectively, in net unrealized gains related to marketable securities.

During the years ended December 31, 2011 and 2010, we disposed of certain of our marketable securities for aggregate net proceeds of $6.2 million and $2.8 million and realized gains of $4.5 million and $1.9 million, respectively, which are included in gain (loss) on investment in marketable securities on the statements of income. During the years ended December 31, 2011 and 2010, we sold $22.5 million and $41.9 million of Level 3 securities and realized a gain of $0.4 million and a loss of $1.1 million, respectively, which are also included in gain (loss) on investment in marketable securities on the Consolidated Statements of Income.

The basis on which the cost of the bonds and marketable securities sold was determined was based on the specific identification method.

At December 31, 2011 and 2010 we held the following marketable securities (in thousands):

	December 31,	
	2011	2010
Level 1—Equity marketable securities	**$ 8,065**	$12,357
Level 2—Commercial mortgage-backed securities	**13,369**	17,445
Level 3—Rake bonds	**3,889**	4,250
Total marketable securities available-for-sale	**$25,323**	$34,052

The cost basis of the Level 3 securities was $3.9 million and $4.3 million at December 31, 2011 and 2010, respectively. The Level 3 securities mature at various times through 2014.

Investments in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for $200.0 million which we guarantee at one joint venture and performance guarantees under a master lease at another joint venture. See Note 6.

Restricted Cash

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

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. A portion of their compensation, approximating $9.6 million, $8.6 million and $7.9 million for the years ended December 31, 2011, 2010 and 2009, 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, title 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 financing 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. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes,

management records the cost to construct the tenant improvements as a capital asset. In addition, management records the cost of certain tenant improvements paid for or reimbursed by tenants as capital assets when management concludes that we are the owner of such tenant improvements. For these tenant improvements, management records the amount funded or reimbursed by tenants as deferred revenue, which is amortized on a straight-line basis as additional rental revenue over the term of the related lease. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, management records our contribution towards those improvements as a lease incentive, which is included in deferred leasing costs on our consolidated balance sheets and amortized as a reduction to rental revenue on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the balance sheet is net of such allowance.

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

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

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

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

Interest income on debt and preferred equity 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 debt and preferred equity 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. Interest is recorded as income on impaired loans only to the extent cash is received. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount into income as an adjustment to yield over the term of the investment. If we purchase a debt or preferred equity investment at a discount with the intention of foreclosing on the collateral, we do not accrete the discount.

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

Allowance for Doubtful Accounts

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. The write off of the reserve balance is called a charge off. We recorded approximately \$10.9 million, \$19.8 million and \$38.4 million in loan loss reserves and charge offs during the years ended December 31, 2011, 2010 and 2009, respectively, on investments being held to maturity, and none, \$1.0 million and \$69.1 million against our held for sale investment during the years ended December 31, 2011, 2010 and 2009, respectively. We also recorded approximately \$4.4 million and \$3.7 million in recoveries during the years ended December 31, 2011 and 2010, respectively, in connection with the sale of investments.

Debt and preferred equity investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

Rent Expense

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

Income Taxes

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or a TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRSs' generate income, resulting in Federal income tax liability for these entities. Our TRSs' recorded approximately none, $0.9 million and $1.0 million in Federal, state and local tax (benefit)/expense in 2011, 2010 and 2009 and made estimated tax payments of $0.1 million, $1.0 million and $0.8 million, respectively.

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

Underwriting Commissions and Costs

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

Exchangeable Debt Instruments

The initial proceeds from exchangeable debt that may be settled in cash, including partial cash settlements, must be bifurcated between a liability component and an equity component associated with the embedded conversion option. The objective of the accounting guidance is to require the liability and equity components of exchangeable debt to be separately accounted for in a manner such that the interest expense on the exchangeable debt is not recorded at the stated rate of interest but rather at an effective rate that reflects the issuer's conventional debt borrowing rate at the date of issuance. We calculate the liability component of exchangeable debt based on the present value of the contractual cash flows discounted at our comparable market conventional debt borrowing rate at the date of issuance. The difference between the principal amount and the fair value of the liability component is reported as a discount on the exchangeable debt that is accreted as additional interest expense from the issuance date through the contractual maturity date using the effective interest method. A portion of this additional interest expense may be capitalized to the development and redevelopment balances qualifying for interest capitalization each period. The liability component of the exchangeable debt is reported net of discounts on our consolidated balance sheets. We calculate the equity component of exchangeable debt based on the difference between the initial proceeds received from the issuance of the exchangeable debt and the fair value of the liability component at the issuance date. The equity component is included in additional paid-in-capital, net of issuance costs, on our consolidated balance sheets. We allocate issuance costs for exchangeable debt between the liability and the equity components based on their relative values.

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 13.

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

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

For share-based awards with a performance or market measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date our Compensation Committee authorizes the award and adopts any relevant performance measures. For programs with market measures, the total estimated compensation cost is based on the fair value of the award at the applicable measurement date estimated using a binomial model. For share-based awards for which there is no pre-established performance measure, we recognize compensation

cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of our common stock, at the current quoted market price, from certain key employee to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

Awards can also be made in the form of a separate series of units of limited partnership interest in our Operating Partnership called long-term incentive plan (LTIP) units. LTIP units, which can be granted either as free-standing awards or in tandem with other awards under our stock incentive plan, are valued by reference to the value of our common stock at the time of grant, and are subject to such conditions and restrictions as our compensation committee may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

Derivative Instruments

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

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

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

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

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

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

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 attributable to common stockholders by the weighted average number of common shares outstanding during the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. 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. The dilutive effect of the outstanding nonvested shares of common stock (“nonvested shares”) and restricted stock units (“RSUs”) that have not yet been granted but are contingently issuable under the share-based compensation programs is reflected in the weighted average diluted shares calculation by application of the treasury stock method at the beginning of the quarterly period in which all necessary conditions have been satisfied. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior debentures as the conversion premium will be paid in cash.

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, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is primarily located in the New York Metropolitan area. See Note 5. We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant’s lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting

the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. Other than one tenant who accounts for approximately 7.2% of our share of annualized cash rent, no other tenant in our portfolio accounted for more than 6.9% of our annualized cash rent, including our share of joint venture annualized rent, at December 31, 2011. Approximately 8%, 7%, 7% and 10% of our annualized cash rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue and 1515 Broadway, respectively, for the year ended December 31, 2011. Approximately 10%, 9%, 7%, 7% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2010. Approximately 10%, 9%, 8%, 8%, 6% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue, 220 East 42nd Street and 485 Lexington Avenue, respectively, for the year ended December 31, 2009. In addition, two debt and preferred equity investments accounted for more than 10.0% of the income earned on debt and preferred equity investments during 2011. As of December 31, 2011, approximately 75.0% of our workforce is covered by three collective bargaining agreements. Approximately 76.4% of our workforce which services substantially all of our properties is covered by a collective bargaining agreement which expires in 2015. See Note 15.

Reclassification

Certain prior year balances have been reclassified to conform to our current year presentation primarily in order to eliminate discontinued operations from income from continuing operations.

Accounting Standards Updates

In January 2010, the FASB issued updated guidance on fair value measurements and disclosures, which requires disclosure of details of significant asset or liability transfers in and out of Level 1 and Level 2 measurements within the fair value hierarchy and inclusion of gross purchases, sales, issuances, and settlements in the rollforward of assets and liabilities valued using Level 3 inputs within the fair value hierarchy. The guidance also clarifies and expands existing disclosure requirements related to the disaggregation of fair value disclosures and inputs used in arriving at fair values for assets and liabilities using Level 2 and Level 3 inputs within the fair value hierarchy. These disclosure requirements were effective for interim and annual reporting periods beginning after December 15, 2009. Adoption of this guidance on January 1, 2010, excluding the Level 3 rollforward, resulted in additional disclosures in our consolidated financial statements. The gross presentation of the Level 3 rollforward is required for interim and annual reporting periods beginning after December 15, 2010. Adoption of this guidance did not have a material impact on our consolidated financial statements.

In July 2010, the FASB issued updated guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses which will require a greater level of information disclosed about the credit quality of loans and allowance for loan losses, as well as additional information related to credit quality indicators, past due information, and information related to loans modified in trouble debt restructuring. The guidance related to disclosures of financing receivables as of the end of a reporting period is required to be adopted for interim and annual reporting periods ending on or after December 15, 2010. The financing receivables disclosures related to the activity that occurs during a reporting period are required to be adopted for interim and annual reporting periods beginning on or after December 15, 2010. Adoption of the remaining guidance resulted in additional disclosures in our consolidated financial statements.

In December 2010, the FASB issued guidance on the disclosure of supplementary pro forma information for business combinations. Effective for periods beginning after December 15, 2010, the guidance specifies that if a public entity enters into business combinations that are material on an individual or aggregate basis and presents comparative financial statements, the entity must present pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. Adoption of this guidance did not have a material impact on our consolidated financial statements.

In April 2011, the FASB issued guidance which clarifies when creditors should classify loan modifications as troubled debt restructurings and provides examples and factors to be considered. Loan modifications which are considered troubled debt restructurings could result in additional disclosure requirements and could impact the related provision for loan losses. This guidance is effective for the first interim or annual period beginning after June 15, 2011, with retrospective application to the beginning of the year. Adoption of this guidance did not have a material impact on our consolidated financial statements. The adoption of this guidance will impact how we account for loan modifications, and may result in an increase in the loan modifications we classify as troubled debt restructurings.

In May 2011, the FASB issued updated guidance on fair value measurement which amends U.S. GAAP to conform to IFRS measurement and disclosure requirements. The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value, changes certain fair value measurement principles and enhances disclosure requirements. This guidance is effective as of the first quarter of 2012, applied prospectively, and its adoption is not expected to have a material effect on our consolidated financial statements.

In June 2011, the FASB issued guidance to increase the prominence of other comprehensive income in financial statements. The standard gives businesses two options for presenting other comprehensive income (OCI), which until now has typically been included within the statement of shareholder's equity. An OCI statement can be included with the statement of income, and together the two will make a statement of total comprehensive income. Alternatively, businesses can have an OCI statement separate from the statement of income, but the two statements will have to appear consecutively within a financial report. These requirements related to the presentation of OCI are effective for interim and annual reporting periods beginning after

December 15, 2011. In December 2011, the FASB temporarily delayed those requirements that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. During the deferral period, the FASB plans to re-evaluate the requirement, with a final decision expected in 2012. Adoption of this guidance will not have a material impact on our consolidated financial statements.

In September 2011, the FASB issued guidance that requires employers to provide additional qualitative and quantitative disclosures for multi-employer pension plans and multi-employer other post-retirement benefit plans. The guidance is effective for annual periods for fiscal years ending after December 15, 2011. See Note 15 for additional disclosure required by this guidance.

In December 2011, the FASB issued guidance that concluded when a parent ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity must apply the accounting guidance for sales of real estate to determine whether it should derecognize the in substance real estate. The reporting entity is precluded from derecognizing the real estate until legal ownership has been transferred to the lender to satisfy the debt. The guidance is effective for calendar year-end public and nonpublic companies in 2013 and is to be applied on a prospective basis. Early adoption of the guidance is permitted. Adoption of this guidance will not have a material impact on our consolidated financial statements.

3. Property Acquisitions

2011 Acquisitions

In November 2011, we acquired all of the interests in 51 East 42nd Street, a 142,000 square-foot (unaudited) office building for approximately $80.0 million, inclusive of the issuance of $2.0 million, 6.0% Series H preferred operating partnership units. We are currently in the process of analyzing the fair value of the in-place leases; and, consequently, no value has yet been assigned to the leases. Therefore, the purchase price allocation is preliminary and subject to change.

