SL GREEN REALTY CORP
Form S-4/A
September 14, 2010

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As filed with the Securities and Exchange Commission on September 14, 2010

Registration No. 333-167793

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2 TO

FORM S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

SL Green Realty Corp.

(Exact name of registrant co-issuer as specified in its charter)

Maryland (State or Other Jurisdiction of Organization or Incorporation)	**6798** (Primary Standard Industrial Classification Code Number)	**13-3956775** (I.R.S. Employer Identification Number)

SL Green Operating Partnership, L.P.

(Exact name of registrant co-issuer as specified in its charter)

Delaware (State or Other Jurisdiction of Organization or Incorporation)	**6798** (Primary Standard Industrial Classification Code Number)	**13-3960398** (I.R.S. Employer Identification Number)

Reckson Operating Partnership, L.P.

(Exact name of registrant co-issuer as specified in its charter)

Delaware	**6798**	**11-3233647**
(State or Other Jurisdiction of Organization or Incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

420 Lexington Avenue
New York, New York 10170
(212) 594-2700
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrants' Principal Executive Offices)

Marc Holliday
Chief Executive Officer
SL Green Realty Corp.
420 Lexington Avenue
New York, New York 10170
(212) 594-2700
(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)

Copies to:
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Four Times Square
New York, New York 10036-6522
(212) 735-3000

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment is filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
(SL Green Realty Corp. only)		(Do not check if a smaller reporting company)	

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) Cross-Border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that the registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Subject to completion, dated September 14, 2010

PROSPECTUS

SL Green Realty Corp.
SL Green Operating Partnership, L.P.
Reckson Operating Partnership, L.P.

Offer to exchange $250,000,000 aggregate principal amount of 7.75% Senior Notes due 2020 issued by SL Green Realty Corp., SL Green Operating Partnership, L.P. and Reckson Operating Partnership, L.P. as co-obligors (which we refer to as the old notes) for $250,000,000 aggregate principal amount of 7.75% Senior Secured Notes due 2020 (which we refer to as the new notes) which have been registered under the Securities Act of 1933, as amended (the "Securities Act").

The exchange offer will expire at 5:00 p.m., New York City time, on , 2010 (the 30th day following the date of this prospectus), unless we extend the exchange offer in our sole and absolute discretion.

Terms of the Exchange Offer:

- We will exchange new notes for all outstanding old notes that are validly tendered and not withdrawn prior to the expiration or termination of the exchange offer.

- You may withdraw tenders of old notes at any time prior to the expiration or termination of the exchange offer.

- The terms of the new notes are substantially identical to those of the outstanding old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.

- The exchange of old notes for new notes will not be a taxable transaction for U.S. federal income tax purposes. You should see the discussion under the caption "Certain U.S. Federal Income Tax Considerations" for more information.

- We will not receive any proceeds from the exchange offer.

- We issued the old notes in a transaction not requiring registration under the Securities Act, and as a result, their transfer is restricted. We are making the exchange offer to satisfy your registration rights, as a holder of the old notes.

There is no established trading market for the new notes or the old notes.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. Broker-dealers who acquired the old notes directly from us in the initial offering must, in the absence of an exemption, comply with the registration and prospectus delivery requirements of the Securities Act in connection with the secondary resales and cannot rely on the position of the staff of the Securities and Exchange Commission (the "Commission") enunciated in *Exxon Capital Holdings Corp.*, SEC No-Action Letter (April 13, 1988). We have agreed that, starting on the date this registration statement is declared effective and ending on the close of business 180 days after the date this registration statement is declared effective, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

See "Risk Factors" beginning on page 9 and the risk factors incorporated by reference in this prospectus for a discussion of risks you should consider prior to tendering your outstanding old notes for exchange.

Neither the Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2010.

