SL GREEN REALTY CORP
Form 10-Q
November 07, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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

For the transition period from to .

Commission File Number: 1-13199

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

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

420 Lexington Avenue, New York, New York 10170

(Address of principal executive offices) (Zip Code)

(212) 594-2700

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

The number of shares outstanding of the registrant s common stock, $0.01 par value, was 90,366,509 as of October 31, 2012.

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SL GREEN REALTY CORP.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

SL Green Realty Corp.

Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Commercial real estate properties, at cost:		
Land and land interests	$ 2,937,866	$ 2,684,626
Building and improvements	7,438,364	7,147,527
Building leasehold and improvements	1,331,190	1,302,790
Property under capital lease	12,208	12,208
	11,719,628	11,147,151
Less: accumulated depreciation	(1,339,324)	(1,136,603)
	10,380,304	10,010,548
Assets held for sale	91,574	76,562
Cash and cash equivalents	162,363	138,192
Restricted cash	143,058	86,584
Investment in marketable securities	21,549	25,323
Tenant and other receivables, net of allowance of $21,575 and $16,772 in 2012 and 2011, respectively	35,315	32,107
Related party receivables		4,001
Deferred rents receivable, net of allowance of $30,076 and $29,156 in 2012 and 2011, respectively	330,349	281,974
Debt and preferred equity investments, net of discount of $13,207 and $24,996 and allowance of $7,000 and $50,175 in 2012 and 2011, respectively	1,071,641	985,942
Investments in unconsolidated joint ventures	1,020,790	893,933
Deferred costs, net	253,137	210,786
Other assets	774,859	737,900
Total assets	$ 14,284,939	$ 13,483,852
Liabilities		
Mortgages and other loans payable	$ 4,849,233	$ 4,314,741
Revolving credit facility	200,000	350,000
Senior unsecured notes	1,176,252	1,270,656
Accrued interest payable and other liabilities	100,528	126,135
Accounts payable and accrued expenses	147,452	142,428
Deferred revenue/gains	360,752	357,193
Capitalized lease obligation	17,167	17,112
Deferred land leases payable	18,833	18,495
Dividend and distributions payable	29,154	28,398

Security deposits		**47,698**		46,367
Liabilities related to assets held for sale		**63,202**		61,988
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities		**100,000**		100,000
Total liabilities		**7,110,271**		6,833,513
Commitments and contingencies				
Noncontrolling interests in operating partnership		**265,093**		195,030
Series H Preferred Units, $25.00 liquidation preference, 80 issued and outstanding at September 30, 2012 and December 31, 2011, respectively		**2,000**		2,000
Series G Preferred Units, $25.00 liquidation preference, 1,902 issued and outstanding at September 30, 2012		**47,550**		
Equity				
SL Green stockholders equity:				
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 7,700 and 11,700 issued and outstanding at September 30, 2012 and December 31, 2011, respectively		**180,340**		274,022
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, none and 4,000 issued and outstanding at September 30, 2012 and December 31, 2011, respectively				96,321
Series I preferred stock, $0.01 par value, $25.00 liquidation preference, 9,200 issued and outstanding at September 30, 2012		**222,245**		
Common stock, $0.01 par value 160,000 shares authorized and 93,970 and 89,210 issued and outstanding at September 30, 2012 and December 31, 2011, respectively (including 3,607 and 3,427 shares at September 30, 2012 and December 31, 2011, held in Treasury, respectively)		**940**		892
Additional paid-in-capital		**4,589,423**		4,236,959
Treasury stock at cost		**(319,905)**		(308,708)
Accumulated other comprehensive loss		**(29,281)**		(28,445)
Retained earnings		**1,728,150**		1,704,506
Total SL Green stockholders equity		**6,371,912**		5,975,547
Noncontrolling interests in other partnerships		**488,113**		477,762
Total equity		**6,860,025**		6,453,309
Total liabilities and equity	**$**	**14,284,939**	$	13,483,852

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

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SL Green Realty Corp.

Consolidated Statements of Income

(Unaudited, and amounts in thousands, except per share data)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues				
Rental revenue, net	**$ 281,496**	$ 242,938	**$ 810,001**	$ 708,593
Escalation and reimbursement	**42,804**	39,176	**126,050**	104,446
Investment and preferred equity income	**27,869**	18,433	**87,655**	98,256
Other income	**9,272**	6,076	**25,932**	23,256
Total revenues	**361,441**	306,623	**1,049,638**	934,551
Expenses				
Operating expenses (including approximately $4,668 and $12,856 (2012) and $4,335 and $10,948 (2011) paid to affiliates)	**83,980**	69,093	**226,168**	191,792
Real estate taxes	**53,595**	44,915	**157,662**	128,957
Ground rent	**8,874**	8,463	**26,570**	24,110
Interest expense, net of interest income	**85,828**	74,603	**248,292**	207,042
Amortization of deferred financing costs	**4,493**	2,986	**11,626**	9,469
Depreciation and amortization	**83,429**	73,358	**238,324**	202,394
Loan loss and other investment reserves, net of recoveries			**564**	(1,870)
Transaction related costs	**1,372**	169	**4,493**	3,820
Marketing, general and administrative	**20,551**	18,900	**61,469**	61,375
Total expenses	**342,122**	292,487	**975,168**	827,089
Income from continuing operations before equity in net income of unconsolidated joint ventures, noncontrolling interests and discontinued operations	**19,319**	14,136	**74,470**	107,462
Equity in net income (loss) from unconsolidated joint ventures	**11,658**	(2,728)	**80,988**	7,663
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	**(4,807)**	3,032	**11,987**	3,032
Purchase price fair value adjustment		999		489,889
Gain (loss) on investment in marketable securities	**2,237**		**2,237**	(133)
Depreciable real estate reserves, net of recoveries			**5,789**	
Gain (loss) on early extinguishment of debt		(67)		904
Income from continuing operations	**28,407**	15,372	**175,471**	608,817
Net income from discontinued operations	**223**	1,116	**145**	4,665
Gain on sale of discontinued operations			**6,627**	46,085
Net income	**28,630**	16,488	**182,243**	659,567
Net income attributable to noncontrolling interests				
Noncontrolling interests in the operating partnership	**(567)**	(170)	**(4,876)**	(13,946)
Noncontrolling interests in other partnerships	**(1,835)**	(1,694)	**(6,792)**	(8,564)
Preferred units distributions	**(571)**		**(1,533)**	
Net income attributable to SL Green	**25,657**	14,624	**169,042**	637,057
Preferred stock redemption costs	**(10,010)**		**(10,010)**	
Preferred stock dividends	**(7,915)**	(7,545)	**(23,004)**	(22,634)
Net income attributable to SL Green common stockholders	**$ 7,732**	$ 7,079	**$ 136,028**	$ 614,423

Amounts attributable to SL Green common stockholders:

Income from continuing operations	**$ 12,153**	$ 2,045	**$ 117,919**	$ 82,769
Purchase price fair value adjustment		977		479,062
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	**(4,636)**	2,966	**11,572**	2,965
Net income from discontinued operations	**215**	1,091	**139**	4,560
Gain on sale of discontinued operations			**6,398**	45,067
Net income	**$ 7,732**	$ 7,079	**$ 136,028**	$ 614,423
Basic earnings per share:				
Net income from continuing operations before discontinued operations	**$ 0.14**	$ 0.04	**$ 1.33**	$ 6.77
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	**(0.05)**	0.03	**0.13**	0.03
Net income from discontinued operations		0.01		0.06
Gain on sale of discontinued operations			**0.07**	0.54
Net income attributable to SL Green common stockholders	**$ 0.09**	$ 0.08	**$ 1.53**	$ 7.40
Diluted earnings per share:				
Net income from continuing operations before discontinued operations	**$ 0.14**	$ 0.04	**$ 1.32**	$ 6.73
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	**(0.05)**	0.03	**0.13**	0.04
Net income from discontinued operations		0.01		0.05
Gain on sale of discontinued operations			**0.07**	0.54
Net income attributable to SL Green common stockholders	**$ 0.09**	$ 0.08	**$ 1.52**	$ 7.36
Dividends per share	**$ 0.25**	$ 0.25	**$ 0.75**	$ 0.75
Basic weighted average common shares outstanding	**90,241**	85,696	**88,929**	83,001
Diluted weighted average common shares and common share equivalents outstanding	**93,891**	88,081	**92,485**	85,384

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

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SL Green Realty Corp.

Consolidated Statements of Comprehensive Income

(Unaudited, and amounts in thousands)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income	**$ 28,630**	$ 16,488	**$ 182,243**	$ 659,567
Other comprehensive income (loss):				
Net unrealized gain (loss) on derivative instruments	**190**	(1,398)	**493**	(4,389)
SL Green s share of joint venture net unrealized gain (loss) on derivative instruments	**(292)**	(3,070)	**(1,128)**	319
Unrealized gain (loss) on marketable securities	**(825)**	1,528	**(597)**	2,094
Other comprehensive income (loss)	**(927)**	(2,940)	**(1,232)**	(1,976)
Comprehensive income	**27,703**	13,548	**181,011**	657,591
Net income attributable to noncontrolling interests	**(2,973)**	(1,864)	**(13,201)**	(22,510)
Other comprehensive income attributable to noncontrolling interests	**59**	67	**396**	173
Preferred stock redemption costs	**(10,010)**		**(10,010)**	
Comprehensive income attributable to SL Green	**$ 14,779**	$ 11,751	**$ 158,196**	$ 635,254

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

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SL Green Realty Corp.

Consolidated Statement of Equity

(Unaudited, and amounts in thousands, except per share data)

	SL Green Realty Corp. Stockholders										
	Series C Preferred Stock	Series D Preferred Stock	Series I Preferred Stock	Common Stock Shares	Common Stock Par Value	Additional Paid-In-Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2011	$ 274,022	$ 96,321	$	85,783	$ 892	$ 4,236,959	$ (308,708)	$ (28,445)	$ 1,704,506	$ 477,762	$ 6,453,309
Net income after allocation to noncontrolling interests in SLGOP and preferred stock redemption costs									159,032	6,792	165,824
Comprehensive Income:								(836)			(836)
Preferred dividends									(23,004)		(23,004)
Redemption of units and DRIP proceeds				1,523	15	117,007					117,022
Redemption of preferred stock	(93,682)	(96,321)									(190,003)
Reallocation of noncontrolling interest in the Operating Partnership									(44,893)		(44,893)
Deferred compensation plan & stock award, net				66	2	629	(11,197)				(10,566)
Amortization of deferred compensation plan						20,667					20,667
Proceeds from issuance of preferred stock			222,245								222,245
Proceeds from issuance of common stock				2,640	27	201,272					201,299
Proceeds from stock options exercised				351	4	12,889					12,893
Consolidation of joint venture interest										19,181	19,181
Cash distributions to noncontrolling interests										(15,622)	(15,622)
									(67,491)		(67,491)

Cash distribution declared ($0.75 per common share, none of which represented a return of capital for federal income tax purposes)											
Balance at September 30, 2012	**$ 180,340**	**$**	**$ 222,245**	**90,363**	**$ 940**	**$ 4,589,423**	**$ (319,905)**	**$**	**(29,281)**	**$ 1,728,150**	**$ 488,113**

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

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SL Green Realty Corp.

Consolidated Statements of Cash Flows

(Unaudited, and amounts in thousands)

	Nine Months Ended September 30, 2012	2011
Operating Activities		
Net income	**$ 182,243**	$ 659,567
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**249,950**	212,558
Depreciable real estate reserves, net of recoveries	**(5,789)**	
Equity in net income from unconsolidated joint ventures	**(80,988)**	(7,663)
Equity in net gain on sale of interest in unconsolidated joint venture	**(11,987)**	(3,032)
Gain on sale of discontinued operations	**(6,627)**	(46,085)
Distributions of cumulative earnings from unconsolidated joint ventures	**84,182**	9,787
Preferred stock redemption costs	**(10,010)**	
Purchase price fair value adjustment		(489,889)
Gain on sale of debt securities		(19,840)
Loan loss and other investment reserves, net of recoveries	**564**	(1,870)
(Gain) loss on sale of investments in marketable securities	**(2,237)**	133
Gain on early extinguishment of debt		(904)
Deferred rents receivable	**(50,910)**	(64,600)
Other non-cash adjustments	**1,718**	3,158
Changes in operating assets and liabilities:		
Restricted cash operations	**(12,557)**	1,757
Tenant and other receivables	**(8,500)**	(3,130)
Related party receivables	**(3,792)**	524
Deferred lease costs	**(37,885)**	(25,483)
Other assets	**(44,915)**	(11,994)
Accounts payable, accrued expenses and other liabilities	**11,309**	12,692
Deferred revenue and land leases payable	**12,187**	12,010
Net cash provided by operating activities	**265,956**	237,696
Investing Activities		
Acquisitions of real estate property	**(405,318)**	(331,972)
Additions to land, buildings and improvements	**(107,425)**	(111,485)
Escrowed cash capital improvements/acquisition deposits	**(68,692)**	39,886
Investments in unconsolidated joint ventures	**(159,524)**	(95,611)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**48,510**	107,753
Net proceeds from disposition of real estate/joint venture interest	**70,367**	160,548
Other investments	**(28,911)**	(16,374)
Debt and preferred equity and other investments, net of repayments/participations	**(178,183)**	(254,264)
Net cash used in investing activities	**(829,176)**	(501,519)
Financing Activities		
Proceeds from mortgages and other loans payable	**1,113,500**	740,000
Repayments of mortgages and other loans payable	**(484,518)**	(754,358)
Proceeds from revolving credit facility and senior unsecured notes	**813,339**	1,401,068
Repayments of revolving credit facility and senior unsecured notes	**(1,065,793)**	(1,393,144)
Proceeds from stock options exercised and DRIP issuance	**112,447**	8,278
Net proceeds from issuance of preferred/common stock	**423,544**	516,350
Redemption of preferred stock	**(190,003)**	
Purchase of treasury stock	**(11,197)**	(4,313)

Distributions to noncontrolling interests in other partnerships		**(15,622)**		(143,474)
Contributions from noncontrolling interests in other partnerships		**19,181**		
Distributions to noncontrolling interests in Operating Partnership		**(2,385)**		(572)
Dividends paid on common and preferred stock		**(91,272)**		(47,684)
Deferred loan costs and capitalized lease obligation		**(33,830)**		3,347
Net cash provided by financing activities		**587,391**		325,498
Net increase in cash and cash equivalents		**24,171**		61,675
Cash and cash equivalents at beginning of period		**138,192**		332,830
Cash and cash equivalents at end of period	**$**	**162,363**	$	394,505

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

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SL Green Realty Corp.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

1. Organization and Basis of Presentation

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP 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 is referred to as the Service Corporation, a consolidated variable interest entity. All of the management, leasing and construction services with respect to the properties which are 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 minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to the 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 September 30, 2012, noncontrolling investors held, in the aggregate, a 3.53% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. See Note 13, Noncontrolling Interests in Operating Partnership.