In November 2011 we, along with The Moinian Group, formed a joint venture to recapitalize 180 Maiden Lane, a fully-leased, 1.1 million-square-foot (unaudited) Class A office tower. The consideration for our 49.9 percent stake in the joint venture included $41.0 million in cash and operating partnership units valued at $31.7 million. In connection with the issuance of these operating partnership units, we recorded an $8.3 million fair value adjustment due to changes in our stock price. Simultaneous with the closing of the recapitalization, the joint venture refinanced the existing $344.2 million indebtedness with a five-year $280-million mortgage. We consolidate this joint venture due to the control we exert over leasing activities at the property. We are currently in the process of analyzing the fair value of the in-place leases; and, consequently, no value has yet been assigned to the leases. Therefore, the purchase price allocation is preliminary and subject to change. We consolidate this joint venture as it is a VIE and we have been designated as the primary beneficiary.

In May 2011, we acquired a substantial ownership interest in the 205,000-square-foot (unaudited) office condominium at 110 East 42nd Street, along with control of the asset. We had previously provided a $16.0 million senior mezzanine loan as part of our sale of the condominium unit in 2007. The May 2011 transaction included a consensual modification of that loan. In conjunction with the transaction, we successfully restructured the in-place mortgage financing, which had previously been in default.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the assumption of control over 110 East 42nd Street (in thousands):

Land	$ 34,000
Building	46,411
Above market lease value	823
Acquired in-place leases	5,396
Assets acquired	86,630
Below-market lease value	2,326
Liabilities assumed	2,326
Purchase price allocation	$ 84,304
Net consideration funded at closing	$ 2,744
Debt assumed	$ 65,000

In April 2011, we acquired SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ's, interest in 1515 Broadway, thereby consolidating full ownership of the 1,750,000 square-foot (unaudited) building. The transaction valued the consolidated interests at $1.23 billion. We acquired the interest subject to the $458.8 million mortgage encumbering the property. We recognized a purchase price fair value adjustment of $475.1 million upon the closing of this transaction. This property, which we initially acquired in May 2002, was previously accounted for as an investment in unconsolidated joint ventures.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the purchase of partnership interest in 1515 Broadway (in thousands):

Land	$ 462,700
Building	707,938
Above market lease value	18,298
Acquired in-place leases	98,661
Other assets, net of other liabilities	27,127
Assets acquired	1,314,724
Fair value adjustment to mortgage note payable	(3,693)
Below-market lease value	84,417
Liabilities assumed	80,724
Purchase price allocation	$ 1,234,000
Net consideration funded at closing	$ 259,228

In January 2011, we purchased City Investment Fund, or CIF's, 49.9% interest in 521 Fifth Avenue, thereby assuming full ownership of the 460,000 square-foot (unaudited) building. The transaction valued the consolidated interest at approximately $245.7 million, excluding $4.5 million of cash and other assets acquired. We acquired the interest subject to the $140.0 million mortgage encumbering the property. We recognized a purchase price fair value adjustment of $13.8 million upon the closing of this transaction. In April 2011, we refinanced the property with a new $150.0 million 2-year mortgage which carries a floating rate of

interest of 200 basis points over the 30-day LIBOR. In connection with that refinancing, we acquired the fee interest in the property for $15.0 million.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the purchase of 521 Fifth Avenue (in thousands):

Land	$110,100
Building	146,686
Above market lease value	3,318
Acquired in-place leases	23,016
Assets acquired	283,120
Below-market lease value	25,977
Liabilities assumed	25,977
Purchase price allocation	$257,143
Net consideration funded at closing	$ 70,000

2010 Acquisitions

In January 2010, we became the sole owner of 100 Church Street, a 1.05 million square-foot (unaudited) office tower located in downtown Manhattan, following the successful foreclosure of the senior mezzanine loan at the property. Our initial investment totaled $40.9 million, which was comprised of a 50% interest in the senior mezzanine loan and two other mezzanine loans at 100 Church Street, which we acquired from Gramercy Capital Corp. (NYSE: GKK), or Gramercy, in the summer of 2007. At closing of the foreclosure, we funded an additional $15.0 million of capital into the project as part of our agreement with Wachovia Bank, N.A. to extend and restructure the existing financing. Gramercy declined to fund its share of this capital and instead transferred its interests in the investment to us at closing. The restructured $139.7 million mortgage carries an interest rate of 350 basis points over the 30-day LIBOR. The restructured mortgage matures in January 2013 and has a one-year extension option.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the completion of the foreclosure of 100 Church Street (in thousands):

Land	$ 32,494
Building	86,806
Acquired above-market leases	118
Acquired in-place leases	17,380
Restricted cash	53,735
Assets acquired	190,533
Mortgage note payable	139,672
Acquired below-market leases	8,025
Other liabilities, net of other assets	1,674
Liabilities assumed	149,371
Net assets acquired	$ 41,162

In August 2010, we acquired 125 Park Avenue, a Manhattan office tower, for $330 million. In connection with the acquisition, we assumed $146.25 million of in-place financing. The 5.748% interest-only loan matures in October 2014.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of 125 Park Avenue (in thousands):

Land	$120,900
Building	201,726
Acquired above-market leases	11,282
Acquired in-place leases	28,828
Assets acquired	362,736
Mortgage note payable at fair value	158,397
Acquired below-market leases	20,589
Liabilities assumed	178,986
Net assets acquired	$183,750

In December 2010, we completed the acquisition of various investments from Gramercy. This acquisition included (1) the remaining 45% interest in the leased fee at 885 Third Avenue for approximately $39.3 million plus assumed mortgage debt of approximately $120.4 million, (2) the remaining 45% interest in the leased fee at 2 Herald Square for approximately $25.6 million plus assumed mortgage debt of approximately $86.1 million and, (3) the entire leased fee interest in 292 Madison Avenue for approximately $19.2 million plus assumed mortgage debt of approximately $59.1 million. These assets are all leased to third-party operators.

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the purchase of the abovementioned investments from Gramercy (in thousands):

Land	$ 501,021
Above market lease value	23,178
Acquired in-place leases	217,312
Assets acquired	741,511
Mortgage notes payable	540,805
Other liabilities, net of other assets	2,091
Liabilities assumed	542,896
	198,615
Investments in unconsolidated joint ventures	(111,751)
Net assets acquired	$ 86,864

In December 2010, we acquired two retail condominiums in Williamsburg, Brooklyn, for approximately $18.4 million. The retail condominiums are fully leased with rent commencement upon completion of the redevelopment work.

The following summarizes our allocation of the purchase price of the assets acquired in connection with the purchase of the abovementioned property (in thousands):

Land	$ 6,200
Building	10,158
Acquired above market and in-place leases	2,304
Assets acquired	18,662
Below-market lease value	277
Liabilities assumed	277
Purchase price allocation	$18,385

2009 Acquisitions

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

Pro Forma

The following table (in millions, except per share amounts) summarizes, on an unaudited pro forma basis, our combined results of operations for the years ended December 31, 2011 and 2010 as though the acquisitions of the 49.9% interest in 521 Fifth Avenue (January 2011) and the acquisition of the 45% interest in 1515 Broadway (April 2011) were completed on January 1, 2010. The supplemental pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transactions had been completed as set forth above, nor do they purport to represent our results of operations for future periods. In addition, the following supplemental pro forma operating data does not present the sale of assets through December 31, 2011. We accounted for the acquisition of assets utilizing the purchase method of accounting.

	December 31,	
	2011	2010
Actual revenues since acquisition	**$ 106.9**	$ —
Actual net income since acquisition	**$ 21.5**	$ —
Pro forma revenues	**$1,292.1**	$1,210.0
Pro forma operating income	**$ 129.0**	$ 135.4
Pro forma earnings per common share—basic	**$ 7.41**	$ 3.66
Pro forma earnings per common share and common share equivalents—diluted	**$ 7.37**	$ 3.65
Pro forma common shares—basic	**83,762**	78,101
Pro forma common shares and common share equivalents—diluted	**86,244**	79,761

4. Property Dispositions and Assets Held for Sale

In May 2011, we sold our property located at 28 West 44th Street for $161.0 million. The property is approximately 359,000 square feet (unaudited). We recognized a gain of $46.1 million on the sale which is net of a $2.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In October 2011, we entered into an agreement to sell the leased fee interest at 292 Madison Avenue for $85 million. The transaction is subject to certain closing conditions, including the lender's approval of the transfer of ownership. There can be no assurance as to when the conditions precedent contemplated in the sale agreement will be fulfilled, or that the transaction will be consummated.

In September 2010, we sold the property located at 19 West 44th Street in Manhattan for $123.2 million. The property is approximately 292,000 square feet (unaudited). We recognized a gain on the sale of approximately $35.5 million which is net of a $0.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

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

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

Discontinued operations included the results of operations of real estate assets under contract or sold prior to December 31, 2011. This included 55 Corporate Drive, NJ, which was sold in January 2009, the membership interests in GKK Manager LLC which were sold in April 2009 (See Note 6), 399 Knollwood Road, Westchester which was sold in August 2009, 19 West 44th Street, which was sold in September 2010, 28 West 44th Street, which was sold in May 2011 and 292 Madison Avenue which was held for sale at December 31, 2011.

The following table summarizes income from discontinued operations for the years ended December 31, 2011, 2010 and 2009, respectively (in thousands).

	Year Ended December 31,		
	2011	2010	2009
Revenues			
Rental revenue	**$12,636**	$22,912	$29,221
Escalation and reimbursement revenues	**873**	4,683	5,740
Other income	**60**	881	6,750
Total revenues	**13,569**	28,476	41,711
Operating expense	**1,654**	7,403	8,969
Real estate taxes	**1,033**	4,776	5,668
Interest expense, net of interest income	**4,253**	2,998	4,716
Amortization of deferred financing costs	**172**	883	883
Depreciation and amortization	**676**	5,326	6,858
Marketing, general and administrative and transaction related costs	**1**	26	7,299
Total expenses	**7,789**	21,412	34,393
Net income from discontinued operations	**$ 5,780**	$ 7,064	$ 7,318

5. Debt and Preferred Equity Investments

During the years ended December 31, 2011 and 2010, our debt and preferred equity investments (net of discounts) increased approximately $622.5 million and $520.7 million, respectively, due to originations, purchases, accretion of discounts and paid-in-kind interest. We recorded approximately $600.3 million and $342.5 million in repayments, participations, sales, foreclosures and loan loss reserves during those periods, respectively, which offset the increases in debt and preferred equity investments.