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SUMMARY

The following summary highlights selected information contained or incorporated by reference in this prospectus and does not contain all of the information that may be important to you. You should carefully read this entire prospectus, including the financial data and related notes and the documents incorporated by reference in this prospectus. Unless the context requires otherwise, the term, "SL Green" refers to SL Green Realty Corp., (b) the term "SLGOP" refers to SL Green Operating Partnership, L.P., (c) the term "ROP" refers to Reckson Operating Partnership, L.P. and all entities owned or controlled by Reckson Operating Partnership, L.P. and (d) the terms "we," "our," "ours," and " us" refers to SL Green Realty Corp., SL Green Operating Partnership, L.P. and Reckson Operating Partnership, L.P. on a consolidated basis.

Overview

SL Green Realty Corp.

SL Green, a Maryland corporation, is a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. SL Green was formed in June 1997 for the purpose of continuing the commercial real estate business of S.L. Green Properties, Inc., our predecessor entity. S.L. Green Properties, Inc., which was founded in 1980 by Stephen L. Green, the Chairman of SL Green, had been engaged in the business of owning, managing, leasing, acquiring and repositioning office properties in Manhattan. SL Green began trading on the New York Stock Exchange (the "NYSE") on August 15, 1997 under the symbol "SLG."

As of June 30, 2010, SL Green (inclusive of ROP) owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan. SL Green's investments in the New York Metro area (inclusive of ROP) also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	22	14,829,700	91.0%
	Unconsolidated properties	8	7,182,515	93.8%
Suburban	Consolidated properties	25	3,863,000	83.3%
	Unconsolidated properties	6	2,941,700	93.9%
		61	28,816,915	91.0%

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

As of June 30, 2010, our Manhattan properties (inclusive of ROP) were comprised of fee ownership (23 properties), including ownership in condominium units, leasehold ownership (five properties) and operating sublease ownership (two properties). Pursuant to the operating sublease arrangements, SL Green, as tenant under the operating sublease, performs the functions traditionally performed by landlords with respect to its subtenants. SL Green is responsible for not only collecting rent from subtenants, but also maintaining the property and paying expenses relating to the property. As of June 30, 2010, our Suburban properties (inclusive of ROP) were comprised of fee ownership (30 properties), and leasehold ownership (one property).

SL Green (inclusive of ROP) also owns investments in eight retail properties encompassing approximately 374,212 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet. In addition, as of June 30, 2010, we also held approximately $867.4 million of structured finance investments.

SL Green Operating Partnership, L.P.

The sole general partner of SLGOP is SL Green. Substantially all of SL Green's assets are held by, and all of its operations are conducted through, SLGOP. As of June 30, 2010, SL Green owned approximately 98.5% of the economic interests in SLGOP and noncontrolling investors held, in the aggregate, an approximately 1.5% limited partnership interest in SLGOP. At June 30, 2010, there were 1,210,748 units of limited partnership interest of SLGOP outstanding. These units receive distributions per unit in the same manner as dividends per share that are distributed to common stockholders of SL Green.

Reckson Operating Partnership, L.P.

ROP, commenced operations on June 2, 1995. Wyoming Acquisition GP LLC, or WAGP, is the sole general partner of ROP. WAGP is a wholly-owned subsidiary of SLGOP. The sole limited partner of ROP is SLGOP.

ROP is engaged in the ownership, management, operation, leasing, financing and development of commercial real estate properties, principally office properties, and also owns land for future development located in New York City, Westchester and Connecticut, which collectively is also known as the New York Metro Area.

As of June 30, 2010, ROP owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City. ROP's investments in the New York Metro area also include investments in Queens, Westchester County and Connecticut, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy[1]
Manhattan	Consolidated properties	4	3,770,000	94.1%
Suburban	Consolidated properties	16	2,642,100	84.0%
	Unconsolidated properties	1	1,402,000	100%
		21	7,814,100	91.7%

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

As of June 30, 2010, ROP's Manhattan properties were comprised of fee ownership (three properties) and leasehold ownership (one property). ROP is responsible for not only collecting rent from subtenants, but also maintaining the property and paying expenses relating to the property. As of June 30, 2010, ROP's Suburban properties were comprised of fee ownership (16 properties) and leasehold ownership (one property).

Headquarters

SL Green, SLGOP and ROP's principal corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. We can be contacted at (212) 594-2700.