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of the Operating Partnership.

As of September 30, 2012, 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, 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	28	18,807,945	92.9%
	Unconsolidated properties	7	5,326,815	96.1%
Suburban	Consolidated properties	25	3,863,000	79.6%
	Unconsolidated properties	5	1,539,700	86.2%

65	29,537,460	91.4%

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

We also owned investments in 12 stand-alone retail properties encompassing approximately 388,686 square feet, 13 development properties encompassing approximately 2,521,563 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet) and two land interests as of September 30, 2012. At September 30, 2012, we also owned investments in 31 West Coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 million rentable square feet. As of September 30, 2012, we also held $1.1 billion in debt and preferred equity investments.

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 minimize 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.

Basis of Quarterly Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally

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SL Green Realty Corp.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position of the Company at September 30, 2012, and the results of operations for the periods presented have been included. The 2012 operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

The balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. 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 Note 5, Debt and Preferred Equity Investments and Note 6, Investment in Unconsolidated Joint Ventures. All significant intercompany balances and transactions have been eliminated.

The Financial Accounting Standards Board s, or FASB, guidance for determining whether an entity is a variable interest entity, or VIE, 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 the presentation of net income was modified to require earnings and other comprehensive income to be attributed to controlling and noncontrolling 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 limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIE s, 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 typically 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

On a periodic basis, we assess whether there are any indications 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 is 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. In November 2011, we recorded a $5.8 million impairment charge in connection with the expected sale of one of our equity investments. In June 2012, we reversed this entire impairment charge. See Note 6, Investments in Unconsolidated Joint Ventures. No impairment charge was recorded on our consolidated properties during the three or nine months ended September 30, 2012 and 2011. We do not believe that the value of any of our consolidated properties or equity investments was impaired at September 30, 2012 and December 31, 2011.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

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 is amortized over the expected term of the associated lease, which generally ranges 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 $2.6 million, $7.5 million, $3.4 million, $15.8 million in rental revenue for the three and nine months ended September 30, 2012 and 2011, 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 reduction in interest expense for the amortization of the above-market rate mortgages assumed of approximately $1.2 million, $0.7 million, $0.3 million and $3.3 million for the three and nine months ended September 30, 2012 and 2011, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) (amounts in thousands):

	September 30, 2012	December 31, 2011
Identified intangible assets (included in other assets):		
Gross amount	**$ 744,782**	$ 673,495
Accumulated amortization	**(252,152)**	(193,442)
Net	**$ 492,630**	$ 480,053
Identified intangible liabilities (included in deferred revenue):		
Gross amount	**$ 668,999**	$ 622,029
Accumulated amortization	**(346,154)**	(290,893)
Net	**$ 322,845**	$ 331,136

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 1, Level 2 and Level 3 inputs. Additionally, we determined the valuation allowance for loan losses based on Level 3 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 3 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 3 inputs.

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

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- *Cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and other assets and liabilities:* The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and other assets and liabilities reported in our consolidated balance sheets approximates fair value due to the short-term nature 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 Reserve for Possible Credit Losses below 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 measuring fair value 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 assets and liabilities 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 September 30, 2012 is approximately $6.3 million in net unrealized gains related to marketable securities.

The cost of bonds and marketable securities sold is determined using the specific identification method.

At September 30, 2012 and December 31, 2011, we held the following marketable securities (amounts in thousands):

		September 30, 2012	December 31, 2011
Level 1	Equity marketable securities	**$ 6,125**	$ 8,065
Level 2	Commercial mortgage-backed securities	**11,689**	13,369
Level 3	Rake bonds	**3,735**	3,889
Total marketable securities available-for-sale		**$ 21,549**	$ 25,323

During the nine months ended September 30, 2012, we disposed of some of our Level 1 securities for aggregate net proceeds of $3.2 and realized gains of $2.2 million, which is included in gain (loss) on investments in marketable securities on the consolidated statements of income.

The cost basis of the Level 3 securities was $3.7 million at September 30, 2012 and $3.9 million at December 31, 2011. There were no sales of Level 3 securities during the nine months ended September 30, 2012. The Level 3 securities mature at various times through 2030.

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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.

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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 loss 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 loan loss reserves of zero, $3.0 million, zero and $2.5 million on investments being held to maturity during the three and nine months ended September 30, 2012 and 2011, respectively. We also recorded recoveries of approximately zero, $2.4 million, zero and $4.4 million during the three and nine months ended September 30, 2012 and 2011, respectively, in connection with the sale of investments. This is included in loan loss and other investment reserves, net of recoveries in the accompanying consolidated statements of income.

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.

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 Federal, state and local tax provision of $0.2 million and $0.2 million during the nine months ended September 30, 2012 and 2011, respectively, and made estimated tax payments of zero and $0.1 million during the nine months ended September 30, 2012 and 2011, 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.

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 12, Equity.

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

Compensation cost for stock options, if any, is recognized ratably over the vesting period of the award. Our policy is to grant options

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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 the compensation committee of our board of directors authorizes the award and adopts any relevant performance measures. For programs with performance measures, the total estimated compensation cost is based on the fair value of the award at the applicable reporting 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 Company 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 units, or 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 the compensation committee of our board of directors may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

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, or nonvested shares, and restricted stock units, or 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, Debt and Preferred Equity Investments. 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, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. Other than three tenants who account for approximately 6.9%, 6.4% and 6.0% of our share of annualized cash rent, respectively, no other tenant in our portfolio accounted for more than 1.9% of our annualized cash rent, including our share of joint venture annualized cash rent at September 30, 2012. Approximately 10%, 5%, 6%, 5% and 6% of our annualized cash rent, including our share of joint venture annualized cash rent, was attributable to 1515 Broadway, 420 Lexington Avenue, 1185 Avenue of the Americas, 485 Lexington Avenue and One Madison Avenue, respectively, for the three months ended September 30, 2012. In addition, three debt and preferred equity investments accounted for more than 10.0% of the income earned on debt and preferred equity investments during the three months ended September 30, 2012.

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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 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 was effective as of the first quarter of 2012 and its adoption did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued guidance to increase the prominence of other comprehensive income, or OCI, in the financial statements. The standard gives businesses two options for presenting OCI, which previously had been included within the statement of equity. An OCI statement may be included with the statement of income, and together the two will make a statement of total comprehensive income. Alternatively, businesses may 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 became effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this guidance and presented a separate Statement of Comprehensive Income in our consolidated financial statements. 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 the fourth quarter of 2012.

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 is not expected to have a material impact on our consolidated financial statements.

3. Property Acquisitions

2012 Acquisitions

In September 2012, we acquired the aggregate 267,000 square foot office buildings at 635 and 641 Sixth Avenue for $173.0 million. 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 June 2012, we acquired a 215,000 square foot mixed-use office and retail building at 304 Park Avenue South for $135.0 million. The property was acquired with approximately $102.0 million in cash and $33.0 million in units of limited partnership interest in the Operating Partnership.

In October 2011, we formed a joint venture with Stonehenge Partners and, in January 2012, we acquired five retail and two multifamily properties in Manhattan for $193.1 million, inclusive of the issuance of $47.6 million aggregate liquidation preference of 4.5% Series G preferred units of limited partnership interest in the Operating Partnership. Simultaneous with the closing, we financed the residential component, which encompasses 385 units and 488,000 square feet, with an aggregate 12-year $100.0 million fixed rate mortgage which bears interest at 4.125% and one of the retail properties was financed with a 5-year $8.5 million mortgage. We hold an 80% interest in this joint venture which we consolidate as it is a VIE and we have been designated as the primary beneficiary.

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The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these 2012 acquisitions (amounts in thousands):

	304 Park Avenue South	Stonehenge Properties
Land	$ 54,189	$ 65,533
Building and building leasehold	75,619	128,457
Above market lease value	2,824	594
Acquired in-place leases	8,265	9,573
Other assets, net of other liabilities		2,190
Assets acquired	140,897	206,347
Fair value adjustment to mortgage note payable		
Below market lease value	5,897	13,239
Liabilities assumed	5,897	13,239
Purchase price allocation	$ 135,000	$ 193,108
Net consideration funded by us at closing	$ 135,000	$ 78,121
Equity and/or debt investment held	$	$
Debt assumed	$	$

2011 Acquisitions

In November 2011, we acquired all of the interests in 51 East 42nd Street, a 142,000 square-foot office building for approximately $80.0 million, inclusive of the issuance of $2.0 million aggregate liquidation preference of 6.0% Series H preferred units of limited partnership interest in the Operating Partnership.

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 Class A office tower. The consideration for our 49.9% 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, which is a VIE and in which we have been designated as the primary beneficiary, due to the control we exert over leasing activities at the property.

In May 2011, we acquired a substantial ownership interest in the 205,000-square-foot 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.

In April 2011, we purchased SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ s, 31.5% economic interest in 1515 Broadway, thereby consolidating full ownership of the 1,750,000 square foot building. The transaction valued the consolidated interests at $1.23 billion. This valuation was based on a negotiated sales agreement and took into consideration such factors as whether this was a distressed sale and whether a minority discount was warranted. 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.

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 building. The transaction valued the consolidated interests 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.

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The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these 2011 acquisitions (amounts in thousands):

	51 East 42nd Street	180 Maiden Lane	110 East 42nd Street	1515 Broadway	521 Fifth Avenue
Land	$ 44,095	$ 191,523	$ 34,000	$ 462,700	$ 110,100
Building	33,470	233,230	46,411	707,938	146,686
Above market lease value	5,616	7,944	823	18,298	3,318
Acquired in-place leases	4,333	29,948	5,396	98,661	23,016
Other assets, net of other liabilities				27,127	
Assets acquired	87,514	462,645	86,630	1,314,724	283,120
Fair value adjustment to mortgage note payable				(3,693)	
Below market lease value	7,514	20,320	2,326	84,417	25,977
Liabilities assumed	7,514	20,320	2,326	80,724	25,977
Purchase price allocation	$ 80,000	$ 442,325	$ 84,304	$ 1,234,000	$ 257,143
Net consideration funded by us at closing	$ 81,632	$ 81,835	$ 2,744	$ 259,228	$ 70,000
Equity and /or debt investment held			$ 16,000	$ 40,942	$ 41,432
Debt assumed	$	$	$ 65,000	$ 458,767	$ 140,000

4. Property Dispositions and Assets Held for Sale

An entity that holds the property which served as collateral for our loan position, which is collateralized by a property in London, was determined to be a VIE under a reconsideration event and we have been determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012.

In February 2012, we sold our leased fee interest at 292 Madison Avenue for $85.0 million. We recognized a gain of $6.6 million on the 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. We recognized a gain of $46.1 million on the sale.

Discontinued operations includes the results of operations of real estate assets sold prior to, or held for sale as of, September 30, 2012. This includes 28 West 44th Street, which was sold in May 2011, 292 Madison Avenue, which was sold in February 2012, and the London property, which is held for sale.

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The following table summarizes income from discontinued operations for the three and nine months ended September 30, 2012 and 2011, respectively (amounts in thousands).