As of December 31, 2011 and 2010, we held the following debt investments with an aggregate weighted average current yield of approximately 7.5% (in thousands):

Loan Type	December 31, 2011 Senior Financing	**December 31, 2011 Amount Outstanding, Net of Discounts**	December 31, 2010 Amount Outstanding, Net of Discounts	Initial Maturity Date
Other Loan[1]	$ 15,000	**$ 3,500**	$ 3,500	September 2021
Mortgage/Mezzanine Loan[1]	205,000	**64,973**	60,407	February 2016
Mortgage/ Mezzanine Loan[1]	171,549	**46,416**	46,358	May 2016
Mezzanine Loan[1]	165,000	**40,375**	39,711	November 2016
Mezzanine Loan[1][2][3][6][7]	—	**—**	27,187	—
Mezzanine Loan[1][7][14]	—	**—**	15,697	—
Junior Participation[1][4][6][7]	—	**8,725**	9,938	April 2008
Mortgage/Mezzanine Loan[1][8][18]	1,109,000	**108,817**	84,062	March 2017
Junior Participation[1][6]	53,000	**11,000**	11,000	November 2012
Junior Participation[6]	61,250	**10,875**	10,875	June 2012
Junior Participation[6]	—	**—**	5,866	—
Junior Participation[5][6]	—	**—**	47,484	—
Mortgage/Mezzanine Loan[2][9]	—	**—**	137,222	—
Junior Participation[11]	—	**—**	42,439	—
Junior Participation	—	**—**	9,200	—
Mezzanine Loan[1][12]	—	**—**	202,136	—
Mezzanine Loan[1][17]	75,000	**7,650**	15,000	July 2013
Mortgage[10]	—	**86,339**	86,339	June 2012
Mortgage[13]	28,500	**3,000**	26,000	February 2013
Mezzanine Loan[15]	796,693	**8,392**	13,536	August 2012
Mezzanine Loan[1][16]	—	**—**	38,892	—
Mezzanine Loan[1]	177,000	**17,112**	—	May 2016
Junior Participation[1]	133,000	**49,000**	—	June 2016
Mezzanine Loan	170,000	**60,000**	—	August 2014
Mezzanine Loan[1]	55,000	**35,000**	—	July 2016
Mezzanine Loan[19]	81,000	**34,940**	—	October 2016
Mezzanine Loan	45,000	**10,000**	—	January 2015
Mezzanine Loan	467,000	**30,747**	—	July 2012
Other Loan	48,300	**3,196**	—	May 2012
Loan loss reserve[6]	—	**(19,125)**	(40,461)	—
	$3,856,292	**$620,932**	$892,388	

(1) This is a fixed rate loan.
(2) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(3) This loan was sold in February 2011. We realized $6.2 million of additional income upon the sale. A portion of this income is included in loan loss and other reserves, net of recoveries.
(4) This loan is in default. The lender has begun foreclosure proceedings. Another participant holds a $12.2 million pari passu interest in this loan.
(5) Gramercy was the borrower under this loan. We sold this loan, which consisted of mortgage and mezzanine financing, for $35.8 million, in May 2011. We realized $1.2 million of additional income upon the sale, which is included in loan loss and other reserves, net of recoveries.
(6) Loan loss reserves are specifically allocated to investments. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct or that reserves will be adequate over time to protect against potential future losses.
(7) This loan is on non-accrual status.
(8) Interest is added to the principal balance for this accrual only loan.
(9) Gramercy held a pari passu interest in the mezzanine loan. This loan was repaid in March 2011.
(10) We hold an 88% interest in the consolidated joint venture that acquired this loan. This investment is denominated in British Pounds.
(11) This loan was repaid in January 2011. We realized $1.3 million of additional income upon the sale. This income is included in preferred equity and investment income.
(12) In March 2011, we contributed our debt investment with a carrying value of $286.6 million to a newly formed joint venture in which we hold a 50% interest. We realized $38.7 million of additional income upon the contribution. This income is included in preferred equity and investment income. The joint venture paid us approximately $111.3 million and also assumed $30 million of related floating rate financing which matures in June 2016 and carried a weighted average interest rate for the quarter of 1.16%. In May 2011, this joint venture took control of the underlying property as part of a recapitalization transaction. See Note 6.
(13) In June 2011, we funded an additional $5.5 million and extended the maturity date of this loan to February 2013. In September 2011, we entered into a loan participation in the amount of $28.5 million on a $31.5 million mortgage. We have assigned our right as servicer to a third party. Due to our continued involvement with the loan, the portion that was participated out has been recorded in other assets and other liabilities in the accompanying consolidated balance sheet.
(14) In May 2011, we acquired a substantial ownership interest in the 205,000-square-foot office condominium along with control of the asset. We provided a senior mezzanine loan as part of the sale of the condominium unit in 2007. The transaction included a consensual modification of that loan. See Note 3.
(15) In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity. See note 6 to the next table.
(16) In connection with a recapitalization of the investment, our mezzanine loan was converted to preferred equity. See note 7 to the next table.
(17) In November 2011, we entered into a loan participation agreement in the amount of $7.4 million on a $15.0 million mortgage. Due to our continued involvement with the loan, the portion that was participated out has been recorded in other assets and other liabilities in the accompanying consolidated balance sheet.
(18) The mezzanine loan is on non-accrual status.
(19) As of December 31, 2011, we were committed to fund and additional $15.0 million in connection with this loan.

Preferred Equity Investments

As of December 31, 2011 and 2010, we held the following preferred equity investments with an aggregate weighted average current yield of approximately 9.8% (in thousands):

	December 31,			
Type	2011 Senior Financing	**2011 Amount Outstanding, Net of Discounts**	2010 Amount Outstanding, Net of Discounts	Initial Mandatory Redemption
Preferred equity(1)(4)(5)(7)	$ 480,000	**$141,980**	$ 45,912	July 2014
Preferred equity(3)(4)(6)	975,890	**51,000**	46,372	August 2012
Preferred equity(4)	926,260	**203,080**	—	July 2016
Loan loss reserve(2)	—	**(31,050)**	(20,900)	—
	$2,382,150	**$365,010**	$ 71,384	

(1) This is a fixed rate investment.
(2) Loan loss reserves are specifically allocated to investments. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.
(3) This investment is on non-accrual status.
(4) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(5) This investment was classified as held for sale at June 30, 2009, but as held-to-maturity for all periods subsequent to June 30, 2009. The reserve previously taken against this loan is being accreted up to the face amount through the maturity date.
(6) In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity. See note 15 to the prior table.
(7) In connection with a recapitalization of the investment, our mezzanine loan was converted to preferred equity. We also made an additional $50.0 million preferred equity loan. See note 16 to the prior table.

The following table is a rollforward of our total allowance for loan loss reserves at December 31, 2011, 2010 and 2009 related to our debt and preferred equity investments (in thousands):

	2011	2010	2009
Balance at beginning of year	**$ 61,361**	$ 93,844	$ 98,916
Expensed	**10,875**	24,418	145,855
Recoveries	**(4,370)**	(3,662)	—
Charge-offs	**(17,691)**	(53,239)	(150,927)
Balance at end of period	**$ 50,175**	$ 61,361	$ 93,844

At December 31, 2011, 2010 and 2009 all debt and preferred equity investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

We have determined that we have one portfolio segment of financing receivables at December 31, 2011 and 2010 comprising commercial real estate which is primarily recorded in debt and preferred equity investments. Included in other assets is an additional amount of financing receivables totaling approximately $108.7 million at December 31, 2011 and $78.7 million at December 31, 2010. The nonaccrual balance of financing receivables at December 31, 2011 and 2010 was $102.6 million and $140.8 million, respectively. The recorded investment for financing receivables past due 90 days was $17.3 million associated with two financing receivables at December 31, 2011 and $9.9 million associated with one financing receivable at December 31, 2010. All financing receivables are individually evaluated for impairment.

The following table presents impaired loans, which may include non-accrual loans, as of December 31, 2011 and 2010, respectively (in thousands):

	December 31, 2011			December 31, 2010		
	Unpaid Principal Balance	**Recorded Investment**	**Allowance Allocated**	Unpaid Principal Balance	Recorded Investment	Allowance Allocated
With no related allowance recorded:						
Commercial real estate	**$106,623**	**$ 83,378**	**$ —**	$103,678	$ 99,759	$ —
With an allowance recorded:						
Commercial real estate	**86,121**	**81,475**	**50,175**	160,711	158,597	61,361
Total	**$192,744**	**$164,853**	**$50,175**	$264,389	$258,356	$61,361

The following table presents the average recorded investment in impaired loans, which may include non-accrual loans and the related investment and preferred equity income recognized during the years ended December 31, 2011 and 2010, respectively (in thousands):

	Year Ended December 31,	
	2011	2010
Average recorded investment in impaired loans	**$191,288**	$252,813
Investment and preferred equity income recognized	**9,554**	8,156

On an ongoing basis, we monitor the credit quality of our financing receivables based on payment activity. We assess credit quality indicators based on the underlying collateral.

6. Investment in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners, including The City Investment Fund, or CIF, SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ, Canada Pension Plan Investment Board, or CPPIB, a fund managed by JP Morgan Investment Management, or JP Morgan, Prudential Real Estate Investors, or Prudential,

Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, Harel Insurance and Finance, or Harel, Louis Cappelli, or Cappelli, The Moinian Group, or Moinian, Vornado Realty Trust (NYSE: VNO), or Vornado, as well as private investors. All the investments below are voting interest entities, except for 3 Columbus Circle and 180/182 Broadway which are VIEs in which we are not the primary beneficiary. Our net equity investment in these two VIEs was $161.9 million and $12.0 million at December 31, 2011 and 2010, respectively. As we do not control these joint ventures, we account for them under the equity method of accounting. We assess the accounting treatment for each joint venture on a stand-alone basis. This includes a review of each joint venture or partnership LLC agreement to determine which party has what rights and whether those rights are protective or participating. In situations where we or our partner are involved in some or all of the following: approving the annual budget, receiving a detailed monthly reporting package from us, meeting with us on a quarterly basis to review the results of the joint venture, reviewing and approving the joint venture's tax return before filing, and approving all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights. Our joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

The table below provides general information on each of our joint ventures as of December 31, 2011 (in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price[1]
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	$ 95,800
379 West Broadway	Sutton	45.00%	45.00%	62	12/05	$ 19,750
21 West 34th Street	Sutton	50.00%	50.00%	30	07/05	$ 22,400
800 Third Avenue	Private Investors	42.95%	42.95%	526	12/06	$ 285,000
One Court Square[10]	JP Morgan	30.00%	30.00%	1,402	01/07	$ 533,500
1604-1610 Broadway	Onyx/Sutton	45.00%	63.00%	30	11/05	$ 4,400
1745 Broadway	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	04/07	$ 520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	$ 210,000
16 Court Street	CIF	35.00%	35.00%	318	07/07	$ 107,500
The Meadows[2]	Onyx	50.00%	50.00%	582	09/07	$ 111,500
388 and 390 Greenwich Street[3]	SITQ	50.60%	50.60%	2,600	12/07	$1,575,000
27-29 West 34th Street	Sutton	50.00%	50.00%	41	01/06	$ 30,000
717 Fifth Avenue	Sutton/Nakash	32.75%	32.75%	120	09/06	$ 251,900
141 Fifth Avenue[4]	Sutton/Rapport	50.00%	50.00%	22	09/05	$ 13,250
180/182 Broadway[4][5]	Harel/Sutton	25.50%	25.50%	71	02/08	$ 43,600
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	05/10	$ 193,000
11 West 34th Street[6]	Private Investor/Sutton	30.00%	30.00%	17	12/10	$ 10,800
7 Renaissance	Cappelli	50.00%	50.00%	37	12/10	$ 4,000
3 Columbus Circle[7]	Moinian	48.90%	48.90%	769	01/11	$ 500,000
280 Park Avenue[8]	Vornado	50.00%	50.00%	1,237	03/11	$ 400,000
1552-1560 Broadway[9]	Sutton	50.00%	50.00%	49	08/11	$ 136,550
747 Madison Avenue	Harel/Sutton	33.33%	33.33%	10	09/11	$ 66,250