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The Exchange Offer

Old Notes	7.75% Senior Notes due 2020, which were issued on March 16, 2010 by SL Green, SLGOP and ROP as co-obligors.
New Notes	7.75% Senior Notes due 2020, the issuance of which has been registered under the Securities Act. The form and terms of the new notes are identical in all material respects to those of the old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.
Exchange Offer	We are offering to issue up to $250,000,000 aggregate principal amount of the new notes in exchange for a like principal amount of the old notes to satisfy our obligations under the registration rights agreement that was executed when the old notes were issued in a transaction in reliance upon the exemption from registration provided by Rule 144A of the Securities Act.
Expiration Date; Tenders	The exchange offer will expire at 5:00 p.m., New York City time, on , 2010 (the 30th day following the date of this prospectus), unless extended in our sole and absolute discretion. By tendering your old notes, you represent to us that: you are not our "affiliate," as defined in Rule 405 under the Securities Act or, if you are an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable; you are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the new notes to be issued in this exchange offer; you are acquiring the new notes in your ordinary course of business; you are not acting on behalf of any person who, to your knowledge, could not truthfully make the foregoing representations; and if you are a broker-dealer, you will receive the new notes for your own account in exchange for old notes that were acquired by you as a result of your market-making or other trading activities and that you will deliver a prospectus in connection with any resale of the new notes you receive. For further information regarding resales of the new notes by participating broker-dealers, see the discussion under the caption "Plan of Distribution."

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Withdrawal; Non Acceptance	You may withdraw any old notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on , 2010. If we decide for any reason not to accept any old notes tendered for exchange, the old notes will be returned to the registered holder at our expense promptly after the expiration or termination of the exchange offer. In the case of the old notes tendered by book-entry transfer into the exchange agent's account at The Depository Trust Company ("DTC"), any withdrawn or unaccepted old notes will be credited to the tendering holder's account at DTC. For further information regarding the withdrawal of tendered old notes, see "The Exchange Offer Terms of the Exchange Offer; Period for Tendering Old Notes" and the "The Exchange Offer Withdrawal Rights."
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. See the discussion below under the caption "The Exchange Offer Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer.
Procedure for Tendering the Old Notes	To participate in the exchange offer, on or prior to the expiration or termination of the exchange offer you must tender your old notes by using the book-entry transfer procedures described below and transmitting a properly completed and duly executed letter of transmittal, with any required signature guarantees, or an agent's message instead of the letter of transmittal, to the exchange agent. In order for a book-entry transfer to constitute a valid tender of your old notes in the exchange offer, The Bank of New York Mellon, as exchange agent, must receive a confirmation of book-entry transfer of your old notes into the exchange agent's account at DTC prior to the expiration or termination of the exchange offer. For more information regarding the use of book-entry transfer procedures, including a description of the required agent's message, see the discussion below under the caption "The Exchange Offer Book-Entry Transfers."
Special Procedures for Beneficial Owners	If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should promptly contact the person in whose name the old notes are registered and instruct that person to tender on your behalf.

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Certain U.S. Federal Income Tax Considerations	The exchange of the old notes for new notes in the exchange offer will not be a taxable transaction for United States federal income tax purposes. See the discussion under the caption "Certain U.S. Federal Income Tax Considerations" for more information regarding the tax consequences to you of the exchange offer.
Use of Proceeds	We will not receive any proceeds from the exchange offer.
Exchange Agent	The Bank of New York Mellon is the exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent below under the caption "The Exchange Offer Exchange Agent."
Resales	Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to the third parties, we believe that the new notes you receive in the exchange offer may be offered for resale, resold or otherwise transferred without compliance with the registration and prospectus delivery provisions of the Securities Act. However, you will not be able to freely transfer the new notes if: you are our "affiliate," as defined in Rule 405 under the Securities Act; you are engaged in, intend to engage in, or have an arrangement or understanding with any person to participate in, a distribution of the new notes to be issued in this exchange offer; you are not acquiring the new notes in your ordinary course of business; you are acting on behalf of a person who, to your knowledge, can't truthfully make the foregoing representations; and you are a participating broker-dealer that received new notes for its own account in the exchange offer in exchange for old notes that were acquired as a result of market-making or other trading activities. If you fall within one of the exceptions listed above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction involving the new notes. See the discussion below under the caption "The Exchange Offer Procedures for Tendering Old Notes" for more information.