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues				
Rental revenue	**$ 1,626**	$ 1,950	**$ 2,142**	$ 10,685
Escalation and reimbursement revenues				873
Other income (loss)	**(376)**		**(376)**	60
Total revenues	**1,250**	1,950	**1,766**	11,618
Operating expense	**435**	3	**431**	1,648
Real estate taxes				1,034
Transaction related costs	**65**		**65**	
Interest expense, net of interest income	**527**	825	**1,125**	3,429
Amortization of deferred financing costs		6		166
Depreciation and amortization				676
Total expenses	**1,027**	834	**1,621**	6,953
Net income from discontinued operations	**$ 223**	$ 1,116	**$ 145**	$ 4,665

5. Debt and Preferred Equity Investments

During the nine months ended September 30, 2012 and 2011, our debt and preferred equity investments (net of discounts) increased approximately $374.0 million and $516.1 million, respectively, due to originations, purchases, accretion of discounts and paid-in-kind interest. We recorded approximately $288.3 million and $582.8 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 September 30, 2012 and December 31, 2011, we held the following debt investments with an aggregate weighted average current yield of approximately 9.3% (amounts in thousands):

Loan Type	September 30, 2012	September 30, 2012	December 31, 2011	Initial Maturity

	Senior Financing	Carrying Value, Net of Discounts	Carrying Value, Net of Discounts	Date
Other Loan	**$ 15,000**	**$ 3,500**	$ 3,500	September 2021
Mortgage/Mezzanine Loan(1)	**1,109,000**	**113,828**	108,817	March 2017
Mezzanine Loan	**165,000**	**71,015**	40,375	November 2016
Junior Participation	**133,000**	**49,000**	49,000	June 2016
Mortgage/Mezzanine Loan	**169,822**	**46,476**	46,416	May 2016
Mezzanine Loan	**177,000**	**16,205**	17,112	May 2016
Mezzanine Loan	**205,000**	**66,147**	64,973	February 2016
Junior Participation(2)(4)			8,725	
Junior Participation(3)(4)			11,000	
Total fixed rate	**$ 1,973,822**	**$ 366,171**	$ 349,918	
Mezzanine Loan(5)	**$ 81,000**	**$ 34,940**	$ 34,940	October 2016
Mezzanine Loan	**55,000**	**35,000**	35,000	July 2016
Mortgage/Mezzanine Loan		**41,647**		February 2015
Mezzanine Loan	**45,000**	**10,000**	10,000	January 2015
Mortgage		**15,000**		September 2014
Mezzanine Loan	**170,000**	**60,000**	60,000	August 2014
Mortgage/Mezzanine Loan(9)	**330,000**	**132,000**	30,747	July 2014
Mezzanine Loan	**62,500**	**37,500**		July 2014
Mezzanine Loan(6)	**75,000**	**7,650**	7,650	July 2013
Junior Participation(4)	**60,250**	**10,875**	10,875	June 2013
Mortgage(7)	**28,500**	**3,000**	3,000	February 2013
Mezzanine Loan(8)			8,392	
Mortgage(10)			86,339	
Other Loan			3,196	
Total floating rate	**$ 907,250**	**$ 387,612**	$ 290,139	
Total	**2,881,072**	**753,783**	640,057	
Loan loss reserve(4)		**(7,000)**	(19,125)	
Total	**$ 2,881,072**	**$ 746,783**	$ 620,932	

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(1) Interest is added to the principal balance for this accrual only loan.

(2) This loan was in default and on non-accrual status. We sold our interest in the loan in February 2012 and recovered $0.4 million against the reserve on this loan.

(3) In March 2012, we sold our interest in this loan and recovered $2.0 million against the reserve on this loan.

(4) 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.

(5) As of September 30, 2012, we were committed to fund an additional $15.0 million in connection with this loan.

(6) 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.

(7) 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.

(8) In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity. See note 4 to the next table. This mezzanine loan was on non-accrual status as of January 2012. In June 2012, we acquired an additional 38.6% participation interest in this mezzanine loan. As a result of this acquisition, we have complete control over this position and can, therefore, control any restructuring. On July 26, 2012, the mezzanine holders foreclosed out the equity position and as a result, we consolidated the operations of this investment in August and September 2012. In September 2012, we, together with Blackstone Real Estate Partners VII, or Blackstone, Gramercy Capital Corp. and Square Mile Capital Management LLC, formed a joint venture to recapitalize the underlying West Coast office portfolio and restructure the senior and mezzanine loans that expired in August 2012. We contributed our debt and preferred equity investment to the joint venture, and accounted for our investment under the equity method as of September 28, 2012 because we no longer controlled the joint venture. We own a 27.63% ownership interest in the joint venture. Blackstone, holding a 56.3% ownership interest in the joint venture, will oversee the portfolio s management and leasing activities through its Equity Office Properties affiliate. See Note 6, Investments in Unconsolidated Joint Ventures.

(9) As a result of the acquisition of the remaining 50% interest in November 2011 in the joint venture which held an investment in a debt position on the property located at 450 West 33rd Street, we have reclassified our investment as a debt investment. See Note 6, Investments in Unconsolidated Joint Ventures. As part of the restructuring and refinancing of the related senior mortgage in July 2012, our outstanding investment in the amount of $49.9 million was repaid in full at maturity and we also entered into a loan participation in the amount of $182 million on the $462 million outstanding senior mortgage which maturity was extended to July 2014. In September 2012, we sold $50 million of our interest in the senior mortgage to a third party.

(10) We hold an 88% interest in the consolidated joint venture that acquired this loan. This investment is denominated in British Pounds. This loan was not repaid on its maturity date and was placed in receivership. The entity that holds the property which served as collateral for our loan position was determined to be a VIE under a reconsideration event and we have been determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012.

Preferred Equity Investments

As of September 30, 2012 and December 31, 2011, we held the following preferred equity investments, with an aggregate weighted average current yield of approximately 10.11% (amounts in thousands):

Type	September 30, 2012 Senior Financing	September 30, 2012 Carrying Value, Net of Discounts	December 31, 2011 Carrying Value, Net of Discounts	Initial Mandatory Redemption
Preferred equity(1)	**$ 926,260**	**$ 208,903**	$ 203,080	July 2016
Preferred equity(1)(2)	**57,087**	**17,747**		April 2016
Preferred equity(1)(3)	**480,000**	**98,208**	141,980	July 2014
Preferred equity(1)(4)(5)			51,000	
Loan loss reserve(5)			(31,050)	
	$ 1,463,347	**$ 324,858**	$ 365,010	

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(1) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(2) We are committed to fund an additional $10.0 million on this loan. As of September 30, 2012, we had funded $2.2 million of this commitment.
(3) This is a fixed rate investment. 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. In connection with a recapitalization of the investment, our mezzanine loan was converted to preferred equity in 2011. We also made an additional $50.0 million junior preferred equity loan. This junior preferred equity loan was repaid at par in February 2012.
(4) This investment was on non-accrual status. In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity in 2011. See Note 8 of the prior table. In June 2012, we acquired 100% of the interests in the most senior preferred equity position. In September 2012, we have reclassified our debt and preferred equity investments as investments in unconsolidated joint ventures as part of the recapitalization and refinancing transaction discussed in Note 8 of the prior table.
(5) 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.

The following table is a rollforward of our total loan loss reserves at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Balance at beginning of year	**$ 50,175**	$ 61,361
Expensed	**3,000**	10,875
Recoveries	**(2,436)**	(4,370)
Charge-offs and reclassifications	**(43,739)**	(17,691)
Balance at end of period	**$ 7,000**	$ 50,175

At September 30, 2012 and December 31, 2011, 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 September 30, 2012 and December 31, 2011 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 $120.1 million at September 30, 2012 and $108.7 million at December 31, 2011. The nonaccrual balance of financing receivables at September 30, 2012 and December 31, 2011 was zero and $102.6 million, respectively. No financing receivables were 90 days past due at September 30, 2012. The recorded investment for financing receivables past due 90 days associated with two financing receivables was $17.3 million at December 31, 2011. All financing receivables are individually evaluated for impairment.

The following table presents impaired loans, which may include non-accrual loans, as of September 30, 2012 and December 31, 2011, respectively (amounts in thousands):

	September 30, 2012			December 31, 2011		
	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	$
With an allowance recorded:						
Commercial real estate	10,750	10,750	7,000	86,121	81,475	50,175
Total	$ 10,750	$ 10,750	$ 7,000	$ 192,744	$ 164,853	$ 50,175

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 three and nine months ended September 30, 2012 and 2011, respectively (amounts in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Average recorded investment in impaired loans	$ 40,304	$ 174,790	$ 63,391	$ 214,310
Investment and preferred equity income (loss) recognized	(298)	1,181	3,480	7,542

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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 CIF, SITQ, Canada Pension Plan Investment Board, or CPPIB, 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, Blackstone, Gramercy Capital Corp. (NYSE: GKK), or Gramercy, Square Mile Capital Management LLC, or Square Mile, as well as private investors. All the investments below are voting interest entities, except for 33 Beekman, 3 Columbus Circle and 180/182 Broadway which are VIEs in which we are not the primary beneficiary. Our net equity investment in these three VIEs was $179.4 million and, $161.9 million at September 30, 2012 and December 31, 2011, respectively. As we do not control the joint ventures listed below, 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 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 typically 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 September 30, 2012 (amounts 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
21 West 34th Street	Sutton	50.00%	50.00%	30	07/05	22,400
1604-1610 Broadway	Onyx/Sutton	45.00%	63.00%	30	11/05	4,400
27-29 West 34th Street	Sutton	50.00%	50.00%	41	01/06	30,000
717 Fifth Avenue(9)	Sutton/Nakash	10.92%	10.92%	120	09/06	251,900
800 Third Avenue	Private Investors	42.95%	42.95%	526	12/06	285,000
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
180/182 Broadway(4)	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(5)	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(6)	Moinian	48.90%	48.90%	769	01/11	500,000
280 Park Avenue(7)	Vornado	50.00%	50.00%	1,237	03/11	400,000
1552-1560 Broadway(8)	Sutton	50.00%	50.00%	49	08/11	136,550
747 Madison Avenue	Harel/Sutton	33.33%	33.33%	10	09/11	66,250
724 Fifth Avenue	Sutton	50.00%	50.00%	65	01/12	223,000
10 East 53rd Street	CPPIB	55.00%	55.00%	390	02/12	252,500
33 Beekman(10)	Harel/Naftali	45.90%	45.90%	145	08/12	31,000
West Coast office portfolio(11)	Blackstone/ SquareMile/ Gramercy	27.63%	27.63%	4,474	09/12	880,103

(1) Acquisition price 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 depreciable real estate reserve in 2010 against this joint venture investment. In August 2012, Onyx made a capital contribution to the joint venture, which was distributed to us in full redemption of our preferred equity interest.

(3) The property is subject to a 13-year triple-net lease arrangement with a single tenant. The lease commenced in 2007.

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(4) In December 2010, our 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% partnership interest. In August 2011, the joint venture sold the property located at 63 Nassau Street for $2.8 million.

(5) In December 2010, our $12.0 million first mortgage collateralized by 11 West 34th Street was repaid at par, resulting in our recognition of additional income of approximately $1.1 million. Simultaneous with the repayment, the joint venture was recapitalized with the Company having a 30% interest. The property is subject to a long-term net lease arrangement.

(6) We issued 306,296 operating partnership units in connection with this investment. We had an obligation to fund an additional $47.5 million to the joint venture, of which $43.1 million has been funded as of September 30, 2012. 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 bore interest at a rate of 7.5%. This loan was repaid when the joint venture refinanced its debt in April 2011. In September 2012, the joint venture sold to Young & Rubicam, Inc. a portion of the property, generally floors 3 through 8, through a condominium form of ownership, or Y&R units, for $143.6 million. As the joint venture has an option to repurchase the Y&R unit, no gain was recognized as a result of this transaction.

(7) 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. 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.

(8) 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. In May 2012, we, along with Sutton, acquired the property at 155 West 46th Street for $8.4 million. This property is adjacent to 1552 and 1560 Broadway.

(9) In June 2012, this retail condominium was recapitalized. The recapitalization triggered a promote which resulted in a reduction of our economic interest. In addition, we sold 50% of our remaining interest at a property valuation of $617.6 million. We recognized $67.9 million of additional cash income, equivalent to profit, due to the distribution of refinancing proceeds and a gain on sale of $3.0 million.

(10) The joint venture acquired the fee interest in the property and will develop an approximately 30 story building for student housing. Upon completion of the development, the joint venture will convey a long-term ground lease condominium interest in the building to Pace University.

(11) In September 2012, the Company, together with an affiliate of Blackstone, Gramercy and Square Mile, formed a joint venture to recapitalize a 31-property, 4.5-million-square-foot West Coast office portfolio. Following the recapitalization, Blackstone became the majority owner of the joint venture, with Equity Office Properties, a Blackstone affiliate, being responsible for the portfolio s management and leasing. Prior to the recapitalization, the Company held $26.7 million in mezzanine and preferred equity positions in the entity that owned the portfolio. The new joint venture extended the $678.8 million mortgage secured by the portfolio for a term of 2 years with a 1-year extension option. In addition, the joint venture entered into a new $68.0 million mezzanine loan for a term of 2 years. See Note 5, Debt and Preferred Equity Investments.

In July 2012, we, along with our joint venture partner, sold One Court Square for $481.1 million, which included the assumption by the purchaser of $315.0 million of existing debt. We recognized a loss of $4.8 million on sale of this property.

In April 2012, we, along with our joint venture partner, Jeff Sutton, sold the property located at 379 Broadway for $48.5 million, inclusive of the fee position which was acquired for $13.5 million. We recognized a gain on sale of this investment of $6.5 million.

In March 2012, we, along with our joint venture partner, Jeff Sutton, sold the property located at 141 Fifth Avenue for $46.0 million. We recognized a gain on sale of this investment of $7.3 million.

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, Debt and Preferred Equity Investments.

In August 2011, we sold our 10% interest in the joint venture that held 1551-1555 Broadway for approximately $9.7 million. We recognized a gain of $4.0 million on the sale.