(1) Represents the actual or implied purchase price for the joint venture.
(2) We, along with Onyx, acquired the remaining 50% interest on a pro-rata basis in September 2009. We recorded a $2.8 million impairment charge in 2010, included in depreciable real estate reserves, against this joint venture investment.
(3) The property is subject to a 13-year triple-net lease arrangement with a single tenant. The lease commenced in 2007.
(4) The deconsolidation of these joint ventures in 2010 resulted in an adjustment to retained earnings of approximately $3.0 million and to the noncontrolling interests in other partnerships of approximately $9.5 million.
(5) In December 2010, the Company's 180-182 Broadway joint venture with Jeff Sutton announced an agreement with Pace University to convey a long-term ground lease condominium interest to Pace University for 20 floors of student housing. The joint venture also admitted Harel, which contributed $28.1 million to the joint venture, for a 49 percent partnership interest. In August 2011, the joint venture sold the property located at 63 Nassau Street for $2.8 million.
(6) In December 2010, the Company's $12.0 million first mortgage collateralized by 11 West 34th Street was repaid at par, resulting in the Company's recognition of additional income of approximately $1.1 million. Simultaneous with the repayment, the joint venture was recapitalized with the Company having a 30 percent interest. The property is subject to a long-term net lease arrangement.
(7) We issued 306,296 operating partnership units in connection with this investment. We have committed to fund an additional $47.5 million to the joint venture, of which $34.5 million has been funded as of December 31, 2011. This liability is recorded in accrued interest payable and other liabilities. In addition, we made a $125.0 million bridge loan to this joint venture which was bearing interest at a rate of 7.5%. This loan was repaid when the joint venture refinanced its debt in April 2011.
(8) In March 2011, we contributed our debt investment with a carrying value of $286.6 million to a newly formed joint venture in which we hold a 50% interest. We realized $38.7 million of additional income upon the contribution. This income is included in preferred equity and investment income. The joint venture paid us approximately $111.3 million and also assumed $30.0 million of related floating rate financing which matures in June 2016. See Note 5. In May 2011, this joint venture took control of the underlying property as part of a recapitalization transaction which valued the investment at approximately $1.1 billion. We hold an effective 49.5% ownership interest in the joint venture.
(9) In connection with this acquisition, the joint venture also acquired a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway. The purchase price relates only to the purchase of the 1552 Broadway interest which comprises 13,045 square feet.
(10) This property is under contract for sale for $475.0 million. The transaction, which is subject to the assumption of the joint venture's debt, is expected to close during the first quarter of 2012.

In November 2011, we acquired the remaining 50% interest in the joint venture which held an investment in a debt position on the property located at 450 West 33rd Street. As we own 100% of this investment, we have reclassified it and recorded it as a debt investment. See Note 5.

In August 2011, we sold our 10% interest in the joint venture that held 1551-1555 Broadway for approximately $9.7 million. We realized a gain of $4.0 million on the sale, which is net of a $2.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In May 2010, Green Hill Acquisition LLC, our wholly owned subsidiary, sold its 45% beneficial interest in the property known as 1221 Avenue of the Americas, located in Manhattan, to a wholly owned subsidiary of CPPIB, for total consideration of $577.4 million, of which approximately $95.9 million represented payment for existing reserves and the assumption of our pro-rata share of in-place financing. The sale generated proceeds to us of approximately $500.9 million. We recognized a gain of approximately $126.8 million on the sale of our interest, which is net of a $4.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

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

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

In November 2011, we, along with our joint venture partner, reached an agreement to sell One Court Square to a private investor group for approximately $475.0 million. The transaction includes $315.0 million of existing debt, which will be assumed by the purchaser. The transaction is subject to certain conditions, including the lender's approval of the transfer of ownership. There is no assurance that the conditions precedent contemplated in the sale agreement will be fulfilled or that the transaction will be consummated at such time or at all. We recorded a $5.8 million impairment charge, included in depreciable real estate reserves, in connection with the expected sale of this investment.

We generally finance our joint ventures with non-recourse debt. However, in certain cases we have provided guarantees or master lease of tenant space. These guarantees and master leases terminate upon the satisfaction of specified circumstances or repayment of the underlying loans. The first mortgage notes and other loans payable collateralized by the respective joint venture properties and assignment of leases at December 31, 2011 and 2010, respectively, are as follows (in thousands):

			December 31,	
Property	Maturity Date	Interest Rate[1]	**2011**	2010
100 Park Avenue	09/2014	6.64%	**$ 214,625**	$ 204,946
21 West 34th Street	12/2016	5.76%	**100,000**	100,000
800 Third Avenue	08/2017	6.00%	**20,910**	20,910
One Court Square	09/2015	4.91%	**315,000**	315,000
1604-1610 Broadway[2]	04/2012	5.66%	**27,000**	27,000
388 and 390 Greenwich Street[3]	12/2017	5.19%	**1,106,757**	1,106,758
1745 Broadway	01/2017	5.68%	**340,000**	340,000
141 Fifth Avenue	06/2017	5.70%	**25,000**	25,000
1 and 2 Jericho Plaza	05/2017	5.65%	**163,750**	163,750
11 West 34th Street	01/2016	4.82%	**17,761**	18,000
280 Park Avenue	06/2016	6.57%	**710,000**	—
Total fixed rate debt			**$3,040,803**	$2,321,364
1515 Broadway[4]	—	—	**—**	462,896
The Meadows[5]	09/2012	1.63%	**84,698**	87,034
388 and 390 Greenwich Street[3]	12/2017	1.43%	**31,622**	31,622
16 Court Street	10/2013	2.75%	**85,728**	86,844
27-29 West 34th Street[11]	05/2012	1.90%	**53,900**	54,375
1551-1555 Broadway[6]	—	—	**—**	128,600
521 Fifth Avenue[7]	—	—	**—**	140,000
717 Fifth Avenue[8]	09/2012	5.25%	**245,000**	245,000
379 West Broadway[11]	07/2012	1.94%	**20,991**	20,991
600 Lexington Avenue	10/2017	2.38%	**125,000**	125,000
180/182 Broadway[9]	12/2013	3.00%	**30,722**	8,509
3 Columbus Circle[10]	04/2016	2.47%	**254,896**	—
1552 Broadway[12]	08/2013	3.28%	**95,405**	—
747 Madison Avenue	10/2014	3.02%	**33,125**	—
Other loan payable	06/2016	1.15%	**30,000**	—
Total floating rate debt			**$1,091,087**	$1,390,871
Total mortgages and other loan payable			**$4,131,890**	$3,712,235

(1) Rate represents the effective all-in weighted average interest rate for the quarter ended December 31, 2011.
(2) This loan went into default in November 2009 due to the non-payment of debt service. The joint venture is in discussions with the special servicer to resolve this default.
(3) Comprised of a $576.0 million mortgage and a $562.4 million mezzanine loan, both of which are fixed rate loans, except for $16.0 million of the mortgage and $15.6 million of the mezzanine loan which are floating rate loans. Up to $200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us. We believe it is unlikely that we will be required to perform under this guaranty.
(4) We acquired the remaining interest in this joint venture in April 2011. As a result, we have consolidated this investment since April 2011. See Notes 3 and 8.
(5) This loan has a committed amount of $91.2 million.
(6) This loan was refinanced in June 2011. We sold our interest in this joint venture in August 2011.
(7) We acquired the remaining interest in this joint venture in January 2011. As a result, we have consolidated this investment since January 2011. See Notes 3 and 8.
(8) This loan has a committed amount of $285.0 million.
(9) The $31.0 million loan was repaid in December 2010 as part of a recapitalization of the joint venture. The new loan has a committed amount of $90.0 million.
(10) We provided 50% of a bridge loan to this joint venture. In April 2011, our joint venture with The Moinian Group which owns the property located at 3 Columbus Circle, New York, refinanced the bridge loan and replaced it with a $260.0 million 5-year mortgage with the Bank of China, which carries a floating rate of interest of 210 basis points over the 30-day LIBOR, at which point SL Green and Deutsche Bank's bridge loan was repaid. The joint venture has the ability to increase the mortgage by $40.0 million based on meeting certain performance hurdles. In connection with this obligation, SLG has executed a master lease agreement. SLG's partner has executed a contribution agreement to reflect its pro rata obligation under the master lease.
(11) In May 2011, this loan was extended by 1-year.
(12) This loan has a committed amount of $125.0 million.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, 1 and 2 Jericho Plaza, 379 West Broadway, 3 Columbus Circle and The Meadows. We are generally entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately $12.1 million, $14.6 million and $19.0 million for these services for the years ended December 31, 2011, 2010 and 2009, respectively. In addition, we generally have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

The condensed combined balance sheets for our unconsolidated joint ventures at December 31, 2011 and 2010 are as follows (in thousands):

	2011	2010
Assets		
Commercial real estate property, net	**$5,699,113**	$4,831,897
Other assets	**599,596**	516,049
Total assets	**$6,298,709**	$5,347,946
Liabilities and members' equity		
Mortgages and other loans payable	**$4,131,890**	$3,712,235
Other liabilities	**250,925**	233,463
Members' equity	**1,915,894**	1,402,248
Total liabilities and members' equity	**$6,298,709**	$5,347,946
Company's net investment in unconsolidated joint ventures	**$ 893,933**	$ 631,570

The condensed combined statements of income for the unconsolidated joint ventures for the three years ended December 31, 2011, from the acquisition date, are as follows (in thousands):

	2011	2010	2009
Total revenues	**$480,935**	$593,159	$689,087
Operating expenses	**75,513**	94,515	120,215
Real estate taxes	**51,511**	66,588	84,827
Transaction related costs	**2,665**	1,105	—
Interest	**223,400**	224,766	208,295
Depreciation and amortization	**137,070**	141,284	156,470
Total expenses	**490,159**	528,258	569,807
Net (loss) income before gain on sale	**$ (9,224)**	$ 64,901	$119,280
Company's equity in net income of unconsolidated joint ventures	**$ 1,583**	$ 39,607	$ 62,878

Gramercy Capital Corp.

In April 2004, we formed Gramercy as a commercial real estate finance business. Gramercy qualified as a REIT for federal income tax purposes and expects to qualify for its current fiscal year.

At December 31, 2011, we held 3.2 million shares, or approximately 6.3% of Gramercy's common stock. Our total investment of approximately $8.1 million is based on the market value of our common stock investment in Gramercy at December 31, 2011. As we no longer have any significant influence over Gramercy, we account for our investment as available-for-sale securities. During 2011, we sold 2.1 million shares of Gramercy common stock and realized a gain of approximately $4.5 million on the sale. During 2010, we sold 870,000 shares of Gramercy common stock and realized a gain of approximately $1.4 million on the sale. These gains were reclassified out of Accumulated Other Comprehensive Loss.

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

See Note 5 for information on our debt and preferred equity investments in which Gramercy also holds an interest.

Marc Holliday, our chief executive officer, remains a board member of Gramercy.