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Broker Dealers	Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new notes. The letter of transmittal states that by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes which were acquired by such broker-dealer as a result of market making activities or other trading activities. We have agreed that for a period of up to 180 days after the date of effectiveness of this registration statement, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution" for more information.
Registration Rights Agreement	When the old notes were issued, we entered into a registration rights agreement with the initial purchasers of the old notes. Under the terms of the registration rights agreement, we agreed to use our commercially reasonable efforts to file with the Comission and cause to become effective, a registration statement relating to an offer to exchange the old notes for the new notes. If we do not complete the exchange offer within 285 days (December 27, 2010) of the date of issuance of the old notes, the interest rate borne by the old notes will be increased at a rate of 0.25% per annum for the first 90 days and thereafter it will be increased to 0.50% per annum (but shall not exceed 0.50% per annum over the rate shown on the cover page) until the exchange offer is completed, or until the old notes are freely transferable under Rule 144 of the Securities Act. Under some circumstances set forth in the registration rights agreement, holders of old notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell new notes received in the exchange offer, may require us to file and cause to become effective, a shelf registration statement covering resales of the old notes by these holders. A copy of the registration rights agreement is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

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Consequences of Not Exchanging Old Notes

If you do not exchange your old notes in the exchange offer, your old notes will continue to be subject to the restrictions on transfer described in the legend on the certificate for your old notes. In general, you may offer or sell your old notes only:

- if they are registered under the Securities Act and applicable state securities laws;
- if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or
- if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not currently intend to register the old notes under the Securities Act. Under some circumstances, however, holders of the old notes, including holders who are not permitted to participate in the exchange offer or who may not freely resell new notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of old notes by these holders. For more information regarding the consequences of not tendering your old notes and our obligation to file a shelf registration statement, see "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes."

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Summary Description of New Notes

The terms of the new notes and those of the outstanding old notes are substantially identical, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. For a more complete understanding of the new notes, see "Description of the New Notes."

Co-Obligors	SL Green Realty Corp., SL Green Operating Partnership, L.P. and Reckson Operating Partnership, L.P.
Notes Offered	7.75% Senior Notes due 2020.
Maturity Date	The new notes will mature on March 15, 2020.
Interest Payment Dates	The new notes will bear interest at the rate of 7.75% per year. We will pay interest on the new notes semiannually in arrears in cash on March 15 and September 15 of each year, beginning on September 15, 2010.
Ranking	The new notes will be the joint and several senior unsecured obligations of SL Green, SLGOP and ROP and be *pari passu* with all of SL Green's, SLGOP's and ROP's senior indebtedness and senior to all of SL Green's, SLGOP's and ROP's existing and future subordinated indebtedness. As of June 30, 2010, SLGOP had approximately $1.7 billion aggregate principal amount of unsecured unsubordinated indebtedness (inclusive of $708.8 million aggregate principal amount of unsecured unsubordinated indebtedness of ROP). The new notes will be structurally subordinated to all existing debt of SL Green's subsidiaries (other than SLGOP and ROP), including their respective guaranties under SLGOP's 2007 unsecured revolving credit facility (the "Credit Facility"). As of June 30, 2010, the total outstanding indebtedness of SL Green's subsidiaries was approximately $4.6 billion (inclusive of $0.9 billion of total outstanding indebtedness of ROP's subsidiaries). The new notes will effectively be junior to all of SL Green's, SLGOP's and ROP's existing and future secured debt. See "Description of Other Indebtedness."
Optional Redemption	The new notes are redeemable at any time at our option, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the new notes (or portion thereof) being redeemed plus accrued interest thereon to the redemption date and (ii) the Make-Whole Amount, if any, with respect to such new notes (or portion thereof). See "Description of the New Notes Optional Redemption."
Certain Covenants	The indenture governing the new notes (the "Indenture") contains covenants that, among other things, limits ROP and its subsidiaries' ability to incur additional debt and encumber assets. These covenants are subject to important exceptions and qualifications. See "Description of the New Notes Certain Covenants."
Form and Denomination	The new notes will be issued in denominations of $1,000 and any integral multiple of $1,000.