We generally finance our joint ventures with non-recourse debt. However, in certain cases we have provided guarantees or master leases for 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 loan payable collateralized by the respective joint venture properties and assignment of leases at September 30, 2012 and December 31, 2011, respectively, are as follows (amounts in thousands):

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Property	Maturity Date	Interest Rate(1)	September 30, 2012	December 31, 2011
717 Fifth Avenue(9)	06/2024	9.00%	$ **292,242**	$
717 Fifth Avenue(9)	07/2022	4.45%	**300,000**	
388 and 390 Greenwich Street(2)	12/2017	5.19%	**1,106,756**	1,106,757
800 Third Avenue	08/2017	6.00%	**20,910**	20,910
1 and 2 Jericho Plaza	05/2017	5.65%	**163,750**	163,750
1745 Broadway	01/2017	5.68%	**340,000**	340,000
21 West 34th Street	12/2016	5.76%	**100,000**	100,000
280 Park Avenue	06/2016	6.57%	**710,000**	710,000
11 West 34th Street	01/2016	4.82%	**17,561**	17,761
7 Renaissance	02/2015	10.00%	**856**	
100 Park Avenue	09/2014	6.64%	**212,888**	214,625
1604-1610 Broadway(3)	07/2012	5.66%	**27,000**	27,000
One Court Square				315,000
141 Fifth Avenue				25,000
Total fixed rate debt			$ **3,291,963**	$ 3,040,803
388 and 390 Greenwich Street(2)	12/2017	1.26%	$ **31,622**	$ 31,622
600 Lexington Avenue	10/2017	2.46%	**125,000**	125,000
33 Beekman(11)	08/2017	2.98%	**18,362**	
10 East 53rd Street	02/2017	2.74%	**125,000**	
724 Fifth Avenue	01/2017	2.59%	**120,000**	
Other loan payable	06/2016	1.14%	**30,000**	30,000
3 Columbus Circle(4)	04/2016	2.56%	**249,203**	254,896
The Meadows(8)	09/2015	7.75%	**57,000**	84,698
747 Madison Avenue	10/2014	3.07%	**33,125**	33,125
West Coast office portfolio	09/2014	3.99%	**746,797**	
180/182 Broadway(5)	12/2013	2.99%	**61,684**	30,722
16 Court Street	10/2013	2.74%	**84,944**	85,728
1552 Broadway(6)	08/2013	3.24%	**105,960**	95,405
27-29 West 34th Street(7)	05/2013	2.24%	**53,513**	53,900
717 Fifth Avenue(9)				245,000
379 West Broadway(10)				20,991
Total floating rate debt			$ **1,842,210**	$ 1,091,087
Total mortgages and other loan payable			$ **5,134,173**	$ 4,131,890

(1) Interest rate represents the effective weighted average interest rate for the quarter ended September 30, 2012.

(2) Comprised of a $576.0 million mortgage and a $562.4 million mezzanine loan, both of which are fixed rate loans, except for $16.0 million of the mortgage and $15.6 million of the mezzanine loan which are floating. Up to $200.0 million of the mezzanine loan, secured

indirectly by these properties, is recourse to us. We believe it is unlikely that we will be required to perform under this guarantee.

(3) 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.

(4) 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, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata obligation under the master lease. In February 2012, the terms of the mortgage were modified to remove the Y&R condominium from the mortgage lien and from the existing master lease. See Note 6 of prior table.

(5) This loan has a committed amount of $90.0 million.

(6) This loan has a committed amount of $125.0 million.

(7) In April 2012, this loan was extended by 1-year.

(8) This loan had a committed amount of $91.2 million. As a result of the refinancing and restructuring in August 2012, we replaced the existing loan with a $60.0 million, 3-year mortgage, of which $3.0 million was unfunded as of September 30, 2012, and recognized additional income of $10.8 million due to the repayment of the previous mortgage at a discount.

(9) This loan was repaid in June 2012 and was replaced with a $300.0 million mortgage and a $290.0 million mezzanine loan. See Note 9 of the prior table.

(10) This property was sold in April 2012 and the mortgage was repaid at a discount.

(11) This loan has a committed amount of $75.0 million, which is recourse to us. We believe it is unlikely that we will be required to perform under this guarantee.

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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, 3 Columbus Circle and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately $3.2 million, $8.8 million, $2.3 million and $8.0 million from these services for the three and nine months ended September 30, 2012 and 2011, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

The combined balance sheets for the unconsolidated joint ventures, at September 30, 2012 and December 31, 2011, are as follows (amounts in thousands):

	September 30, 2012	December 31, 2011
Assets		
Commercial real estate property, net	**$ 6,570,275**	$ 5,699,113
Other assets	**823,631**	599,596
Total assets	**$ 7,393,906**	$ 6,298,709
Liabilities and members equity		
Mortgages and other loan payable	**$ 5,134,174**	$ 4,131,890
Other liabilities	**389,788**	250,925
Members equity	**1,869,944**	1,915,894
Total liabilities and members equity	**$ 7,393,906**	$ 6,298,709
Company s net investment in unconsolidated joint ventures	**$ 1,020,790**	$ 893,933

The combined statements of income for the unconsolidated joint ventures, from acquisition date through September 30, 2012 and 2011 are as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Total revenues	**$ 120,121**	$ 124,702	**$ 364,587**	$ 362,054
Operating expenses	**18,641**	18,613	**53,274**	55,294
Real estate taxes	**12,008**	12,920	**37,865**	38,660
Interest expense, net of interest income	**55,058**	55,432	**160,528**	148,871
Depreciation and amortization	**37,580**	38,533	**114,758**	111,907
Transaction related costs	**934**	1,752	**1,292**	2,569
Total expenses	**124,221**	127,250	**367,717**	357,301
Gain on early extinguishment of debt	**21,421**		**21,421**	

Net income (loss)	**$**	**17,321**	$	(2,548)	**$**	**18,291**	$	4,753
Company s equity in net income(loss) of unconsolidated joint ventures	**$**	**11,658**	$	(2,728)	**$**	**80,988**	$	7,663

The 2012 equity in net income (loss) of unconsolidated joint ventures includes $67.9 million of additional income due to the distribution of refinancing proceeds from the recapitalization of 717 Fifth Avenue.

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 September 30, 2012, we held 2.0 million shares, or approximately 3.7% of Gramercy s common stock. Our total investment of approximately $6.1 million is based on the market value of our common stock investment in Gramercy at September 30, 2012. During the quarter, we sold 1.2 million shares for net proceeds of $3.2 million and realized gains of $2.2 million. As we no longer have any significant influence over Gramercy, we account for our investment as available-for-sale securities.

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

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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.

Effective June 2012, the first and third leases were amended and replaced with a new lease for approximately 8,100 square foot which ends in April 2015, with annual rent under this lease of approximately $345,000 for year one increasing to $357,000 in year three.

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

7. Deferred Costs

Deferred costs at September 30, 2012 and December 31, 2011 consisted of the following (amounts in thousands):

	September 30, 2012	December 31, 2011
Deferred financing	**$ 146,339**	$ 113,620
Deferred leasing	**274,125**	238,394
	420,464	352,014
Less accumulated amortization	**(167,327)**	(141,228)
Deferred costs, net	**$ 253,137**	$ 210,786

8. Mortgages and Other Loans Payable

The first mortgages and other loans payable collateralized by the respective properties and assignment of leases at September 30, 2012 and December 31, 2011, respectively, were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate(2)	September 30, 2012	December 31, 2011

400 East 57th Street	02/2024	4.13%	$	**70,000**	$	
400 East 58th Street	02/2024	4.13%		**30,000**		
919 Third Avenue(3)	06/2023	5.12%		**500,000**		500,000
100 Church	07/2022	4.68%		**230,000**		
One Madison Avenue	05/2020	5.91%		**612,600**		626,740
Other loan payable(4)	09/2019	8.00%		**50,000**		50,000
885 Third Avenue	07/2017	6.26%		**267,650**		267,650
110 East 42nd Street(5)	07/2017	5.81%		**65,000**		65,000
2 Herald Square	04/2017	5.36%		**191,250**		191,250
485 Lexington Avenue	02/2017	5.61%		**450,000**		450,000
120 West 45th Street	02/2017	6.12%		**170,000**		170,000
300 Main Street	02/2017	5.75%		**11,500**		11,500
762 Madison Avenue	02/2017	3.75%		**8,410**		
Landmark Square	12/2016	4.00%		**84,870**		86,000
420 Lexington Avenue(6)	09/2016	7.15%		**185,739**		187,182
500 West Putnam	01/2016	5.52%		**24,189**		24,563
625 Madison Avenue	11/2015	7.22%		**126,624**		129,098
711 Third Avenue	06/2015	4.99%		**120,000**		120,000
125 Park Avenue	10/2014	5.75%		**146,250**		146,250
609 Partners, LLC(7)	07/2014	5.00%		**23**		31,721
220 East 42nd Street	11/2013	5.25%		**187,072**		190,431
609 Fifth Avenue	10/2013	5.85%		**93,768**		94,963
673 First Avenue	02/2013	5.67%		**29,222**		29,906
292 Madison Avenue(8)						59,099
Total fixed rate debt			**$**	**3,654,167**	$	3,431,353
1515 Broadway(9)	04/2018	3.52%	**$**	**771,786**	$	450,363
180 Maiden Lane(10)	11/2016	2.56%		**273,280**		279,332
Other loan payable(11)	06/2013	3.35%		**62,792**		62,792
521 Fifth Avenue(1)	04/2013	2.24%		**150,000**		150,000
Total floating rate debt			**$**	**1,257,858**	$	942,487
Total mortgages and other loans payable			**$**	**4,912,025**	$	4,373,840

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(1) 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 scheduled 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.

(2) Effective contractual interest rate for the quarter ended September 30, 2012.

(3) We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. 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.

(4) This loan is secured by a portion of a preferred equity investment.

(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) We increased this loan by $40.0 million in March 2011.

(7) As part of an acquisition, we 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 September 30, 2012, 63.8 million Series E units had been redeemed.

(8) This property was sold in February 2012 and the related mortgage, which was included in liabilities related to assets held for sale, was assumed by the purchaser.

(9) We acquired the remaining interest in this joint venture in April 2011. As a result, we have consolidated this investment since April 2011. In April 2012, we refinanced the $447.2 million mortgage that was due in December 2014 with a $775.0 million 7-year mortgage which carries interest at the rate equal to the greater of (a) 285 basis points over 90-day LIBOR or (b) 3.6% per annum.

(10) In connection with this consolidated joint venture obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata obligation under the master lease.

(11) This loan bears interest at 250 basis points over the three month GBP LIBOR. This loan is denominated in British Pounds. This loan was included in liabilities related to assets held for sale on the consolidated balance sheet on September 30, 2012.

At September 30, 2012 and December 31, 2011, the gross book value of the properties collateralizing the mortgages and other loans payable was approximately $7.6 billion and $7.4 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 September 30, 2012, 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 September 30, 2012, the facility fee was 35 basis points. At September 30, 2012, we had approximately $200.0 million of borrowings and $92.2 million of letters of credit outstanding under the 2011 revolving credit facility, with undrawn capacity of $1.2 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.

Master Repurchase Agreement

In September 2012, we entered into an uncommitted Master Repurchase Agreement, or MRA, with a financial institution, with a maximum facility capacity of $175.0 million, under which we agreed to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a certain date or on demand. The MRA s interest rate is based on 1-month LIBOR plus 300 basis points. The MRA matures in September 2013, and has a 1-year extension option. At September 30,

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2012, this facility had not been utilized.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of September 30, 2012 and December 31, 2011, respectively (amounts in thousands):

Issuance	September 30, 2012 Unpaid Principal Balance	September 30, 2012 Accreted Balance	December 31, 2011 Accreted Balance	Coupon Rate(1)	Effective Rate	Term (in Years)	Maturity
March 26, 2007(2)	$ 18,003	**$ 18,003**	$ 119,423	3.00%	3.00%	20	March 30, 2027
June 27, 2005(3)(4)	357	**357**	657	4.00%	4.00%	20	June 15, 2025
March 16, 2010(5)	250,000	**250,000**	250,000	7.75%	7.75%	10	March 15, 2020
August 5, 2011(5)	250,000	**249,607**	249,565	5.00%	5.03%	7	August 15, 2018
October 12, 2010(6)	345,000	**284,872**	277,629	3.00%	7.13%	7	October 15, 2017
March 31, 2006(3)	275,000	**274,835**	274,804	6.00%	6.02%	10	March 31, 2016
August 13, 2004(3)	98,578	**98,578**	98,578	5.88%	5.88%	10	August 15, 2014
	$ 1,236,938	**$ 1,176,252**	$ 1,270,656				

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

(2) 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 the 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 currently redeemable at the Operating Partnership s option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events. On March 30, 2012, we repurchased $102.2 million of aggregate principal amount of the exchangeable notes pursuant to a mandatory offer to repurchase the notes. On the issuance date, $66.6 million was recorded in equity and was fully amortized as of March 31, 2012.

(3) Issued by ROP.

(4) Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, 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, 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 nine months ended September 30, 2012, we repurchased $300,000 of these bonds at par.

(5) Issued by us, the Operating Partnership and ROP, as co-obligors.

(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 the 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. On the issuance date, $78.3 million was recorded in equity. As of September 30, 2012, approximately $60.1 million remained unamortized.

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 the 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 the Operating Partnership exercises its right to defer such payments. The trust preferred securities are redeemable, at the option of the 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 consolidated balance sheet and the related payments are classified as interest expense.

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 dispose of assets, and which require compliance

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with financial ratios relating to the minimum amount of 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 a default is continuing, 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 September 30, 2012 and December 31, 2011, we were in compliance with all such covenants.