7. Deferred Costs

Deferred costs at December 31, 2011 and 2010 consisted of the following (in thousands):

	2011	2010
Deferred financing	**$ 113,620**	$ 86,256
Deferred leasing	**238,394**	200,633
	352,014	286,889
Less accumulated amortization	**(141,228)**	(114,372)
Deferred costs, net	**$ 210,786**	$ 172,517

8. Mortgages and Other Loans Payable

The first mortgages and other loans payable collateralized by the respective properties and assignment of leases at December 31, 2011 and 2010, respectively, were as follows (in thousands):

Property[1]	Maturity Date	Interest Rate[2]	December 31, 2011	2010
711 Third Avenue	06/2015	4.99%	**$ 120,000**	$ 120,000
420 Lexington Avenue[3]	09/2016	7.15%	**187,182**	149,141
673 First Avenue	02/2013	5.67%	**29,906**	30,781
220 East 42nd Street	11/2013	5.24%	**190,431**	194,758
625 Madison Avenue	11/2015	7.22%	**129,098**	132,209
609 Fifth Avenue	10/2013	5.85%	**94,963**	96,502
609 Partners, LLC[15]	07/2014	5.00%	**31,721**	31,722
485 Lexington Avenue	02/2017	5.61%	**450,000**	450,000
120 West 45th Street	02/2017	6.12%	**170,000**	170,000
919 Third Avenue[4]	06/2023	5.12%	**500,000**	219,879
300 Main Street	02/2017	5.75%	**11,500**	11,500
500 West Putnam	01/2016	5.52%	**24,563**	25,000
One Madison Avenue	05/2020	5.91%	**626,740**	640,076
125 Park Avenue	10/2014	5.75%	**146,250**	146,250
2 Herald Square	04/2017	5.36%	**191,250**	191,250
885 Third Avenue	07/2017	6.26%	**267,650**	267,650
292 Madison Avenue[14]	08/2017	6.17%	**59,099**	59,099
110 East 42nd Street[5]	07/2017	5.81%	**65,000**	—
Landmark Square	12/2016	4.00%	**86,000**	—
Other loan payable[13]	09/2019	8.00%	**50,000**	—
Total fixed rate debt			**$3,431,353**	$2,935,817
100 Church Street[6]	—	—	**—**	139,672
Landmark Square[7]	—	—	**—**	110,180
28 West 44th Street[8]	—	—	**—**	122,007
521 Fifth Avenue[9]	04/2013	2.25%	**150,000**	—
1515 Broadway[10]	12/2014	3.50%	**450,363**	—
180 Maiden Lane[16]	11/2016	2.56%	**279,332**	—
Other loan payable[11]	06/2013	3.47%	**62,792**	62,792
Other loan payable[12]	—	—	**—**	30,000
Total floating rate debt			**$ 942,487**	$ 464,651
Total mortgages and other loans payable			**$4,373,840**	$3,400,468

(1) Held in bankruptcy remote special purpose entities.
(2) Effective interest rate for the quarter ended December 31, 2011.
(3) We increased this loan by $40.0 million in March 2011.
(4) We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. In June 2011, our joint venture replaced the $219.9 million 6.87% mortgage that was due to mature in August 2011 with a $500.0 million mortgage.
(5) We took control of this property in May 2011 and assumed the mortgage as part of the transaction. This loan consists of a $65.0 million A-tranche and an $18.1 million B-tranche. The B-tranche does not accrue interest and is due only under certain circumstances as described in the loan agreement.
(6) This mortgage was repaid in March 2011.
(7) The final loan renewal option was exercised in December 2010. This loan was repaid in May 2011.
(8) This property was sold in May 2011 and the related mortgage was repaid.
(9) We assumed a $140.0 million mortgage in connection with the acquisition of the remaining partnership interest in January 2011. As a result, we have consolidated this investment since January 2011. The mortgage was schedule to mature in April 2011. In April 2011, we refinanced the property with a new $150.0 million 2-year mortgage which carries a floating rate of interest of 200 basis points over the 30-day LIBOR.
(10) We acquired the remaining interest in this joint venture in April 2011. As a result, we have consolidated this investment since April 2011.
(11) This loan bears interest at 250 basis points over the three month GBP LIBOR. This loan is denominated in British Pounds.
(12) In March 2011, this loan was assigned to a joint venture. See Note 5.
(13) This loan is secured by a portion of a preferred equity investment.
(14) This loan is included in liabilities related to assets held for sale at December 31, 2011 as the property is held for sale as of that date. See Note 4.
(15) As part of an acquisition, the Operating Partnership issued 63.9 million units of our 5.0% Series E preferred units, or the Series E units, with a liquidation preference of $1.00 per unit. As of December 31, 2011, 32.2 million Series E units had been redeemed.
(16) In connection with this obligation, SLG has executed a master lease agreement. SLG's partner has executed a contribution agreement to reflect its pro rata obligation under the master lease.

In September 2010, we repaid a $104.0 million loan payable which had been secured by our interest in a debt investment.

At December 31, 2011 and 2010, the gross book value of the assets collateralizing the mortgages and other loans payable was approximately $7.4 billion and $5.8 billion, respectively.

9. Corporate Indebtedness

2011 Revolving Credit Facility

In November 2011, we entered into a $1.5 billion revolving credit facility, or the 2011 revolving credit facility. The 2011 revolving credit facility bears interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP. At December 31, 2011, the applicable spread was 150 basis points. The 2011 revolving credit facility matures in November 2015 and has a one-year as-of-right extension option, subject to certain conditions and the payment of an extension fee of 20 basis points. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the 2011 revolving credit facility to $1.75 billion at any time prior to the maturity date. We are required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility, which fee is based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP. As of December 31, 2011, the facility fee was 35 basis points. At December 31, 2011, we had approximately $350.0 million of borrowings and outstanding letters of credit totaling approximately $99.3 million outstanding under the 2011 revolving credit facility, with undrawn capacity of approximately $1.1 billion.

The Company, ROP, and the Operating Partnership are all borrowers jointly and severally obligated under the 2011 revolving credit facility. No other subsidiary of ours is an obligor under the 2011 revolving credit facility.

The 2011 revolving credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

2007 Revolving Credit Facility

The 2011 revolving credit facility replaced our $1.5 billion revolving credit facility, or the 2007 revolving credit facility, which was terminated concurrently with the entering into the 2011 revolving credit facility. The 2007 revolving credit facility bore interest at a spread over the 30-day LIBOR ranging from 70 basis points to 110 basis points, based on our leverage ratio, and required a 12.5 to 20 basis point fee, also based on our leverage ratio, on the unused balance payable annually in arrears. The 2007 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2007 revolving credit facility and as of October 31, 2011, we were in compliance with all such restrictions and covenants.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of December 31, 2011 and 2010, respectively (in thousands):

	December 31,						
Issuance	**2011 Unpaid Principal Balance**	**2011 Accreted Balance**	2010 Accreted Balance	Coupon Rate[4]	Effective Rate	Term (in Years)	Maturity
January 22, 2004[1][5][7]	$ —	$ —	$ 84,823	5.15%	5.900%	7	January 15, 2011
August 13, 2004[1][5]	**98,578**	**98,578**	98,578	5.875%	6.100%	10	August 15, 2014
March 31, 2006[1]	**275,000**	**274,804**	274,764	6.00%	6.200%	10	March 31, 2016
March 16, 2010[8]	**250,000**	**250,000**	250,000	7.75%	7.750%	10	March 15, 2020
June 27, 2005[1][2][5]	**657**	**657**	657	4.00%	4.000%	20	June 15, 2025
March 26, 2007[3][5]	**120,157**	**119,423**	123,171	3.00%	5.460%	20	March 30, 2027
October 12, 2010[6]	**345,000**	**277,629**	268,552	3.00%	7.125%	7	October 15, 2017
August 5, 2011[8]	**250,000**	**249,565**	—	5.00%	5.000%	7	August 15, 2018
	$1,339,392	**$1,270,656**	$1,100,545				

(1) Issued by ROP.
(2) Exchangeable senior debentures which are currently callable at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson Associates Realty Corp., or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491. During the year ended December 31, 2010, we repurchased approximately $115.4 million of these debentures, inclusive of debentures purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.3 million. On the date of the Reckson Merger, $13.1 million was recorded in equity and was fully amortized as of June 30, 2010.
(3) In March 2007, the Operating Partnership issued $750.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our Operating Partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the year ended December 31, 2010, we repurchased approximately $41.7 million of these bonds, inclusive of notes purchased in the tender offer discussed in Note (5) below, and realized a net loss on early extinguishment of debt of approximately $0.5 million. On the issuance date, $66.6 million was recorded in equity. As of December 31, 2011, approximately $0.7 million remained unamortized.
(4) Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.
(5) In April 2010, we completed a cash tender offer and purchased $13.0 million of the outstanding 3.000% Exchangeable Senior Notes due 2027 issued by the Operating Partnership, and $13.2 million of the outstanding 4.000% Exchangeable Senior Debentures due 2025, $38.8 million of the 5.150% Notes due 2011 and $50.0 million of the 5.875% Notes due 2014 issued by Reckson.
(6) In October 2010, the Operating Partnership issued $345.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on April 15 and October 15. The notes have an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of our common stock on October 6, 2010, or $85.81. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our Operating Partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are guaranteed by ROP. The net proceeds from the offering were approximately $336.5 million, after deducting fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes. On the issuance date, $78.3 million was recorded in equity. As of December 31, 2011, approximately $67.4 million remained unamortized.
(7) In January 2011, the remaining outstanding $84.8 million of ROP's 5.15% unsecured notes were repaid at par on their maturity date.
(8) Issued by us, the Operating Partnership and ROP, as co-obligors.

Restrictive Covenants

The terms of the 2011 revolving credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends (as discussed below), make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and the disposition of assets, and which require compliance with financial ratios including our minimum tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that we will not during any time when we are in default, make distributions with respect to common stock or other equity interests, except to enable us to continue to qualify as a REIT for Federal Income Tax purposes. As of December 31, 2011 and 2010, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures

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

Principal Maturities

Combined aggregate principal maturities of mortgages and other loans payable, 2011 revolving credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of December 31, 2011, including as-of-right extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2012	$ 52,443	$ —	$ —	$ —	$ 119,423	$ 171,866	$ 176,457
2013	52,470	516,179	—	—	—	568,649	93,683
2014	50,322	597,454	—	—	98,578	746,354	123,983
2015	40,845	229,537	—	—	657	271,039	102,476
2016	39,426	516,974	350,000	—	274,804	1,181,204	527,814
Thereafter	158,551	2,119,639	—	100,000	777,194	3,155,384	800,102
	$394,057	$3,979,783	$350,000	$100,000	$1,270,656	$6,094,496	$1,824,515

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

	Years Ended December 31,		
	2011	2010	2009
Interest expense	**$287,921**	$232,794	$236,961
Interest income	**(2,004)**	(2,146)	(4,306)
Interest expense, net	**$285,917**	$230,648	$232,655
Interest capitalized	**$ 5,123**	$ —	$ 98

10. Fair Value of Financial Instruments

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

Cash and cash equivalents, accounts receivable and accounts payable balances reasonably approximate their fair values due to the short maturities of these items. Mortgages and other loans payable, junior subordinate deferrable interest debentures and the senior unsecured notes had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $5.2 billion, compared to the book value of the related fixed rate debt of approximately $4.8 billion at December 31, 2011. Our floating rate debt, inclusive of our 2011 revolving credit facility, had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $1.2 billion, compared to the book value of approximately $1.3 billion at December 31, 2011. Our debt and preferred equity investments had an estimated fair value ranging between $838.1 million and $936.6 million, compared to the book value of approximately $985.9 million at December 31, 2011.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of December 31, 2011. 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.

11. Rental Income

The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from January 1, 2012 to 2037. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at December 31,

2011 for the consolidated properties, including consolidated joint venture properties, and our share of unconsolidated joint venture properties are as follows (in thousands):

	Consolidated Properties	Unconsolidated Properties
2012	$ 955,920	$ 199,659
2013	919,388	196,868
2014	843,069	189,078
2015	755,334	184,372
2016	673,792	179,526
Thereafter	3,159,160	829,419
	$7,306,663	$1,778,922

12. Related Party Transactions

Cleaning/Security/Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately $2.7 million, $2.2 million and $1.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. We paid Alliance approximately $16.1 million, $14.2 million and $14.9 million for three years ended December 31, 2011, respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 1,003 square feet of space at 420 Lexington Avenue under a lease that ends in August 2015. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due pursuant to the lease is $35,516 per annum for year one increasing to $40,000 in year seven.