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RISK FACTORS

You should carefully consider the risks described below, in addition to other information contained in or incorporated by reference to this prospectus, before deciding to tender your old notes in the exchange offer. The risk factors set forth below, other than those which discuss the consequences of failing to exchange your old notes in the exchange offer, are generally applicable to both the old notes and the new notes. The risks below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business operations. The following risks could affect our business, financial condition or results of operations.

Risks Related to the Exchange Offer and Holding the New Notes

Holders who fail to exchange their old notes will continue to be subject to restrictions on transfer.

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes described in the legend on the certificates for your old notes. The restrictions on transfer of your old notes arise because we issued the old notes under an exemption from the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the old notes under the Securities Act. For further information regarding the consequences of tendering your old notes in the exchange offer, see the discussions below under the captions "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes."

You must comply with the exchange offer procedures in order to receive new, freely tradable new notes.

Delivery of new notes in exchange for old notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of the following:

- certificates for old notes or a book-entry confirmation of a book-entry transfer of old notes into the Exchange Agent's account at DTC, New York, New York as depository, including an Agent's Message (as defined herein) if the tendering holder does not deliver a letter of transmittal;

- a completed and signed letter of transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message in lieu of the letter of transmittal; and

- any other documents required by the letter of transmittal.

Therefore, holders of old notes who would like to tender old notes in exchange for new notes should be sure to allow enough time for the old notes to be delivered on time. We are not required to notify you of defects or irregularities in tenders of old notes for exchange. Old notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offer, certain registration and other rights under the registration rights agreement will terminate. See "The Exchange Offer Procedures for Tendering Old Notes" and "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes."

Some holders who exchange their old notes may be deemed to be underwriters and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will

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be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Our level of indebtedness could adversely affect our operations and effectively reduce the amount of funds available for other business purposes, including our ability to make payments of principal and interest on the new notes.

We have a substantial amount of outstanding indebtedness, a large portion of which is due and payable prior to the maturity of the new notes. The total principal amount of our outstanding consolidated indebtedness was approximately $4.6 billion (including approximately $0.9 billion of consolidated indebtedness of ROP) as of June 30, 2010. In addition, ROP and certain of its subsidiaries also provide a senior guaranty of SLGOP's obligations under the Credit Facility. ROP and its subsidiaries' respective obligations to guarantee amounts payable under the Credit Facility are limited by the Allocable Guaranty Limitation, as defined in the guaranty agreement under the Credit Facility. As of June 30, 2010, the maximum amount of ROP's guaranty obligation was approximately $566.1 million. Our respective levels of indebtedness could reduce funds available for additional acquisitions, capital expenditures or other business purposes, impact our credit ratings, restrict our financial and operating flexibility or create competitive disadvantages compared to other companies with lower debt levels. In addition, this debt may be unassumable by a potential purchaser and may be subject to significant prepayment penalties.

Our ability to make payments of principal and interest on our indebtedness, including the new notes, depends upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our respective debt and meet our other cash requirements, we may be required, among other things:

- to seek additional financing in the debt or equity markets;
- to refinance or restructure all or a portion of our indebtedness, including the new notes;
- to sell selected assets or businesses; or
- to reduce or delay planned capital or operating expenditures.

Such measures might not be sufficient to enable us to service our debt and meet our other cash requirements, including the new notes. In addition, any such financing, refinancing or sale of assets might not be available at all or on economically favorable terms.

Since the new notes are unsecured, your right to receive payments on the new notes is effectively subordinated to all of our existing and future secured debt, and structurally subordinated to all existing and future liabilities of our subsidiaries.