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 September 30, 2012, including as-of-right extension options, were as follows (amounts in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2012	$ 12,885	$	$	$	$	$ 12,885	$ 13,670
2013	50,908	516,179				567,087	154,063
2014	52,517	146,273			98,578	297,368	309,602
2015	55,813	229,537			357	285,707	36,478
2016	55,302	516,839	200,000		274,835	1,046,976	528,329
Thereafter	288,797	2,986,975		100,000	802,482	4,178,254	989,434
	$ 516,222	$ 4,395,803	$ 200,000	$ 100,000	$ 1,176,252	$ 6,388,277	$ 2,031,576

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest expense	**$ 86,214**	$ 75,114	**$ 249,489**	$ 208,577
Interest income	**(386)**	(511)	**(1,197)**	(1,535)
Interest expense, net	**$ 85,828**	$ 74,603	**$ 248,292**	$ 207,042
Interest capitalized	**$ 3,360**	$ 1,412	**$ 8,892**	$ 3,629

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, Significant Accounting Policies. 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, restricted cash, 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 $5.4 billion, compared to the book value of the related fixed rate debt of approximately $5.0 billion at September 30, 2012. Our floating rate debt, inclusive of our 2011 revolving credit facility, but excluding $30.0 million of which was swapped, had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately $1.4 billion, compared to the book value of the related floating rate debt of approximately $1.4 billion at September 30, 2012. Our debt and preferred equity investments had an estimated fair value ranging between $0.9 billion and $1.0 billion, compared to the book value of approximately $1.1 billion at September 30, 2012, based on Level 3 inputs.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of September 30, 2012. 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.

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11. 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 $0.8 million, $2.4 million, $0.8 million and $1.9 million for the three and nine months ended September 30, 2012 and 2011, respectively. We paid Alliance approximately $4.7 million, $12.9 million, $4.3 million and $10.9 million for the three and nine months ended September 30, 2012 and 2011, respectively, for these services (excluding services provided directly to tenants).

Marketing Services

A-List Marketing, LLC, or A-List, provides marketing services to us. Ms. Deena Wolff, a sister of Mr. Marc Holliday, is the owner of A-List. The aggregate amount of fees we paid to A-List for these marketing services was approximately $2,400, $58,300, $700 and $66,900 for the three and nine months ended September 30, 2012 and 2011, respectively.

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 was $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 $93,000, $292,000, $113,000 and $335,000 for the three and nine months ended September 30, 2012 and 2011, respectively.

Other

Amounts due from/to related parties at September 30, 2012 and December 31, 2011 consisted of the following (amounts in thousands):

	September 30, 2012	December 31, 2011
Due from joint ventures	**$ 514**	$ 477
Due to joint venture	**(8,717)**	
Other	**7,280**	3,524
Related party receivables (payable, which is included in Accrued interest payable and other liabilities)	**$ (923)**	$ 4,001

Gramercy Capital Corp.

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

12. Equity

Common Stock

Our authorized capital stock consists of 260,000,000 shares, $.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, $.01 par value per share, 75,000,000 shares of excess stock, at $.01 par value per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of September 30, 2012, 90,363,063 shares of common stock and no shares of excess stock were issued and outstanding.

In July 2011, we, along with the Operating Partnership, entered into an at-the-market equity offering program, or ATM Program, to

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sell an aggregate of $250.0 million of our common stock. During the nine months ended September 30, 2012, we had sold 2.6 million shares of our common stock through the ATM Program for aggregate gross proceeds of approximately $204.6 million ($201.3 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 September 30, 2012, we had $45.4 million available to issue under the ATM Program.

Perpetual Preferred Stock

We have 9,200,000 shares of our 6.50% Series I cumulative redeemable preferred stock, or the Series I preferred stock, outstanding with a mandatory liquidation preference of $25.00 per share. The Series I preferred stockholders receive annual dividends of $1.625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. We are entitled to redeem the Series I preferred stock at par for cash at our option on or after August 10, 2017. We received $222.2 million in net proceeds from the issuance of the Series I preferred stock which is net of underwriters discount and issuance costs.

We have 7,700,000 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. We are 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. In September 2012, we redeemed 4,000,000 shares of Series C preferred stock at a redemption price of $25.00 per share plus $0.3707 in accumulated and unpaid dividends on such preferred stock through September 24, 2012. We recognized $6.3 million of costs to partially redeem the Series C preferred stock, which is included in preferred stock redemption costs on the consolidated statements of income.

We also had 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 received annual dividends of $1.96875 per share paid on a quarterly basis and dividends were cumulative, subject to certain provisions. In July 2012, we redeemed all 4,000,000 shares of our Series D preferred stock at a redemption price of $25.00 per share plus $0.4922 in accumulated and unpaid dividends on such preferred stock through July 14, 2012. We recognized $3.7 million of costs to redeem the Series D preferred stock, which is included in preferred stock redemption costs on the consolidated statements of income.

Dividend Reinvestment and Stock Purchase Plan

In March 2012, we filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which automatically became effective upon filing. We registered 3,500,000 shares of our common stock under the DRIP. The DRIP commenced on September 24, 2001.

During the nine months ended September 30, 2012 and 2011, we issued approximately 1.3 million shares and 285 shares and received approximately $99.6 million and $22,000 of proceeds, 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 of directors, 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. As of September 30, 2012, approximately 4.1 million

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fungible units were available for issuance under the 2005 Plan, or 5.2 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 during the nine months ended September 30, 2012 and the year ended December 31, 2011.

	September 30, 2012	**December 31, 2011**
Dividend yield	**2.00%**	2.00%
Expected life of option	**5.0 years**	4.2 years
Risk-free interest rate	**0.99%**	1.00%
Expected stock price volatility	**44.00%**	47.98%

A summary of the status of our stock options as of September 30, 2012 and December 31, 2011 and changes during the periods then ended are presented below:

	September 30, 2012		**December 31, 2011**	
	Options Outstanding	**Weighted Average Exercise Price**	**Options Outstanding**	**Weighted Average Exercise Price**
Balance at beginning of year	**1,277,200**	**$ 63.37**	1,353,002	$ 58.85
Granted	**25,000**	**68.16**	212,400	66.42
Exercised	**(351,053)**	**36.73**	(243,901)	40.48
Lapsed or cancelled	**(47,919)**	**70.49**	(44,301)	65.89
Balance at end of period	**903,228**	**$ 73.50**	1,277,200	$ 63.37
Options exercisable at end of period	**517,472**	**$ 83.83**	644,429	$ 72.31
	$ 557,944		$ 4,647,554	

Weighted average fair value of options granted during the period

All options were granted within a price range of \$20.67 to \$137.18. The remaining weighted average contractual life of the options outstanding was 3.97 years and the remaining weighted average contractual life of the options exercisable was 4.51 years.

During the three and nine months ended September 30, 2012 and 2011, we recognized approximately \$1.0 million, \$3.9 million, \$1.0 million and \$3.6 million of compensation expense, respectively, for these options. As of September 30, 2012, there was approximately \$4.3 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.

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A summary of our restricted stock as of September 30, 2012 and December 31, 2011 and charges during the respective periods is presented below:

Restricted Stock Awards	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Balance at beginning of year	**2,912,456**	2,728,290
Granted	**1,849**	185,333
Cancelled	**(200,284)**	(1,167)
Balance at end of period	**2,714,021**	2,912,456
Vested during the period	**312,257**	66,299
Compensation expense recorded	**$ 5,288,369**	$ 17,365,401
Weighted average fair value of restricted stock granted during the period	**$ 128,876**	$ 21,768,084

The fair value of restricted stock that vested during the nine months ended September 30, 2012 was $16.6 million. As of September 30, 2012, there was $5.7 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted average period of approximately 1.4 years.

For the three and nine months ended September 30, 2012 and 2011, approximately $0.9 million, $2.9 million, $0.9 million and $2.8 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 a component of 2011 bonus awards. 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 SL Green s 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.

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, the final vesting period. We recorded compensation expense of approximately $10,000 and $70,000 for the three and nine months ended September 30, 2011, respectively, in connection with the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of the quarter ended September 30, 2011.

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 the 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

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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 $3.3 million, $7.0 million, $2.3 million and $6.5 million for the three and nine months ended September 30, 2012 and 2011, respectively, related to the 2010 Long-Term Compensation Plan.

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 the 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 September 30, 2012, 96.8% of the 2011 Outperformance Plan had been granted. The cost of the 2011 Outperformance Plan for the 96.8% granted (approximately $26.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $1.4 million and $4.0 million during the three and nine months ended September 30, 2012 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 nine months ended September 30, 2012, 7,281 phantom stock units were earned. As of September 30, 2012, there were approximately 74,130 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 Code, 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

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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 September 30, 2012, approximately 62,464 shares of our common stock had been issued under the ESPP.

Earnings per Share

Earnings per share for the three and nine months ended September 30, 2012 and 2011 is computed as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Numerator (Income)				
Basic Earnings:				
Income attributable to SL Green common stockholders	**$ 7,732**	$ 7,079	**$ 136,028**	$ 614,423
Effect of Dilutive Securities:				
Redemption of units to common shares	**567**	170	**4,876**	13,946
Stock options				
Diluted Earnings:				
Income attributable to SL Green common stockholders	**$ 8,299**	$ 7,249	**$ 140,904**	$ 628,369

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Denominator (Weighted Average Shares)				
Basic Earnings:				
Shares available to common stockholders	**90,241**	85,696	**88,929**	83,001
Effect of Dilutive Securities:				
Redemption of units to common shares	**3,320**	1,912	**3,188**	1,876
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	**330**	473	**368**	507

Diluted Shares	**93,891**	88,081	**92,485**	85,384

We have excluded approximately 548,000, 613,000, 667,000 and 657,000 common stock equivalents from the diluted shares outstanding for the three and nine months ended September 30, 2012 and 2011, respectively, as they were anti-dilutive.

13. Noncontrolling Interests in Operating Partnership

The noncontrolling interest ownership in the Operating Partnership represents interests held by entities other than the Company. As of September 30, 2012 and December 31, 2011, the noncontrolling interest unit holders owned 3.53% (3,310,449 units) and 3.12% (2,764,737 units) of the Operating Partnership, respectively. At September 30, 2012, there were also 66,668 performance-based LTIP units outstanding. At September 30, 2012, 3,377,117 shares of our common stock were reserved for issuance upon redemption of units of limited partnership interest in the 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.

In January 2012, as part of an acquisition, the Operating Partnership issued 1,902,000 4.5% Series G preferred units of limited partnership interest, or the Series G preferred units, with a liquidation preference of $25.00 per unit. The Series G preferred unitholders receive annual dividends of $1.125 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series G preferred units are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) $88.50. The common units of limited partnership interest in the Operating Partnership may be redeemed in exchange for our

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common stock on a 1-to-1 basis. The Series G preferred units also provide the holder with the right to require the Operating Partnership to repurchase the preferred units for cash before January 31, 2022.

In November 2011, as part of an acquisition, the Operating Partnership issued 80,000 6.0% Series H preferred units, or the Series H preferred units, with a mandatory 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 the Operating Partnership s option or the option of the unitholder.

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

	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Balance at beginning of period	**$ 195,030**	$ 84,338
Distributions	**(2,385)**	(1,264)
Issuance of common units	**40,542**	60,443
Redemption of common units	**(17,467)**	(865)
Net income	**4,876**	14,629
Accumulated other comprehensive income allocation	**(396)**	(291)
Fair value adjustment	**44,893**	38,040
Balance at end of period	**$ 265,093**	$ 195,030

14. Commitments and Contingencies

We and the 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 related to this litigation will not materially affect our financial position, operating results or liquidity.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of September 30, 2012 (amounts in thousands):

September 30,	Capital lease	Non-cancellable operating leases
2012	$ 388	$ 8,410
2013	1,555	33,641
2014	1,555	33,641
2015	1,593	33,641
2016	1,707	33,745
Thereafter	42,351	630,503
Total minimum lease payments	49,149	$ 773,581
Less amount representing interest	(31,982)	
Present value of net minimum lease payments	$ 17,167	

15. 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 September 30, 2012 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 (amounts in

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thousands):

[redacted]							
Interest Rate Cap	$	775,000	3.650%	04/2012	04/2013	$	
[redacted]							
Interest Rate Swap	$	30,000	2.295%	7/2010	6/2016	$	(2,034)
[redacted]							
[redacted]							

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 September 30, 2012, the derivative instruments were reported as an obligation at their fair value of approximately $2.2 million. This is included in other liabilities on the consolidated balance sheet at September 30, 2012. Included in accumulated other comprehensive loss at September 30, 2012 was approximately $17.3 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation, and active hedges and our share of joint venture accumulated other comprehensive loss of approximately $18.3 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 was included in financing activities in the consolidated statement of cash flows. This loss will be amortized over the 10-year term of the related financing. This loss is included in the $17.3 million balance noted above. The balance in accumulated other comprehensive loss relating to derivatives was $35.5 million and $35.4 million at September 30, 2012 and December 31, 2011, respectively.

Over time, the realized and unrealized gains and losses held in accumulated other comprehensive loss will be reclassified into earnings as an adjustment to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately $1.9 million of the current balance held in accumulated other comprehensive loss will be reclassified into earnings within the next 12 months.