Brokerage Services

Cushman & Wakefield Sonnenblick-Goldman, LLC, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2009, we paid approximately $428,000 to Sonnenblick in connection with the purchase of a sub-leasehold interest and the refinancing of 420 Lexington Avenue.

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately $420,300 in 2011, $390,700 in 2010 and $351,700 in 2009.

Other

Amounts due from related parties at December 31, 2011 and 2010 consisted of the following (in thousands):

	2011	2010
Due from joint ventures	**$ 477**	$ 1,062
Other	**3,524**	5,233
Related party receivables	**$ 4,001**	$ 6,295

Gramercy Capital Corp.

See Note 6, "Investment in Unconsolidated Joint Ventures—Gramercy Capital Corp.," for disclosure on related party transactions between Gramercy and the Company.

13. Equity

Common Stock

Our authorized capital stock consists of 260,000,000 shares, $0.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, $0.01 par value per share, 75,000,000 shares of excess stock, at $0.01 par value per share, and 25,000,000 shares of preferred stock, par value $0.01 per share. As of December 31, 2011, 85,782,723 shares of common stock and no shares of excess stock were issued and outstanding.

In 2011, we, along with the Operating Partnership, entered into "at-the-market" equity offering programs, or ATM programs, to sell an aggregate of $775.0 million of our common stock. As of December 31, 2011, we had sold 6.7 million shares of our common stock through the ATM programs for aggregate gross proceeds of approximately $525.0 million ($517.1 million of net proceeds after related expenses). The net proceeds were used to repay debt, fund new investments and for other corporate purposes. As of December 31, 2011, we had $250.0 million available to issue under the ATM programs.

Perpetual Preferred Stock

We have 11,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or the Series C preferred stock, outstanding with a mandatory liquidation preference of $25.00 per share. The Series C preferred stockholders receive annual dividends of $1.90625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. Since December 12, 2008, we have been entitled to 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.

We also have 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or the Series D preferred stock, outstanding with a mandatory liquidation preference of $25.00 per share. The Series D preferred stockholders receive annual dividends of $1.96875 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. Since May 27, 2009, we have been entitled to redeem the Series D preferred stock at par for cash at our option. The Series D preferred stock was recorded net of underwriters discount and issuance costs.

Rights Plan

In February 2000, our board of directors authorized a distribution of one preferred share purchase right, or Right, for each outstanding share of common stock under a shareholder rights plan. This distribution was made to all holders of record of the common stock on March 31, 2000. Each Right entitled 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 expired on March 5, 2010 and the rights plan was terminated.

Dividend Reinvestment and Stock Purchase Plan

We filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, automatically became effective upon filing. We registered 2,000,000 shares of our common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the years ended December 31, 2011 and 2010, approximately 473 and 250,900 shares of our common stock were issued and approximately $34,000 and $11.3 million of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

Second Amended and Restated 2005 Stock Option and Incentive Plan

We have a stock option and incentive plan. The second amended and restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by our board of directors in April 2010 and our stockholders in June 2010 at our annual meeting of stockholders. The 2005 Plan authorizes the issuance of stock options, stock appreciation rights, unrestricted and restricted stock, phantom shares, dividend equivalent rights and other equity-based awards. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 10,730,000 fungible units may be granted under the 2005 Plan. Currently, different types of awards count against the limit on the number of fungible units differently, with (1) full-value awards (i.e., those that deliver the full value of the award upon vesting, such as restricted stock) counting as 1.65 fungible units per share subject to such award (2) stock options, stock appreciation rights and other awards that do not deliver full value and expire five year from the date of grant counting as 0.79 fungible units per share subject to such award and (3) all other awards (e.g., ten-year stock options) counting as 1.0 fungible units per share subject to such award. Awards granted under the 2005 Plan prior to the approval of the second amendment and restatement in June 2010 continue to count against the fungible unit limit based on the ratios that were in effect at the time such awards were granted, which may be different than the current ratios. As a result, depending on the types of awards issued, the 2005 Plan may result in the issuance of more or less than 10,730,000 shares. If a stock option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Currently, unless the 2005 Plan has been previously terminated by the Board, new awards may be granted under the 2005 Plan until June 15, 2020, which is the tenth anniversary of the date that the 2005 Plan was most recently approved by our stockholders. At December 31, 2011, approximately 3.8 million fungible units were available for issuance under the 2005 Plan, or 4.8 million if all fungible units available under the 2005 Plan were issued as five-year stock options.

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model based on historical information with the following weighted average assumptions for grants in 2011, 2010 and 2009.

	2011	2010	2009
Dividend yield	**2.00%**	2.00%	2.15%
Expected life of option	**4.2 years**	5.1 years	5 years
Risk-free interest rate	**1.00%**	2.09%	2.17%
Expected stock price volatility	**47.98%**	50.07%	53.08%

A summary of the status of our stock options as of December 31, 2011, 2010 and 2009 and changes during the years then ended are presented below:

	2011		2010		2009	
	Options Outstanding	**Weighted Average Exercise Price**	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	**1,353,002**	**$58.85**	1,324,221	$56.74	937,706	$61.33
Granted	**212,400**	**66.42**	180,250	62.00	443,850	46.08
Exercised	**(243,901)**	**40.48**	(109,636)	31.49	(22,000)	28.17
Lapsed or cancelled	**(44,301)**	**65.89**	(41,833)	77.33	(35,335)	62.75
Balance at end of year	**1,277,200**	**$63.37**	1,353,002	$58.85	1,324,221	$56.74
Options exercisable at end of year	**644,429**	**$72.31**	631,224	$69.42	595,851	$62.17
Weighted average fair value of options granted during the year	**$4,647,554**		$4,333,281		$8,276,500	

All options were granted within a price range of $20.67 to $137.18. The remaining weighted average contractual life of the options outstanding and exercisable was 4.0 years and 4.0 years, respectively.

During the years ended December 31, 2011, 2010, and 2009, we recognized $4.7 million, $4.4 million and $2.8 million of compensation expense, respectively, for these options. As of December 31, 2011 there was approximately $8.4 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of three years.

Stock-based Compensation

Effective January 1, 1999, we implemented a deferred compensation plan, or the Deferred Plan, covering certain of our employees, including our executives. The shares issued under the Deferred

Plan were granted to certain employees, including our executives and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached. A summary of our restricted stock as of December 31, 2011, 2010 and 2009 and charges during the years then ended are presented below:

	2011	2010	2009
Balance at beginning of year	**2,728,290**	2,330,532	1,824,190
Granted	**185,333**	400,925	506,342
Cancelled	**(1,167)**	(3,167)	—
Balance at end of year	**2,912,456**	2,728,290	2,330,532
Vested during the year	**66,299**	153,644	420,050
Compensation expense recorded	**$17,365,401**	$15,327,206	$23,301,744
Weighted average fair value of restricted stock granted during the year	**$21,768,084**	$28,269,983	$ 4,979,218

The fair value of restricted stock that vested during the years ended December 31, 2011, 2010 and 2009 was $4.3 million, $16.6 million and $28.0 million, respectively. As of December 31, 2011, there was $14.7 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of two years.

For the years ended December 31, 2011, 2010 and 2009, approximately $3.4 million, $2.2 million and $1.7 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options.

We granted LTIP units which had a fair value of $8.5 million as part of the 2011 performance stock bonus award. The grant date fair value of the LTIP unit awards was calculated in accordance with ASC 718. A third party consultant determined the fair value of the LTIP units to have a discount from our unrestricted common stock price. The discount was calculated by considering the inherent uncertainty that the LTIP units will reach parity with other common partnership units and the illiquidity due to transfer restrictions.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program provided for restricted stock awards to be made to plan participants if the holders of our common equity achieved a total return in excess of 40% over a 48-month period commencing April 1, 2003. In April 2007, the compensation committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Plan. In accordance with the terms of the program, 40% of each award vested on March 31, 2007 and the remainder vested ratably over the subsequent three years based on continued employment. The fair value of the awards under this program on the date of grant was determined to be $3.2 million. This fair value is expensed over the term of the restricted stock award. Forty percent of the value of the award was amortized over four years from the date of grant and the balance was amortized, in equal parts, over five, six and seven years (i.e., 20% of the total value was amortized over five years (20% per year), 20% of the total value was amortized over six years (16.67% per year) and 20% of the total value was amortized over seven years (14.29% per year). We recorded compensation expense of $23,000 and $0.1 million related to this plan during the years ended December 31, 2010 and 2009, respectively. The cost of the 2003 Outperformance Plan had been fully expensed as of March 31, 2010.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan were entitled to earn LTIP Units in our Operating Partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%; provided that participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value equal to 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. On June 14, 2006, the compensation committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Outperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned vested on each of November 30, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately $1.6 million and $2.3 million of compensation expense during the years ended December 31, 2010 and 2009, respectively, in connection with the 2005 Outperformance Plan. The cost of the 2005 Outperformance Plan had been fully expensed as of June 30, 2010.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units were earned under the 2006 Outperformance Plan.

The cost of the 2006 Outperformance Plan (approximately $16.4 million, subject to adjustment for forfeitures) was amortized into earnings through July 31, 2011. We recorded approximately $70,000, $0.2 million and $0.4 million of compensation expense during the years ended December 31, 2011, 2010 and 2009, respectively, in connection with the 2006 Outperformance Plan.

The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units were earned under the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of September 30, 2011.

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

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients may earn, in the aggregate, from approximately $15 million up to approximately $75 million of LTIP Units in our Operating Partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance has been achieved, approximately $25 million of awards may be earned at any time after the beginning of the second year and an additional approximately $25 million of awards may be earned at any time after the beginning of the third year. The amount of awards earned will range from approximately $15 million if our aggregate stock price appreciation during the performance period is 25% to the maximum amount of approximately $75 million if our aggregate stock price appreciation during the performance period is 50% or greater. No awards will be earned if our aggregate stock price appreciation is less than 25%. After the awards are earned, they will remain subject to vesting, with 50% of any LTIP Units earned vesting on January 1, 2013 and an additional 25% vesting on each of January 1, 2014 and 2015 based, in each case, on continued employment through the vesting date. We will not pay distributions on any LTIP Units until they are earned, at which time we will pay all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period. In January 2011, the compensation committee determined that under the terms of the 2010 Long-Term Compensation Plan, as of December 5, 2010, maximum performance had been achieved and, accordingly, approximately 366,815 LTIP Units had been earned under the 2010 Long-Term Compensation Plan. In January 2012, the compensation committee determined that under the terms of the 2010 Long-Term Compensation Plan, as of December 1, 2011, maximum performance had been achieved and, accordingly, approximately 385,583 LTIP Units had been earned under the 2010 Long-Term Compensation Plan. In accordance with the terms of the program, 50% of these LTIP Units will vest on January 1, 2013 and the remainder is scheduled to vest ratably over the subsequent two years based on continued employment.