The new notes are unsecured, unsubordinated obligations that rank equal in right of payment with all of SL Green's, SLGOP's and ROP's existing and future unsecured and unsubordinated debt. However, the new notes are effectively junior to all of ROP's, SL Green's and SLGOP's secured debt to the extent of the value of the assets securing that debt. The Indenture does not place any limitation on the amount of secured or unsecured senior indebtedness that SL Green or SLGOP may incur. In any liquidation, dissolution, bankruptcy or other similar proceeding, holders of SL Green's, SLGOP's or ROP's secured debt may assert rights against any assets securing such debt in order to receive full payment of their debt before those assets may be used to pay the holders of the new notes. In such an event, SL Green, SLGOP or ROP may not have sufficient assets remaining to pay amounts due on any or all of the new notes. In addition, the new notes are structurally subordinated to all future obligations of SL Green's subsidiaries, other than SLGOP and ROP. The new notes are also structurally subordinated to guarantees of SLGOP's debt by SLGOP's subsidiaries, other than ROP.

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There is no established trading market for the new notes, which could limit their market price or the ability to sell them for an amount equal to or higher than their initial offering price.

The new notes are a new issue of securities for which there currently is no trading market. As a result, we cannot provide any assurances that a market will develop for the new notes or that you will be able to sell your new notes. We do not intend to apply for the new notes to be listed on any securities exchange or to arrange for quotation on any automated dealer system. If any of the new notes are traded after their initial issuance, they may trade at a discount to their face value. Future trading prices of the new notes will depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance and prospects. Accordingly, you may be required to bear the financial risk of an investment in the new notes for an indefinite period of time.

The limited covenants in the Indenture governing the new notes and the terms of the new notes will not provide protection against significant events that could adversely impact your investment in the new notes.

The Indenture governing the new notes does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the new notes in the event that we experience significant adverse changes in our financial condition or results of operations;

- limit the ability of SL Green or SLGOP to incur additional indebtedness; or

- prohibit us, subject to certain conditions, from entering into a reorganization, restructuring, merger or similar transaction that may adversely affect the holder of the new notes.

When evaluating the terms of the new notes, you should be aware that the terms of the Indenture and the new notes will not restrict our ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the new notes.

ROP's credit ratings may not reflect all risks of your investment in the new notes.

ROP's credit ratings are an assessment by rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in any of ROP's credit ratings will generally affect the market value of the new notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the new notes. Agency ratings are not a recommendation to buy, sell or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Risks Related to Our Business

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island, resulting from general economic conditions could adversely affect the value of our real estate portfolio and our results of operations and, consequently, our ability to service current debt.

Most of our commercial office properties are located in midtown Manhattan. As a result, our business is dependent on the condition of the New York City economy in general and the market for office space in midtown Manhattan, in particular. Weakness in the New York City economy could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our ability to service current debt. The Manhattan vacancy rate continues to exceed 11% although we expect that to moderate slightly by the end of 2010. We could also be impacted by

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weakness in our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island.

We may be unable to renew leases or relet space as leases expire.

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, including the cost of required renovations, may be less favorable than current lease terms. Through the end of 2014, leases will expire on approximately 36.7% and 15.2% of the rentable square feet at our consolidated properties and unconsolidated joint venture properties, respectively (including approximately 39.1% of the rentable square feet at ROP's consolidated properties), and these leases currently have annualized escalated rental income totaling approximately $284.5 million and $66.0 million, respectively. We also have some leases with termination options beyond 2014. If we are unable to promptly renew the leases or relet this space at similar rates, our cash flow and ability to service debt would be adversely affected.

The expiration of long term leases or operating sublease interests could adversely affect our results of operations.

Our interests in seven of our commercial office properties are through either long-term leasehold or operating sublease interests in the land and the improvements, rather than by a fee interest in the land. Unless we can purchase a fee interest in the underlying land or extend the terms of these leases before their expiration, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases, which would significantly adversely affect our results of operations. These properties are 673 First Avenue, 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas, all in Manhattan, and 1055 Washington Avenue, in Connecticut. We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date. The average remaining term of these long-term leases, including our unilateral extension rights on each of the properties, is approximately 43 years. Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized escalated rents of these properties at June 30, 2010 totaled approximately $239.0 million, or 24.4%, of our share of total portfolio annualized revenue associated with these properties.