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

The following table presents the effect of our derivative financial instruments and our share of our joint venture s derivative financial instruments on the consolidated statements of income for the three months ended September 30, 2012 and 2011, respectively (amounts in thousands):

		Amount of (Loss) or Gain Recognized in Other Comprehensive Loss (Effective Portion) For the Three Months Ended		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 Three Months Ended		Amount of (Loss) or Gain Recognized in Interest Expense/Equity in Net Income of Unconsolidated Joint Ventures (Ineffective Portion) For the Three Months Ended	
Designation\Cash Flow	**Derivative**	**September 30, 2012**	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Qualifying	Interest Rate Swaps/Caps	$ (3,433)	$ (7,188)	$ (3,249)	$ (3,179)	$ (1)	$ (1)
Non-qualifying	Interest Rate Caps/Currency Hedges					(666)	(493)

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The following table presents the effect of our derivative financial instruments and our share of our joint venture s derivative financial instruments on the consolidated statements of income for the nine months ended September 30, 2012 and 2011, respectively (amounts in thousands):

		Amount of (Loss) or Gain Recognized in Other Comprehensive Loss (Effective Portion) For the Nine Months Ended		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 Nine Months Ended		Amount of (Loss) or Gain Recognized in Interest Expense/Equity in Net Income of Unconsolidated Joint Ventures (Ineffective Portion) For the Nine Months Ended	
Designation\Cash Flow	**Derivative**	**September 30, 2012**	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Qualifying	Interest Rate Swaps/Caps	$ (10,356)	$ (13,260)	$ (9,665)	$ (9,394)	$ (2)	$ (17)
Non-qualifying	Interest Rate Caps/Currency Hedges					(997)	(168)

16. 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 our properties were sold.

17. 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, Debt and Preferred Equity Investments, for additional details on our debt and preferred equity investments.

Selected results of operations for the three and nine months ended September 30, 2012 and 2011, and selected asset information as of September 30, 2012 and December 31, 2011, regarding our operating segments are as follows (amounts in thousands):

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total revenues:			
Three months ended:			
September 30, 2012	$ 333,572	$ 27,869	$ 361,441
September 30, 2011	288,190	18,433	306,623
Nine months ended:			
September 30, 2012	$ 961,983	$ 87,655	$ 1,049,638
September 30, 2011	836,295	98,256	934,551
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture and purchase price fair value adjustments:			
Three months ended:			
September 30, 2012	$ 10,942	$ 22,272	$ 33,214
September 30, 2011	(4,555)	15,896	11,341
Nine months ended:			
September 30, 2012	$ 93,284	$ 70,200	$ 163,484
September 30, 2011	23,672	92,224	115,896
Total assets:			
As of:			
September 30, 2012	$ 13,201,946	$ 1,082,993	$ 14,284,939
December 31, 2011	12,490,502	993,350	13,483,852

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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 allocated loan loss reserves, net of recoveries to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses and transaction related costs (approximately $21.9 million, $66.0 million, $19.1 million and $65.2 million for the three and nine months ended September 30, 2012 and 2011, 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 three and nine months ended September 30, 2012 and 2011 (amounts in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture and purchase price fair value adjustments	**$ 33,214**	$ 11,341	**$ 163,484**	$ 115,896
Purchase price fair value adjustment		999		489,889
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	**(4,807)**	3,032	**11,987**	3,032
Income from continuing operations	**28,407**	15,372	**175,471**	608,817
Net income from discontinued operations	**223**	1,116	**145**	4,665
Gain on sale of discontinued operations			**6,627**	46,085
Net income	**28,630**	16,488	**182,243**	659,567
Net income attributable to noncontrolling interests in the operating partnership	**(567)**	(170)	**(4,876)**	(13,946)
Net income attributable to noncontrolling interests in other partnerships	**(1,835)**	(1,694)	**(6,792)**	(8,564)
Preferred units distributions	**(571)**		**(1,533)**	
Net income attributable to SL Green	**25,657**	14,624	**169,042**	637,057
Preferred stock redemption costs	**(10,010)**		**(10,010)**	

Preferred stock dividends		**(7,915**)		(7,545)		**(23,004)**		(22,634)
Net income attributable to SL Green common stockholders	**$**	**7,732**	$	7,079	**$**	**136,028**	$	614,423

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

A summary of our non-cash investing and financing activities for the nine months ended September 30, 2012 and 2011 is presented below (amounts in thousands):

	Nine Months Ended September 30,	
	2012	**2011**
Issuance of common stock as deferred compensation	**$ 631**	$ 621
Issuance of units in the operating partnership	**40,542**	20,222
Redemption of units in the operating partnership	**17,467**	865
Derivative instruments at fair value	**375**	1,674
Assignment of debt investment to joint venture	**25,362**	286,571
Mortgage assigned upon asset sale	**59,099**	30,000
Tenant improvements and capital expenditures payable	**10,056**	8,686
Assumption of mortgage loans		663,767
Fair value adjustment to noncontrolling interest in operating partnership	**44,893**	1,168
Accrued acquisition liabilities	**4,372**	43,000
Issuance of common stock in connection with an acquisition		14,997
Consolidation of real estate investments		557,314
Transfer to net assets held for sale	**86,339**	
Transfer to liabilities related to net assets held for sale	**62,792**	
Repayment of mezzanine loan	**3,750**	
Redemption of Series E units	**31,698**	
Repayment of financing receivable	**28,195**	
Investment in joint venture	**5,135**	

19. Subsequent Events

In October 2012, we reached agreement with 673 First Avenue Associates, the fee owner of 673 First Avenue, to extend the ground lease at that property to August 2087, for an additional 50 years beyond its scheduled 2037 expiration date.

In October 2012, we entered into an agreement to sell 49.5% of our interest in 521 Fifth Avenue at a gross valuation of $315.0 million. Simultaneously with the interest sale, we expect to refinance the existing $150.0 million mortgage which matures in April 2013 with a $170.0

million 7-year mortgage which will bear interest at a rate equal to 220 basis points over the 30-day LIBOR. This transaction is expected to close in November 2012.

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

Overview

SL Green Realty Corp., which is referred to as SL Green or the Company, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP 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.

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P. or ROP, are wholly-owned subsidiaries of the Operating Partnership.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Quarterly Report on Form 10-Q and in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2011.

As of September 30, 2012, 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, 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	28	18,807,945	92.9%
	Unconsolidated properties	7	5,326,815	96.1%
Suburban	Consolidated properties	25	3,863,000	79.6%
	Unconsolidated properties	5	1,539,700	86.2%
		65	29,537,460	91.4%

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

We also owned investments in 12 stand-alone retail properties encompassing approximately 388,686 square feet, 13 development properties encompassing approximately 2,521,563 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet) and two land interests as of September 30, 2012. At September 30, 2012, we also owned investments in 31 West Coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 million rentable square feet. As of September 30, 2012, we also held $1.1 billion in debt and preferred equity investments.

Critical Accounting Policies

Refer to our 2011 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include investment in commercial real estate properties, investment in unconsolidated joint ventures, revenue recognition, allowance for doubtful accounts, reserve for possible credit losses and derivative instruments. There have been no changes to these policies during the nine months ended September 30, 2012.

Results of Operations

Comparison of the three months ended September 30, 2012 to the three months ended September 30, 2011

The following comparison for the three months ended September 30, 2012, or 2012, to the three months ended September 30, 2011, or 2011, 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, 2011 and at September 30, 2012 and totaled 46 of our 53 consolidated properties, representing approximately 89.6% of our share of annualized cash rent, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2012 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, the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

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Rental Revenues (in millions)		**2012**		**2011**		**$ Change**	**% Change**
Rental revenue	$	281.5	$	242.9	$	38.6	15.9%
Escalation and reimbursement revenue		42.8		39.2		3.6	9.2
Total	$	324.3	$	282.1	$	42.2	15.0%
Same-Store Properties	$	244.9	$	244.6	$	0.3	0.1%
Acquisitions		62.4		37.2		25.2	67.7
Other		17.0		0.3		16.7	5,566.7
Total	$	324.3	$	282.1	$	42.2	15.0%

Occupancy for our consolidated same-store Manhattan portfolio at September 30, 2012 was 92.9% compared to 93.2% at September 30, 2011.

During the quarter, we signed 47 office leases in our Manhattan portfolio totaling 412,407 square feet. Eighteen leases comprising 306,837 square feet represented office leases that replaced previous vacancy, while 29 office leases comprising 105,570 square feet had average starting rents of $50.07 per rentable square foot, representing a 2.7% increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed in the third quarter was 12.0 years and average tenant concessions were 4.8 months of free rent with a tenant improvement allowance and lease commissions of $57.96 per rentable square foot. Of the 215,337 square feet of office leases which commenced during 2012, 97,524 square feet represented office leases that replaced previous vacancy, while 117,813 square feet represented office leases that had average starting rents of $48.73 per rentable square foot, representing a 7.4% decrease over the previously fully escalated rents on the same office spaces.

Occupancy for our consolidated Suburban portfolio was 79.6% at September 30, 2012 compared to 80.1% at September 30, 2011.

During the quarter, we signed 27 office leases in the Suburban portfolio totaling 158,614 square feet. Ten leases comprising 41,753 square feet represented office leases that replaced previous vacancy, while 17 office leases comprising 116,861 square feet had average starting rents of $30.98 per rentable square foot, representing an 2.4% decrease over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed in the second quarter was 6.4 years and average tenant concessions were 3.8 months of free rent with a tenant improvement allowance and lease commissions of $21.34 per rentable square foot. Of the 134,737 square feet of office leases which commenced during the third quarter, 52,998 square feet represented office leases that replaced previous vacancy, while 81,739 square feet represented office leases that had average starting rents of $31.89 per rentable square foot, representing a 1.8% decrease over the previously fully escalated rents on the same office spaces.

At September 30, 2012, approximately 1.5% and 6.3% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during the remainder of 2012. We estimated that the current market asking rents on these expected 2012 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 14.9% and 3.5% higher, respectively, than then existing in-place fully escalated rents. We estimated that the current market asking rents on all our consolidated Manhattan and Suburban properties were approximately 15.0% and 2.2% higher, respectively, than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

The increase in rental revenue and escalation and reimbursement revenue on a consolidated basis was also due in large part to the consolidation of our interest in the West Coast office portfolio for the months of August and September 2012, during which time we owned approximately

63.18% of the equity in the joint venture and controlled its activities. We recognized approximately $16.7 million in revenues during these periods. Following the recapitalization transaction, we no longer control the joint venture and have accounted for our investment under the equity method as of September 28, 2012.

The increase in escalation and reimbursement revenue was due to higher recoveries at both the Acquisitions ($4.1 million), which was partially offset by lower recoveries at the Same-Store Properties ($2.1 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower operating expense escalations ($1.9 million) and electric reimbursements ($0.3 million).

Same-Store net operating income, which is Same-Store revenues plus Same-Store other income less Same-Store operating expenses, increased $1.2 million, or 0.9%, from $142.1 million for the three months ended September 30, 2011 to $143.3 million for the three months ended September 30, 2012.

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Investment and Other Income (in millions)	**2012**	**2011**	**$ Change**	**% Change**
Equity in net income (loss) of unconsolidated joint ventures	$ 11.7	$ (2.7)	$ 14.4	533.3%
Investment and preferred equity income	27.9	18.4	9.5	51.6
Other income	9.3	6.1	3.2	52.5
Total	$ 48.9	$ 21.8	$ 27.1	124.3%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions primarily from our investments in The Meadows ($10.8 million), which was due to repayment of the old debt at a discount, 280 Park Avenue ($5.3 million), 717 Fifth Avenue ($0.5 million) and 100 Park Avenue ($0.5 million). This was partially offset by lower net income contributions from 1 Jericho Plaza ($1.8 million), the West Coast office portfolio ($0.8 million), which was consolidated for the months of August and September and was accounted under the equity method of accounting for investment as of September 28, 2012 as a result of recapitalization transaction, and 1552 Broadway ($0.5 million). Occupancy at our joint venture properties was 93.9% at September 30, 2012 and 93.9% at September 30, 2011. At September 30, 2012, approximately 1.0% and 9.1% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during the remainder of 2012. We estimated that current market asking rents on these expected 2012 lease expirations at our Manhattan and Suburban joint venture properties were approximately 5.5% higher and 10.3% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income increased during the current quarter primarily due to a higher invested balance in 2012. During the quarter, we originated or purchased $203.3 million of new debt investments at an average current yield of 8.50%. The weighted average investment balance outstanding and weighted average yield were $1.1 billion and 9.62%, respectively, for 2012 compared to $811.8 million and 7.99%, respectively, for 2011. As of September 30, 2012, the debt and preferred equity investments had a weighted average term to maturity of approximately 2.6 years.

The increase in other income was primarily due to a one-time acquisition fee ($1.3 million) in connection with our investment in 33 Beekman, higher contribution from Service Corporation ($0.8 million) and our share of real estate tax refunds from some of our properties ($1.1 million). This was offset by lower lease buy-out income ($2.1 million), which was due to our share of termination payment at Jericho property in 2011.

Same-Store other income increased from $3.2 million for the three months ended September 30, 2012 to $1.2 million for the three months ended September 30, 2011.

Property Operating Expenses (in millions)	**2012**	**2011**	**$ Change**	**% Change**
Operating expenses	$ 84.0	$ 69.1	$ 14.9	21.6%
Real estate taxes	53.6	44.9	8.7	19.4
Ground rent	8.9	8.5	0.4	4.7
Total	$ 146.5	$ 122.5	$ 24.0	19.6%
Same-Store Properties	$ 104.8	$ 103.7	$ 1.1	1.1%
Acquisitions	29.7	16.3	13.4	82.2
Other	12.0	2.5	9.5	380.0
Total	$ 146.5	$ 122.5	$ 24.0	19.6%

The increase in operating expenses on a consolidated basis was in part due to the consolidation of our interest in the West Coast office portfolio for the months of August and September, which contributed approximately $9.0 million in operating expenses, including real estate taxes.