Overall, the 2010 Long-Term Compensation Plan contemplates maximum potential awards of 1,179,987 LTIP Units and a cap of approximately $75 million when earned. However, sufficient shares were not available under the 2005 Plan to fund the entire 2010 Long-Term Compensation Plan in December 2009, and the awards granted at that time, in the aggregate, were limited to 744,128 LTIP Units, subject to performance-based and time-based vesting, unless and until additional shares became available under the 2005 Plan prior to the end of the performance period for the 2010 Long-Term Compensation Plan. At our annual meeting of stockholders on June 15, 2010, our stockholders approved the adoption of the 2005 Plan which, among other things, increased the number of shares available under the plan. That increase allowed us to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The remaining awards were granted in June 2010. The cost of the 2010 Long-Term Compensation Plan (approximately $31.7 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $9.3 million, $4.0 million and $0.6 million during the years ended December 31, 2011, 2010 and 2009, respectively, related to this program.

SL Green Realty Corp. 2011 Outperformance Plan

In August 2011, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2011 Outperformance Plan, or the 2011 Outperformance Plan. Participants in the 2011 Outperformance Plan may earn, in the aggregate, up to $85 million of LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2011. Under the 2011 Outperformance Plan, participants will be entitled to share in a "performance pool" comprised of LTIP Units with a value equal to 10% of the amount, if any, by which our total return to stockholders during the three-year period exceeds a cumulative total return to stockholders of 25%, subject to the maximum of $85 million of LTIP Units; provided that if maximum performance has been achieved, approximately one-third of each award may be earned at any time after the beginning of the second year and an additional approximately one-third of each award may be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2011 Outperformance Plan unless and until they are earned. If LTIP Units are earned, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

As of December 31, 2011, only 50% of the 2011 Outperformance Plan had been granted. The cost of the 2011 Outperformance Plan for the 50% granted (approximately $12.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $0.1 million during the year ended December 31, 2011 related to this program.

Deferred Stock Compensation Plan for Directors

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

During the year ended December 31, 2011, approximately 8,184 phantom stock units were earned. As of December 31, 2011, there were approximately 66,849 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2011, approximately 55,600 shares of our common stock had been issued under the ESPP.

13. Equity

Earnings per Share

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

Numerator (Income)	**2011**	2010	2009
Basic Earnings:			
Income attributable to SL Green common stockholders	**$617,232**	$270,826	$37,669
Effect of Dilutive Securities:			
Redemption of units to common shares	**14,629**	4,574	1,221
Stock options	**—**	—	—
Diluted Earnings:			
Income attributable to SL Green common stockholders	**$631,861**	$275,400	$38,890

Denominator Weighted Average (Shares)	**2011**	2010	2009
Basic Shares:			
Shares available to common stockholders	**83,762**	78,101	69,735
Effect of Dilutive Securities:			
Redemption of units to common shares	**1,985**	1,321	2,230
3.0% exchangeable senior debentures due 2017	**—**	—	—
3.0% exchangeable senior debentures due 2027	**—**	—	—
4.0% exchangeable senior debentures due 2025	**—**	—	—
Stock-based compensation plans	**497**	339	79
Diluted Shares	**86,244**	79,761	72,044

We have excluded approximately 680,000, 804,800 and 772,529 common stock equivalents from the diluted shares outstanding for the years ended December 31, 2011, 2010 and 2009, respectively, as they were anti-dilutive.

14. Noncontrolling Interests in Operating Partnership

The common unit holders represent the noncontrolling interest ownership in our Operating Partnership. As of December 31, 2011 and 2010, the noncontrolling interest common unit holders owned 3.12% (2,764,737 units) and 1.57% (1,249,274 units) of the Operating Partnership, respectively. At December 31, 2011, 2,764,737 shares of our common stock were reserved for the redemption of units of limited partnership interest in our Operating Partnership.

We record the carrying value of the noncontrolling interests in the Operating Partnership at fair market value based on the closing stock price of our common stock at the end of the reporting period. The carrying value of such noncontrolling interests will not be adjusted below its cost basis.

We have included a rollforward analysis of the activity relating to the noncontrolling interests in the Operating Partnership below (in thousands):

	Year Ended December 31,	
	2011	2010
Balance at beginning of period	**$ 84,338**	$ 84,618
Distributions	**(1,264)**	(511)
Issuance of units	**60,443**	2,874
Redemption of units	**(865)**	(25,104)
Net income	**14,629**	4,574
Accumulated other comprehensive income (loss) allocation	**(291)**	(1,061)
Fair value adjustment	**38,040**	18,948
Balance at end of period	**$195,030**	$ 84,338

In November 2011, as part of an acquisition, the Operating Partnership issued 80,000 units of our 6.0% Series H preferred units, or the Series H preferred units, with a liquidation preference of $25.00 per unit. The Series H preferred unitholders receive annual dividends of $1.50 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series H preferred units can be redeemed at any time at par for cash at our option or the option of the unitholder.

15. Benefit Plans

The building employees are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. We participate in the Building Service 32BJ, or Union, Pension Plan and Health Plan. The Pension Plan is a multi-employer, non-contributory defined benefit pension plan that was established under the terms of collective bargaining agreements between the Service Employees International Union, Local 32BJ, the Realty Advisory Board on Labor Relations, Inc. and certain other employees. This Pension Plan is administered by a joint board of trustees consisting of union trustees and employer trustees and operates under employer identification number 13-1879376. The Pension Plan year runs from July 1 to June 30. Employers contribute to the Pension Plan at a fixed rate on behalf of each covered employee. Separate actuarial information regarding such pension 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. However,

on September 28, 2010 and September 28, 2011, the actuary certified that for the plan years beginning July 1, 2010 and July 1, 2011, respectively, the Pension Plan was in critical status under the Pension Protection Act of 2006. The Pension Plan trustees adopted a rehabilitation plan consistent with this requirement. No surcharges have been paid to the Pension Plan as of December 31, 2011. For the years ended December 31, 2011, 2010 and 2009, the Pension Plan received contributions from employers totaling $201.3 million, $193.3 million and $177.7 million, respectively.

The Health Plan was established under the terms of collective bargaining agreements between the Union, the Realty Advisory Board on Labor Relations, Inc. and certain other employers. The Health Plan provides health and other benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements, or other written agreements, with the Union. The Health Plan is administered by a Board of Trustees with equal representation by the employers and the Union and operates under employer identification number 13-2928869. The Health Plan receives contributions in accordance with collective bargaining agreements or participation agreements. Generally, these agreements provide that the employers contribute to the Health Plan at a fixed rate on behalf of each covered employee. Pursuant to the contribution diversion provision in the collective bargaining agreements, the collective bargaining parties agreed, beginning January 1, 2009, to divert to the Pension Plan $1.95 million of employer contributions per quarter that would have been due to the Health Plan. Effective October 1, 2010, the diversion of contributions was discontinued. For the years ended December 31, 2011, 2010 and 2009, the Health Plan received contributions from employers totaling $843.2 million, $770.8 million and $705.5 million, respectively.

Contributions we made to the multi-employer plans for the years ended December 31, 2011, 2010 and 2009 are included in the table below (in thousands):

Benefit Plan	**2011**	2010	2009
Pension Plan	**$ 2,264**	$ 1,835	$ 1,704
Health Plan	**6,919**	5,754	5,319
Other plans	**5,111**	4,143	3,638
Total plan contributions	**$14,294**	$11,732	$10,661

401(k) Plan

In August 1997, we implemented a 401(k) Savings/Retirement Plan, or the 401(k) Plan, to cover eligible employees of ours, and any designated affiliate. The 401(k) Plan permits eligible employees to defer up to 15% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) Plan. During 2000, we amended our 401(k) Plan to include a matching contribution, subject to ERISA limitations, equal to 50% of the first 4% of annual compensation deferred by an employee. During 2003, we amended our 401(k) Plan to provide for discretionary matching contributions only. For 2011, 2010 and 2009, a matching contribution equal to 50% of the first 6% of annual compensation was made. For the years ended December 31, 2011, 2010 and 2009, we made matching contributions of approximately $502,000, $450,000 and $450,000, respectively.

16. Commitments and Contingencies

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

We have entered into employment agreements with certain executives, which expire between January 2013 and December 2013. The minimum cash-based compensation, including base salary and guaranteed bonus payments, associated with these employment agreements totaled approximately $4.5 million for 2012. In addition these employment agreements provide for deferred compensation awards based on our stock price and which were valued at approximately $1.0 million on the grant date. The value of these awards may change based on fluctuations in our stock price.

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $750.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. This policy expires on December 31, 2012. The second portfolio maintains a limit of $700.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2012. Additional coverage may be purchased on a stand-alone basis for certain assets. We maintain liability policies which cover all our properties and provide limits of $201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2012.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont was formed in an effort to, among other reasons, stabilize to some extent the fluctuations of insurance market conditions. Belmont is licensed in New York to write Terrorism, NBCR (nuclear, biological, chemical, and radiological), General Liability, Environmental Liability and D&O coverage. Belmont has purchased reinsurance to reinsure the retained insurance risks not covered by other insurance.

Belmont is a form of self-insurance. We are responsible for the liquidity and capital resources of Belmont and its accounts are included in our consolidated financial statements. All losses required to be paid by Belmont are recorded as losses by us.

Belmont had loss reserves of approximately $6.4 million and $6.1 million as of December 31, 2011 and 2010, respectively.

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

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

The property located at 711 Third Avenue operates under an operating sub-lease, which expires in 2083. Under the sub-lease, we were responsible for ground rent payments of $1.55 million annually through July 2011 on the 50% portion of the fee we do not own. The ground rent was reset in July 2011. Following the reset, we are responsible for ground rent payments of $5.25 million annually through July 2016 and then $5.5 million annually thereafter on the 50% portion of the fee we do not own.

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

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

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

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

We continue to lease the property located at 673 First Avenue, which has been classified as a capital lease with a cost basis of $12.2 million and cumulative amortization of $6.0 million and $5.8 million at December 31, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments under capital leases and non-cancellable operating leases with initial terms in excess of one year as of December 31, 2011 (in thousands):

December 31,	Capital lease	Non-cancellable operating leases
2012	$ 1,555	$ 33,429
2013	1,555	33,429
2014	1,555	33,429
2015	1,592	33,429
2016	1,707	33,533
Thereafter	42,351	615,450
Total minimum lease payments	50,315	$782,699
Less amount representing interest	(33,203)	
Present value of net minimum lease payments	$ 17,112	

17. Financial Instruments: Derivatives and Hedging

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Reported net income and equity may increase or decrease prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of our derivative financial instruments and foreign currency hedges at December 31, 2011 based on Level 2 information pursuant to ASC 810-10. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	$110,180	6.000%	2/2011	2/2012	$ —
Interest Rate Cap	$139,672	5.000%	1/2011	1/2012	$ —
Interest Rate Swap	$ 30,000	2.295%	7/2010	6/2016	$(1,716)
Currency Hedge	$ 20,748	1.55185GBP-USD	9/2010	12/2012	$ (151)

The currency hedge and certain interest rate caps are not designated as a hedging instrument and changes in the value are marked to market through earnings.

On December 31, 2011, the derivative instruments were reported as an obligation at their fair value of approximately $1.9 million. This is included in Other Liabilities on the consolidated balance sheet at December 31, 2011. Included in Accumulated Other Comprehensive Loss at December 31, 2011 was approximately $18.0 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation, and active hedges in addition to our share of joint venture accumulated other comprehensive loss of approximately $17.4 million. Currently, all of our designated derivative instruments are effective hedging instruments.

In March 2010, we terminated forward swaps which resulted in a net loss of approximately $19.5 million from the settlement of the hedges. This payment is included in financing activities in the statement of cash flows. This loss will be amortized over the 10-year term of the related financing. This loss is included in the $18.0 million balance noted above. The balance in accumulated other comprehensive loss relating to derivatives was $35.4 million and $32.3 million at December 31, 2011 and 2010, respectively.