Our results of operations rely on major tenants, including in the financial services sector, and insolvency, bankruptcy or receivership of these and other tenants could adversely affect our results of operations.

Giving effect to leases in effect as of June 30, 2010 for consolidated properties and unconsolidated joint venture properties as of that date, our five largest tenants, based on square footage leased, accounted for approximately 23.0% of our share of portfolio annualized rent, and three tenants, Citigroup, Inc. (and its affiliates), Viacom International Inc. and Credit Suisse Securities (USA) LLC, accounted for approximately 8.3%, 5.4% and 6.2% of our share of portfolio annualized rent, respectively. In addition, the financial services sector accounted for approximately 38% of our total annualized revenues and 37% of our square feet leased of our portfolio as of June 30, 2010. This sector continues to experience significant turmoil which has resulted in significant job losses.

Giving effect to leases in effect as of June 30, 2010 for consolidated properties and unconsolidated joint venture properties as of that date, ROP's five largest tenants, based on square footage leased, accounted for approximately 23.0% of ROP's share of portfolio annualized rent, and three tenants, Citigroup, Inc. (and its affiliates), Debevoise & Plimpton, LLP and Schulte Roth & Zabel LLP, accounted for approximately 5.5%, 7.4% and 3.0% of ROP's share of portfolio annualized rent, respectively.

If current economic conditions persist or deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents, particularly in respect of our financial service tenants. Our business would be adversely affected if any of our major tenants or any other tenants became insolvent, declared bankruptcy, are put into receivership or otherwise refused to pay rent in a timely fashion or at all.

Adverse economic and geopolitical conditions in general and the Northeastern commercial office markets in particular could have a material adverse effect on our results of operations and financial condition.

Our business may be affected by the unprecedented volatility and illiquidity in the financial and credit markets, the general global economic recession, and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the Northeast, particularly in New York City, Westchester County and Connecticut. Because our portfolio consists primarily of commercial office buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if economic conditions persist or deteriorate, then our results of operations, financial condition and ability to service current debt may be adversely affected by the following, among other potential conditions:

- significant job losses in the financial and professional services industries have occurred and may continue to occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from both our existing operations and our acquisition and development activities and increase our future interest expense;

- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and

- reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair our ability to access capital.

These conditions, which could have a material adverse effect on our results of operations, financial condition and ability to pay distributions, may continue or worsen in the future.

There can be no assurance that the actions of the U.S. government, Federal Reserve and other governmental and regulatory bodies for the purpose of stabilizing the financial markets, or market response to those actions, will achieve the intended effect, and our business may not benefit from and may be adversely impacted by these actions and further government or market developments could adversely impact us.

Since mid-2007, and particularly during the second half of 2008, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in the value of subprime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. The global markets have been characterized by substantially increased volatility and short-selling and an overall loss of investor confidence, initial in financial institutions, but more recently in companies in a number of other industries and in the broader markets. The decline in asset values has caused increases in margin calls for investors, requirements that derivatives counterparties post additional collateral and redemptions by mutual and hedge fund investors, all of which have increased the downward pressure on asset values and outflows of client funds across the financial services industry. In addition, the increased redemptions and unavailability of credit have required hedge funds and others to rapidly reduce leverage, which has increased volatility and further contributed to the decline in asset values.

In response to the recent unprecedented financial issues affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, the Emergency Economic Stabilization Act of 2008 ("EESA"), was signed into law on October 3, 2008. The EESA provides the U.S. Secretary of Treasury with the authority to establish a Troubled Asset Relief Program ("TARP"), to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations, or other instruments based on, or related to, such mortgages, that in each case was originated or issued on or before March 14, 2008. EESA also provides for a program that would allow companies to insure their troubled assets. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA"), a $787 billion stimulus bill for the purpose of stabilizing the economy by creating jobs among other things. As of June 25, 2010, the U.S. Treasury is managing or overseeing the following programs under TARP: the Capital Purchase Program ("CCP"), the Systemically Significant Failing Institutions Program ("SSFIP"), the Auto Industry Financing Program ("AIFP"), the Legacy Public-Private Investment Program ("-PPIP"), and the Homeowner Affordability and Stability Plan ("HASP") which is partially financed by TARP.