The increase in operating expenses at the Same-Store Properties was due to higher real estate taxes ($1.2 million), ground rent ($0.3 million), payroll costs ($0.2 million), repairs and maintenance ($0.2 million) and contract maintenance costs ($0.3 million). This was partially offset by lower utility costs ($1.1 million).

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Other Expenses (in millions)	2012	2011	$ Change	% Change
Interest expense, net of interest income	$ 90.3	$ 77.6	$ 12.7	16.4%
Depreciation and amortization expense	83.4	73.4	10.0	13.6
Transaction related costs	1.4	0.2	1.2	600.0
Marketing, general and administrative expense	20.6	18.9	1.7	9.0
Total	$ 195.7	$ 170.1	$ 25.6	15.1%

The increase in interest expense was primarily attributable to the higher average consolidated debt balances outstanding during the period due to increased investment activity inclusive of the acquisitions of 1515 Broadway ($2.0 million), 180 Maiden Lane ($1.8 million) and Stonehenge properties ($1.1 million) and the refinancing at 100 Church Street ($2.8 million). The consolidation of our interest in the West Coast office portfolio for the months of August and September also contributed to the increase in interest expense by $5.1 million. The weighted average debt balance outstanding was $6.4 billion during the quarter ended September 30, 2012 compared to $5.8 billion during the quarter ended September 30, 2011. The weighted average interest rate was 5.06% for each of the quarters ended September 30, 2012 and 2011, respectively.

Marketing, general and administrative, or MG&A, expenses for the quarter ended September 30, 2012 were $20.6 million, or 5.0% of total revenues including our share of joint venture revenue compared to $18.9 million, or 5.3% for the quarter ended September 30, 2011.

Comparison of the nine months ended September 30, 2012 to the nine months ended September 30, 2011

The following comparison for the nine months ended September 30, 2012, or 2012, to the nine months ended September 30, 2011, or 2011, 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, 2011 and at September 30, 2012 and totaled 46 of our 53 consolidated properties, representing approximately 89.6% of our share of annualized cash rent, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2012 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, the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2012	2011	$ Change	% Change
Rental revenue	$ 810.0	$ 708.6	$ 101.4	14.3%
Escalation and reimbursement revenue	126.1	104.4	21.7	20.8
Total	$ 936.1	$ 813.0	$ 123.1	15.1%
Same-Store Properties	$ 736.8	$ 736.6	$ 0.2	%
Acquisitions	181.8	75.4	106.4	141.1
Other	17.5	1.0	16.5	1,650.0
Total	$ 936.1	$ 813.0	$ 123.1	15.1%

Occupancy for our consolidated same-store Manhattan portfolio at September 30, 2012 was 92.9% compared to 93.2% at September 30, 2011.

During the nine months ended September 30, 2012, we signed 161 office leases in our Manhattan portfolio totaling 3,338,620 square feet. Fifty leases comprising 506,444 square feet represented office leases that replaced previous vacancy, while 111 office leases comprising 2,832,176 square feet had average starting rents of $55.66 per rentable square foot, representing a 7.1% increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed during the nine months ended September 30, 2012 was 12.9 years and average tenant concessions were 6.3 months of free rent with a tenant improvement allowance and lease commissions of $60.07 per rentable square foot. Of the 2,905,284 square feet of office leases which commenced during 2012, 362,792 square feet represented office leases that replaced previous vacancy, while 2,542,492 square feet represented office leases that had average starting rents of $54.27 per rentable square foot, representing a 6.7% increase over the previously fully escalated rents on the same office spaces.

Occupancy for our consolidated Suburban portfolio was 79.6% at September 30, 2012 as compared to 80.1% at September 30, 2011.

During the nine months ended September 30, 2012, we signed 82 office leases in the Suburban portfolio comprising 525,960 square feet. Twenty-five leases and 86,718 square feet represented office leases that replaced previous vacancy, while 57 office leases comprising 439,242 square feet had average starting rents of $29.03 per rentable square foot, representing a 10.9% decrease over the

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previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed during the nine months ended September 30, 2012 was 5.0 years and average tenant concessions were 5.2 months of free rent with a tenant improvement allowance and lease commissions of $16.66 per rentable square foot. Of the 497,274 square feet of office leases which commenced during 2012, 100,089 square feet represented office leases that replaced previous vacancy, while 397,185 square feet represented office leases that had average starting rents of $28.89 per rentable square foot, representing a 11.9% decrease over the previously fully escalated rents on the same office spaces.

The increase in rental revenue and escalation and reimbursement revenue on a consolidated basis was also due in large part to the consolidation of our interest in the West Coast office portfolio for the months of August and September 2012, during which time we owned approximately 63.18% of the equity in the joint venture and controlled its activities. We recognized approximately $16.7 million in revenues during these periods. Following the recapitalization transaction, we no longer controlled the joint venture and have accounted our investment under the equity method as of September 28, 2012.

At September 30, 2012, approximately 1.5% and 6.3% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during the remainder of 2012. We estimated that the current market asking rents on these expected 2012 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 14.9% and 3.5% higher, respectively, than then existing in-place fully escalated rents. We estimated that the current market asking rents on all our consolidated Manhattan and Suburban properties were approximately 15.0% and 2.2% 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 primarily due to higher recoveries at the Acquisitions ($19.4 million).

Same-Store net operating income decreased $2.5 million, or 0.6%, from $437.7 million for the nine months ended September 30, 2011 to $435.2 million for the nine months ended September 30, 2012.

Investment and Other Income (in millions)		**2012**		**2011**		**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$	81.0	$	7.7	$	73.3	951.9%
Investment and preferred equity income		87.7		98.3		(10.6)	(10.8)
Other income		25.9		23.3		2.6	11.2
Total	$	194.6	$	129.3	$	65.3	50.5%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions primarily from our investments in 717 Fifth Avenue ($71.1 million), which was primarily due to the receipt of refinancing proceeds in excess of our basis, The Meadows ($10.9 million), which was due to repayment of the old debt at a discount, 100 Park Avenue ($2.1 million), 1552 Broadway ($1.8 million) and 388 Greenwich Street ($1.2 million). This was partially offset by lower net income contributions from 1515 Broadway ($6.3 million), which we consolidated in April 2011, 1551 Broadway ($3.1 million), due to a refinancing, 1 Jericho Plaza ($1.8 million), 450 West 33rd Street ($0.9 million), which we consolidated in November 2011, the West Coast office portfolio ($0.8 million), which was consolidated for the months of August and September and was accounted under the equity method of accounting for investment as of September 28, 2012 as a result of recapitalization transaction, and 141 Fifth Avenue ($0.6 million), which was sold in February 2012. Occupancy at our joint venture properties was 93.9% at September 30, 2012 and 93.9% at September 30, 2011. At September 30, 2012, approximately 1.0% and 9.1% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during the remainder of 2012. We estimated that current market asking rents on these expected 2012 lease expirations at our Manhattan and Suburban joint venture properties were approximately 5.5% higher and 10.3% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income decreased during 2012 primarily due to the sale or repayment of debt investments totaling $352.8 million (inclusive of the 280 Park Avenue transaction) resulting in the recognition of additional income of $43.0 million during the first quarter of 2011. During 2012, we originated or purchased $345.4 million of new debt investments at an average current yield of 8.47%. In addition, an entity that holds the property which served as collateral for our loan position, which is collateralized by a property in London, was determined to be a VIE under a reconsideration event and we have been determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012. We recognized additional income of $5.2 million in 2012 as a result of this reclassification. The weighted average investment balance outstanding and weighted average yield were $1.0 billion and 9.73%, respectively, for 2012 compared to $758.0 million and 7.57%, respectively, for 2011. As of September 30, 2012, the debt and preferred equity investments had a weighted average term to maturity of approximately 2.6 years.

The increase in other income was primarily due to a higher contribution from Service Corporation ($2.3 million), real estate tax

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refunds from some of our properties ($2.0 million), one-time acquisition fee ($1.3 million) in connection with our investment in 33 Beekman and higher lease buy-out income ($0.9 million). This increase was offset by a reduction in fees received upon the completion of a special servicing assignment ($3.4 million).

Same-Store other income increased from $5.8 million for the nine months ended September 30, 2011 compared to $8.9 million for the nine months ended September 30, 2012.

Property Operating Expenses (in millions)	**2012**	**2011**	**$ Change**	**% Change**
Operating expenses	$ 226.2	$ 191.8	$ 34.4	17.9%
Real estate taxes	157.7	129.0	28.7	22.2
Ground rent	26.6	24.1	2.5	10.4
Total	$ 410.5	$ 344.9	$ 65.6	19.0%
Same-Store Properties	$ 310.5	$ 304.7	$ 5.8	1.9%
Acquisitions	83.1	32.3	50.8	157.3
Other	16.9	7.9	9.0	113.9
Total	$ 410.5	$ 344.9	$ 65.6	19.0%

The increase in operating expenses on a consolidated basis was also due to the consolidation of our interest in the West Coast office for the months of August and September, which contributed approximately $9.0 million in operating expenses, including real estate taxes.

The increase in operating expenses at the Same-Store Properties was primarily due to higher real estate taxes ($4.2 million), ground rent ($2.4 million), payroll costs ($1.3 million), repairs and maintenance ($1.0 million) and contract maintenance ($0.8 million). This was partially offset by lower utility costs ($4.1 million).

Other Expenses (in millions)	**2012**	**2011**	**$ Change**	**% Change**
Interest expense, net of interest income	$ 259.9	$ 216.5	$ 43.4	20.0%
Depreciation and amortization expense	238.3	202.4	35.9	17.7
Loan loss and other investment reserves, net of recoveries	0.6	(1.9)	2.5	131.6
Transaction related costs	4.5	3.8	0.7	18.4
Marketing, general and administrative expense	61.5	61.4	0.1	0.2
Total	$ 564.8	$ 482.2	$ 82.6	17.1%

The increase in interest expense was primarily attributable to the higher average consolidated debt balances outstanding during the period due to the increase in investment activity inclusive of the acquisitions of 1515 Broadway ($13.0 million), 180 Maiden Lane ($5.3 million), 110 East 42nd Street ($2.4 million) and Stonehenge properties ($3.0 million) subject to mortgages encumbering these properties and refinancing of 919 Third Avenue ($6.1 million) in June 2011 and 100 Church Street ($1.9 million) in June 2012. The consolidation of our interest in the West Coast office portfolio for the months of August and September also contributed to the increase in interest expense by $5.1 million. The weighted average debt balance outstanding increased from $5.7 billion during the nine months ended September 30, 2011 to $6.4 billion during the nine months ended September 30, 2012. The weighted average interest rate decreased from 5.03% for the nine months ended September 30, 2011 to

4.99% for the nine months ended September 30, 2012.

Loan loss and other investment reserves decreased year over year. We recorded $3.0 million in reserves and $2.4 million in recoveries in 2012 compared to $2.5 million in reserves and $4.4 million in recoveries in 2011.

Marketing, general and administrative, or MG&A, expenses for the nine months ended September 30, 2012 were $61.5 million, or 5.1% of total revenues including our share of joint venture revenue compared to $61.4 million, or 5.6% for the nine months ended September 30, 2011.

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;

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(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, the Operating Partnership (including issuances of units of limited partnership interest 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 September 30, 2012 are as follows (amounts in thousands):

	2012	2013	2014	2015	2016	Thereafter	Total
Property mortgages and other loans	$ 12,885	$ 567,087	$ 198,790	$ 285,350	$ 572,141	$ 3,275,772	$ 4,912,025
Corporate obligations			98,578	357	474,835	902,482	1,476,252
Joint venture debt-our share	13,670	154,063	309,602	36,478	528,329	989,434	2,031,576
Total	$ 26,555	$ 721,150	$ 606,970	$ 322,185	$ 1,575,305	$ 5,167,688	$ 8,419,853

As of September 30, 2012, we had approximately $183.9 million of cash on hand, inclusive of approximately $21.5 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 Item 1. 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 $162.4 million and $394.5 million at September 30, 2012 and 2011, respectively, representing a decrease of $232.1 million. The decrease was a result of the following increases and decreases in cash flows (amounts in thousands):

	Nine Months Ended September 30,		
	2012	2011	Increase (Decrease)
Net cash provided by operating activities	$ 265,956	$ 237,696	$ 28,260
Net cash used in investing activities	$ (829,176)	$ (501,519)	$ (327,657)
Net cash provided by financing activities	$ 587,391	$ 325,498	$ 261,893

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, service debt and fund quarterly dividend and distribution payment requirements. At September 30, 2012, our portfolio was 91.4% 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 nine months ended September 30, 2012, when compared to the nine months ended September 30, 2011, we used cash primarily for the following investing activities (amounts in thousands):

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Acquisitions of and additions to real estate	$	(69,286)
Escrow cash-capital improvements/acquisition deposits		(108,578)
Joint venture investments		(63,913)
Distributions from joint ventures		(59,243)
Net proceeds from sale of real estate		(90,181)
Other investments		(12,537)
Debt and preferred equity and other investments		76,081
Increase in net cash used in investing activities	$	(327,657)

Funds spent on capital expenditures, which comprise building and tenant improvements, decreased from $111.5 million for the nine months ended September 30, 2011 to $107.4 million for the nine months ended September 30, 2012. The capital expenditures relate primarily to costs incurred in connection with the redevelopment of properties and the build-out of space for tenants resulting from new leasing activity.