Over time, the realized and unrealized gains and losses held in Accumulated Other Comprehensive Loss will be reclassified into earnings as a reduction to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $1.7 million of the current balance held in Accumulated Other Comprehensive Income will be reclassified into earnings within the next 12 months.

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

The following table presents the effect of our derivative financial instruments and our share of our joint venture's derivative financial instruments on the Statements of Income as of December 31, 2011, 2010 and 2009 (in thousands):

Designation/ Cash Flow	Derivative	Amount of (Loss) or Gain Recognized in Other Comprehensive Loss (Effective Portion) For the Year Ended December 31,			Amount of (Loss) or Gain Reclassified from Accumulated Other Comprehensive Loss into Interest Expense/Equity in net income of unconsolidated joint ventures (Effective Portion) For the Year Ended December 31,			Amount of (Loss) or Gain Recognized in Interest Expense (Ineffective Portion) For the Year Ended December 31,		
		2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Qualifying	Interest Rate Swaps/Caps	**$(16,049)**	$(17,619)	$(15,560)	**$(12,625)**	$(12,661)	$(12,293)	**$(16)**	$(1,329)	$(1)
Non-qualifying	Interest Rate Caps/Currency Hedges	**—**	—	—	**—**	—	—	**$(82)**	—	—

18. 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.

19. Segment Information

We are a REIT engaged in owning, managing, leasing, acquiring and repositioning commercial office and retail properties in the New York Metropolitan area and have two reportable segments, real estate and debt and preferred equity investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

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

Selected results of operations for the years ended December 31, 2011, 2010 and 2009, and selected asset information as of December 31, 2011 and 2010, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total revenues			
Year ended:			
December 31, 2011	**$ 1,143,010**	**$120,418**	**$ 1,263,428**
December 31, 2010	936,460	147,926	1,084,386
December 31, 2009	912,753	65,608	978,361
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture/partial interest and purchase price fair value adjustments:			
Year ended:			
December 31, 2011	**$ 22,890**	**$101,254**	**$ 124,144**
December 31, 2010	27,101	120,585	147,686
December 31, 2009	154,156	(89,659)	64,497
Total assets			
As of:			
December 31, 2011	**$12,490,502**	**$993,350**	**$13,483,852**
December 31, 2010	10,330,043	970,251	11,300,294

Income from continuing operations represents total revenues less total expenses for the real estate segment and total investment income less allocated interest expense for the debt and preferred equity segment. Interest costs for the debt and preferred equity segment are imputed assuming 100% leverage at our 2011 revolving credit facility borrowing cost. We also allocate loan loss reserves to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses and transaction related costs (approximately $85.7 million, $87.8 million and $74.0 million for the years ended December 31, 2011, 2010 and 2009, respectively) to the debt and preferred equity segment since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

The table below reconciles income from continuing operations to net income attributable to SL Green common stockholders for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	Years Ended December 31,		
	2011	2010	2009
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture/partial interest and purchase price fair value adjustments	**$124,144**	$147,686	$ 64,497
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**2,918**	128,921	6,691
Purchase price fair value adjustment	**498,195**	—	—
Income from continuing operations	**625,257**	276,607	71,188
Net income from discontinued operations	**5,780**	7,064	7,318
Gain (loss) on sale of discontinued operations	**46,085**	35,485	(6,841)
Net income	**677,122**	319,156	71,665
Net income attributable to noncontrolling interests in operating partnership	**(14,629)**	(4,574)	(1,221)
Net income attributable to noncontrolling interests in other partnerships	**(15,083)**	(14,007)	(12,900)
Net income attributable to SL Green	**647,410**	300,575	57,544
Preferred stock dividends	**(30,178)**	(29,749)	(19,875)
Net income attributable to SL Green common stockholders	**$617,232**	$270,826	$ 37,669

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

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

	Years Ended December 31,	
	2011	2010
Issuance of common stock as deferred compensation	**$ 699**	$ 537
Issuance of units in the operating partnership	**62,443**	—
Redemption of units in the operating partnership	**865**	12,091
Derivative instruments at fair value	**1,870**	15,299
Assignment of debt investment to joint venture	**286,571**	—
Mortgage assigned to joint venture	**30,000**	—
Tenant improvements and capital expenditures payable	**3,990**	1,981
Debt and preferred equity and other investments acquired	**—**	30,000
Other non-cash adjustments—investing	**—**	302,187
Fair value adjustment to noncontrolling interest in operating partnership	**39,040**	18,948
Accrued acquisition liabilities	**34,500**	—
Assumption of mortgage loans	**943,767**	803,921
Consolidation of real estate investments and other adjustments	**1,156,929**	—
Consolidation of real estate investments—noncontrolling interest in other partnerships	**87,264**	—
Deconsolidation of real estate investments—assets	**—**	60,783
Deconsolidation of real estate investments—liabilities	**—**	47,533

21. Quarterly Financial Data (unaudited)

We are providing updated summary selected quarterly financial information, which is reflective of the reclassification of the properties sold during 2011 as discontinued operations. Quarterly data for the last two years is presented in the tables below (in thousands).

2011 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	$328,877	$306,624	$298,705	$329,222
Income net of noncontrolling interests and before gains on sale	1,833	9,544	10,176	72,898
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	(114)	3,032	—	—
Purchase price fair value adjustment	8,306	999	475,102	13,788
Loss on early extinguishment of debt	—	(67)	971	—
Gain (loss) on investment in marketable securities	4,999	—	(6)	(127)
Depreciable real estate reserves	(5,789)	—	—	—
Net income from discontinued operations	1,116	1,116	1,675	1,873
Gain on sale of discontinued operations	—	—	46,085	—
Net income attributable to SL Green	10,351	14,624	534,003	88,432
Preferred stock dividends	(7,543)	(7,545)	(7,545)	(7,545)
Net income attributable to SL Green common stockholders	$ 2,808	$ 7,079	$526,458	$ 80,887
Net income per common share—Basic	$ 0.03	$ 0.08	$ 6.30	$ 1.02
Net income per common share—Diluted	$ 0.03	$ 0.08	$ 6.26	$ 1.01

2010 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	$262,785	$319,149	$251,684	$250,768
Income (loss) net of noncontrolling interests and before gains on sale	14,563	81,340	16,687	20,674
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1,633	520	126,769	—
Gain on early extinguishment of debt	—	(511)	(1,276)	(113)
Gain (loss) on equity investment in marketable securities	775	—	—	(285)
Depreciable real estate reserves	(2,750)	—	—	—
Net income from discontinued operations	533	2,211	2,403	1,917
Gain on sale of discontinued operations	—	35,485	—	—
Net income attributable to SL Green	14,754	119,045	144,583	22,193
Preferred stock dividends	(7,545)	(7,545)	(7,545)	(7,114)
Net income attributable to SL Green common stockholders	$ 7,209	$111,500	$137,038	$ 15,079
Net income per common share—Basic	$ 0.09	$ 1.43	$ 1.76	$ 0.19
Net income per common share—Diluted	$ 0.09	$ 1.42	$ 1.75	$ 0.19

22. Subsequent Events

In October 2011, SL Green formed a joint venture with Stonehenge Partners and in January 2012 acquired five retail and two multifamily properties in Manhattan for $193.1 million. The residential component, which encompasses 488,000 square feet (unaudited), was financed with an aggregate 7-year $100.0 million fixed rate mortgage which bears interest at 4.125%. One of the retail properties was financed with a 5-year $8.5 million mortgage.

In January 2012, SL Green formed a joint venture with Jeff Sutton and acquired 724 Fifth Avenue for $223.0 million. This 65,010 square foot (unaudited) property was financed with a 5-year $120.0 million floating rate mortgage which bears interest at 235 basis points over the 30-day LIBOR.

In October 2011, we, along with our joint venture partner, Jeff Sutton, announced an agreement to sell two retail condominium units at 141 Fifth Avenue for $46 million. This transaction closed in February 2012.

In December 2011, we entered into an agreement to acquire the 390,000 square foot (unaudited) office building located at 10 East 53rd Street acquisition through a joint venture for $252.5 million. This transaction closed in February 2012.

As of February 22, 2012, we sold approximately 661,500 shares of our common stock through the at-the-money program for aggregate gross proceeds of $50.7 million ($49.9 million of net proceeds after related expenses).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2012, expressed an unqualified opinion thereon.

New York, New York
February 28, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited SL Green Realty Corp.'s (the "Company") internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of income, equity and cash flows for each of the three years in the period ended December 31, 2011 of the Company and our report dated February 28, 2012 expressed an unqualified opinion thereon.

New York, New York
February 28, 2012

REPORT OF MANAGEMENT

Evaluation of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control over Financial Reporting

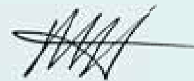
We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2011.

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

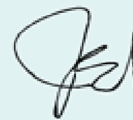
The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Marc Holliday
Chief Executive Officer



James Mead
Chief Financial Officer

CORPORATE DIRECTORY

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

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

Craig M. Hatkoff
Nominating and Corporate
Governance Committee;
Cofounder, Tribeca
Film Festival;
Chairman, Turtle Pond
Publications, LLC

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

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

Marc Holliday
Chief Executive Officer;
Executive Committee

OTHER EXECUTIVE OFFICERS
Andrew W. Mathias
President

James E. Mead
Chief Financial Officer

Andrew S. Levine
Chief Legal Officer,
General Counsel

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

AUDITORS
Ernst & Young LLP
New York, NY

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

Foreign Shareowners:
201-680-6578

TDD Foreign Shareowners:
201-680-6610

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

STOCK LISTING
NYSE Symbol:
SLG, SLG PrC, SLG PrD

INVESTOR RELATIONS
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Tel: 212-216-1654
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ANNUAL REPORT, FORM 10-K
To request a copy of the annual
report on Form 10-K, free
of charge, from the Company,
contact Investor Relations.

ANNUAL MEETING
Tuesday, June 19, 2012,
11:30 a.m., at
The Grand Hyatt New York
109 East 42nd Street
at Madison Avenue,
New York, NY

SHAREHOLDERS
On March 31, 2012, the
Company had approximately
20,873 beneficial shareholders.

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

STOCK MARKET INFORMATION

Our common stock trades on the New York Stock Exchange, or the NYSE, under the symbol “SLG.” On March 30, 2012, the reported closing sale price per share of common stock on the NYSE was $77.55 and there were approximately 516 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions paid by us with respect to the periods indicated.

	2011			2010		
Quarter Ended	High	Low	Dividends	High	Low	Dividends
March 31	**$75.73**	**$67.05**	**$0.10**	$57.60	$44.18	$0.10
June 30	**$90.01**	**$74.72**	**$0.10**	$67.69	$55.04	$0.10
September 30	**$87.54**	**$58.15**	**$0.10**	$66.61	$50.41	$0.10
December 31	**$71.33**	**$55.14**	**$0.25**	$70.27	$61.50	$0.10

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

NYSE DISCLOSURE REQUIREMENTS

Our Chief Executive Officer has submitted the NYSE Section 303A annual certification for 2011, and our Chief Executive Officer and Chief Financial Officer have filed with the SEC their Sarbanes-Oxley Section 302 certifications as exhibits to our Annual Report on Form 10-K for 2011.

Design by Addison www.addison.com Architectural photography by Ofer Wolberger and Nikolas Koenig Team and Relationship photography by David Black

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