We generally fund our investment activity through property-level financing, our 2011 revolving credit facility, senior unsecured notes, convertible or exchangeable securities, construction loans, sales of real estate and from time to time we issue common or preferred stock, or the Operating Partnership may issue common or preferred units of limited partnership interest. During the nine months ended September 30, 2012, when compared to the nine months ended September 30, 2011, we used cash for the following financing activities (amounts in thousands):

Proceeds from our debt obligations	$	(214,229)
Repayments under our debt obligations		597,191
Noncontrolling interests, contributions in excess of distributions		145,220
Other financing activities		60,108
Proceeds from issuance of preferred/common stock		(92,806)
Redemption of preferred stock		(190,003)
Dividends paid		(43,588)
Increase in cash provided by financing activities	$	261,893

Capitalization

As of September 30, 2012, we had 90,363,063 shares of common stock, 3,310,449 units of limited partnership interest in the Operating Partnership held by persons other than the Company, 66,668 performance-based LTIP units, 7,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock, and 9,200,000 shares of our 6.5% Series I cumulative redeemable preferred stock outstanding. In addition, we also had preferred units of limited partnership interest in the Operating Partnership having an aggregate liquidation preference of $49.6 million held by persons other than the Company.

In September 2012, we redeemed 4,000,000 shares, or $100.0 million of Series C preferred stock at a redemption price of $25.00 per share plus $0.3707 in accumulated and unpaid dividends on such preferred stock through September 24, 2012. We recognized $6.3 million of costs to partially redeem the Series C preferred stock.

In August 2012, we issued 9,200,000 shares of our 6.50% Series I cumulative redeemable preferred stock, or the Series I preferred stock, with a mandatory liquidation preference of $25.00 per share. The Series I preferred shareholders receive annual distributions of $1.625 per share paid on a quarterly basis and distributions are cumulative, subject to certain provisions. We are entitled to redeem our 6.50% Series I cumulative redeemable preferred stock at par for cash at its option on or after August 10, 2017. Net proceeds from the Series I preferred stock ($222.2 million) was recorded net of underwriters discount and issuance costs.

In July 2012, we redeemed all 4,000,000 shares or $100.0 million of our Series D cumulative redeemable preferred stock, or Series D preferred stock, at a redemption price of $25.00 per share plus $0.4922 in accumulated and unpaid dividends on such preferred stock through July 14, 2012. We recognized $3.7 million of costs to redeem the Series D preferred stock.

In July 2011, we, along with the Operating Partnership, entered into an at-the-market equity offering Program, or ATM Program, to sell an aggregate of $250.0 million of our common stock. During the nine months ended September 30, 2012, we had sold 2.6 million shares of our common stock through the ATM Program for aggregate gross proceeds of approximately $204.6 million ($201.3 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 September 30, 2012, we had $45.4 million available to issue shares under the ATM Program.

Dividend Reinvestment and Stock Purchase Plan

In March 2012, we filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which automatically became effective upon filing. We registered 3,500,000 shares of our common stock under the DRIP. The DRIP commenced on September 24, 2001.

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During the nine months ended September 30, 2012 and 2011, we issued approximately 1.3 million shares and 285 shares of our common stock and received approximately $99.6 million and $22,000 of proceeds, 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. As of September 30, 2012, approximately 4.1 million fungible units, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 5.2 million shares of common stock if all shares available under the 2005 Plan were issued as five-year stock options.

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, the final vesting period. We recorded compensation expense of approximately $10,000 and $70,000 for the three and nine months ended September 30, 2011, respectively, in connection with the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of the quarter ended September 30, 2011.

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 the 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 $3.3 million, $7.0 million, $2.3 million and $6.5 million for the three and nine months ended September 30, 2012 and 2011, respectively, related to the 2010 Long-Term Compensation Plan.

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

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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 the 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 September 30, 2012, 96.8% of the 2011 Outperformance Plan had been granted. The cost of the 2011 Outperformance Plan for the 96.8% granted (approximately $26.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $1.4 million and $4.0 million during the three and nine months ended September 30, 2012, respectively, 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 nine months ended September 30, 2012, 7,281 phantom stock units were earned. As of September 30, 2012, there were approximately 74,130 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 Code, 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 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 September 30, 2012, approximately 62,464 shares of our common stock had been issued under the ESPP.

Market Capitalization

At September 30, 2012, borrowings under our mortgages and other loans payable, our 2011 revolving credit facility, senior unsecured notes and trust preferred securities and share of joint venture debt represented 51.5% of our combined market capitalization of approximately $16.4 billion (based on a common stock price of $80.07 per share, the closing price of our common stock on the New York Stock Exchange on September 30, 2012). 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 September 30, 2012 and December 31, 2011, respectively (amounts in thousands):

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Debt Summary:	September 30, 2012	December 31, 2011
Balance		
Fixed rate	**$ 4,922,009**	$ 4,802,009
Variable rate hedged	**38,410**	30,000
Total fixed rate	**4,960,419**	4,832,009
Variable rate	**1,040,246**	911,162
Variable rate supporting variable rate assets	**387,612**	351,325
Total variable rate	**1,427,858**	1,262,487
Total	**$ 6,388,277**	$ 6,094,496
Percent of Total Debt:		
Total fixed rate	**77.6%**	79.3%
Variable rate	**22.4%**	20.7%
Total	**100.0%**	100.0%
Effective Interest Rate for the Quarter:		
Fixed rate	**5.61%**	5.99%
Variable rate	**3.00%**	2.16%
Effective interest rate	**5.06%**	4.87%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.21% and 0.24% at September 30, 2012 and 2011, respectively). Our consolidated debt at September 30, 2012 had a weighted average term to maturity of approximately 5.73 years.

Certain of our debt and preferred equity investments, with a face amount of approximately $387.6 million at September 30, 2012, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt.

Mortgage Financing

As of September 30, 2012, our total mortgage debt (excluding our share of joint venture debt of approximately $2.0 billion) consisted of approximately $3.7 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.65% and $1.3 billion of variable rate debt with an effective weighted average interest rate of approximately 3.15%.

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. As of September 30, 2012, 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 September 30, 2012, the facility fee was 35 basis points. At September 30, 2012, we had approximately $200.0 million of borrowings and $92.2 million of letters of credit outstanding under the 2011 revolving credit facility, with undrawn capacity of $1.2 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

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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.

Master Repurchase Agreement

In September 2012, we entered into an uncommitted Master Repurchase Agreement, or MRA, with a financial institution, with a maximum facility capacity of $175.0 million, in which we agreed to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a certain date or on demand. The MRA s interest rate is based on 1-month LIBOR plus 300 basis points. The MRA matures in September 2013, and has a 1-year extension option. At September 30, 2012, this facility had not been utilized.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of September 30, 2012 and December 31, 2011, respectively (amounts in thousands):

[redacted]							
March 26, 2007(2)	$ 18,003	$ **18,003**	$ 119,423	3.00%	3.00%	20	March 30, 2027
[redacted]							
March 16, 2010(5)	250,000	**250,000**	250,000	7.75%	7.75%	10	March 15, 2020
[redacted]							
October 12, 2010(6)	345,000	**284,872**	277,629	3.00%	7.13%	7	October 15, 2017
[redacted]							
August 13, 2004(3)	98,578	**98,578**	98,578	5.88%	5.88%	10	August 15, 2014
[redacted]							

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

(2) 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 the 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 currently redeemable at the Operating Partnership s option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022 and upon the occurrence of certain designated events. On March 30, 2012, we repurchased $102.2 million of aggregate principal amount of the exchangeable notes pursuant to a mandatory offer to repurchase the notes. On the issuance date, $66.6 million was recorded in equity and was fully amortized as of March 31, 2012.

(3) Issued by ROP.

(4)

Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, 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, 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 nine months ended September 30, 2012, we repurchased $300,000 of these bonds at par.

(5) Issued by us, the Operating Partnership and ROP, as co-obligors.

(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 the 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. On the issuance date, $78.3 million was recorded in equity. As of September 30, 2012, approximately $60.1 million remained unamortized.

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 currently redeemable at par.

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Restrictive Covenants

The terms of our 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 dispose of assets, and which require compliance with financial ratios relating to the minimum amount of 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 a default is continuing, 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 September 30, 2012 and December 31, 2011, 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 2012 would increase our annual interest cost by approximately $13.8 million and would increase our share of joint venture annual interest cost by approximately $5.0 million, respectively.

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

Approximately $5.0 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of September 30, 2012 ranged from LIBOR plus 90 basis points to LIBOR plus 950 basis points.

Contractual Obligations

Refer to our 2011 Annual Report on Form 10-K for a discussion of our contractual obligations. There have been no material changes, outside the ordinary course of business, to these contractual obligations in 2012.

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, Investment in Unconsolidated Joint Ventures in the accompanying consolidated financial statements.

Capital Expenditures

We estimate that for the three months ending December 31, 2012, we will incur approximately $36.9 million of capital expenditures, which are net of loan reserves, (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties, net of loan reserves, will be approximately $3.7 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 the Operating Partnership primarily from property revenues net of operating expenses or, if necessary, from working capital or borrowings.

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of $1.00 per share, we would pay approximately $90.4 million in dividends. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our revolving credit facility, and our senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

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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 $0.8 million, $2.4 million, $0.8 million and $1.9 million for the three and nine months ended September 30, 2012 and 2011, respectively. We paid Alliance approximately $4.7 million, $12.9 million, $4.3 million and $10.9 million for the three and nine months ended September 30, 2012 and 2011, respectively, for these services (excluding services provided directly to tenants).

Marketing Services

A-List Marketing, LLC, or A-List, provides marketing services to us. Ms. Deena Wolff, a sister of Mr. Marc Holliday, is the owner of A-List. The aggregate amount of fees we paid to A-List for these marketing services was approximately $2,400, $58,300, $700 and $66,900 for the three and nine months ended September 30, 2012 and 2011, respectively.

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 $93,000, $292,000, $113,000 and $335,000 for the three and nine months ended September 30, 2012 and 2011, respectively.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 11, 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. The second portfolio maintains a limit of $775.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. Both policies expire 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, 2013.

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 is a subsidiary of ours. 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. Belmont has a terrorism coverage limit of $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 has acted as a direct insurer of NBCR coverage and since December 31, 2011, has provided coverage up to $750 million on our 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 our 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. There is no assurance that TRIPRA will be extended. 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, senior unsecured notes 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 monitor all properties that are subject to triple net leases to ensure that tenants are providing adequate coverage. Certain 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 restructuring, 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.

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.

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FFO for the three and nine months ended September 30, 2012 and 2011 is as follows (amounts in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income attributable to SL Green common stockholders	**$ 7,732**	$ 7,079	**$ 136,028**	$ 614,423
Add:				
Depreciation and amortization	**83,429**	73,358	**238,324**	202,394
Discontinued operations depreciation adjustments				676
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	**6,669**	9,865	**22,176**	23,174
Net income attributable to noncontrolling interests	**2,402**	1,864	**11,668**	22,510
Loss on equity investment in marketable securities				
Less:				
Gain on sale of discontinued operations			**6,627**	46,085
Equity in net gain on sale of interest in unconsolidated joint venture	**(4,807)**	3,032	**11,987**	3,032
Purchase price fair value adjustment		999		489,889
Depreciable real estate reserves			**5,789**	
Depreciation on non-rental real estate assets	**220**	242	**697**	667
Funds from Operations	**$ 104,819**	$ 87,893	**$ 383,096**	$ 323,504
Cash flows provided by operating activities	**$ 68,021**	$ 60,848	**$ 265,956**	$ 237,696
Cash flows used in investing activities	**$ (271,129)**	$ (436,786)	**$ (829,176)**	$ (501,519)
Cash flows provided by financing activities	**$ 108,672**	$ 380,214	**$ 587,391**	$ 325,498

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.

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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, 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 term

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, or the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

For quantitative and qualitative disclosures about market risk, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2011. Our exposures to market risk have not changed materially since December 31, 2011.

ITEM 4. Controls and Procedures

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 assurance 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.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended September 30, 2012, that have materially affected, or are reasonably likely to material affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of September 30, 2012, we were not involved in any material litigation nor, to management s knowledge, is any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended September 30, 2012, our Operating Partnership issued 35,767 units of limited partnership interest in connection with an acquisition. We may satisfy redemption requests for the units issued in the transaction described above with shares of our common stock, on a one-for-one basis, pursuant to the Operating Partnership agreement. The units were issued in reliance on the exemption from registration provided by Section 4(2) of the Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

3.1	Articles Supplementary reclassifying 4,600,000 shares of Series A Preferred Stock, 1,300,000 shares of Series B Preferred Stock and 4,000,000 shares of Series D Preferred Stock into authorized preferred stock without further designation, incorporated by reference to the Company s Form 8-K, dated August 9, 2012, filed with the SEC on August 9, 2012.
3.2	Articles Supplementary classifying and designating 9,200,000 shares of the Company s Series I Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share, incorporated by reference to the Company s Form 8-K, dated August 9, 2012, filed with the SEC on August 9, 2012.
4.1	Form of stock certificate evidencing the Series I Preferred Stock, incorporated by reference to the Company s Form 8-K, dated August 9, 2012, filed with the SEC on August 9, 2012.
10.1	Twelfth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of August 10, 2012, incorporated by reference to the Company s Form 8-K, dated August 10, 2012, filed with the SEC on August 10, 2012.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101.1	The following financial statements from SL Green Realty Corp. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statement of Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited), detail tagged and filed herewith.

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SIGNATURES

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

SL GREEN REALTY CORP.

By:	/s/ James Mead James Mead Chief Financial Officer

Date: November 7, 2012