There can be no assurance that the EESA, TARP or other programs will have a beneficial impact on the financial markets, including current extreme levels of volatility. In addition, the U.S. Government, Federal Reserve and other governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis. We cannot predict whether or when such actions may occur or what impact, if any, such actions could have on our business, results of operations and financial condition.

We may suffer adverse consequences if our revenues decline since our operating costs do not necessarily decline in proportion to our revenue.

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in relation to changes in our rental revenue. This means that our costs will not necessarily decline even if our revenues do. Our operating costs could also increase while our revenues do not. If our operating costs increase but our rental revenues do not, we may be forced to borrow to cover our costs, we may incur losses and we may not have cash available for distributions.

We face risks associated with property acquisitions.

We may acquire individual properties and portfolios of properties, including large portfolios that could significantly increase our size and alter our capital structure. Our acquisition activities and their success may be exposed to the following risks:

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including due diligence investigations to our satisfaction;
- we may be unable to finance acquisitions on favorable terms or at all;
- acquired properties may fail to perform as we expected;
- our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;
- we may not be able to obtain adequate insurance coverage for new properties;

- acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and

- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- liabilities for clean-up of undisclosed environmental contamination;

- claims by tenants, vendors or other persons dealing with the former owners of the properties;

- liabilities incurred in the ordinary course of business; and

- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions.

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities with other investors, particularly private investors who can incur more leverage, and this competition may adversely affect us by subjecting us to the following risks:

- an inability to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors; and

- an increase in the purchase price for such acquisition property, in the event we are able to acquire such desired property.

We rely on seven large properties for a significant portion of our revenue.

As of June 30, 2010, seven of our properties, 220 East 42nd Street, 420 Lexington Avenue, One Madison Avenue, 485 Lexington Avenue, 1185 Avenue of the Americas, 1515 Broadway and 388-390 Greenwich Street, accounted for approximately 41.4% of our portfolio annualized rent, including our share of joint venture annualized rent, and no single property accounted for more than approximately 7% of our portfolio annualized rent, including our share of joint venture annualized rent. Our interest in 1185 Avenue of the Americas is held through ROP and constitutes 28% of ROP's portfolio annualized rent, including its share of joint venture annualized rent. As of June 30, 2010, ROP also held our interest in 919 Third Avenue, 810 Seventh Avenue and 1350 Avenue of the Americas. Those three properties, along with 1185 Avenue of the Americas, accounted for approximately 71% of ROP's portfolio annualized rent, including its share of joint venture annualized rent on June 30, 2010. Revenue and cash available for distribution by SL Green's subsidiaries, including SLGOP and ROP, to SL Green and by SL Green to its stockholders would be materially adversely affected if the ground lease for the 420 Lexington Avenue or 1185 Avenue of the Americas property were terminated for any reason or if one or all of these properties were materially damaged or destroyed. Additionally, revenue would be materially adversely affected if our tenants at these properties experienced a downturn in their business which may weaken their financial condition and result in their failure to timely make rental payments, defaulting under their leases or filing for bankruptcy.

The continuing threat of terrorist attacks may adversely affect the value of our properties and our ability to generate cash flow.

There may be a decrease in demand for space in New York City because it is considered at risk for future terrorist attacks, and this decrease may reduce our revenues from property rentals. In the aftermath of a terrorist attack, tenants in the New York City area may choose to relocate their business to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. This in turn would trigger a decrease in the demand for space in the New York City area, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. As a result, the value of our properties and the level of our revenues could materially decline.

A terrorist attack could cause insurance premiums to increase significantly.

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $500.0 million for acts of terrorism. This policy expires in December 31, 2010. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2010. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2010.

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

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective September 1, 2009, Belmont increased its terrorism coverage from $250 million to $400 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio for certified acts of terrorism above a program trigger of $100.0 million. Belmont is responsible for a small deductible and 15% of the remaining balance of a loss, with the remaining 85% covered by the Federal government.

General Liability: For the period commencing October 31, 2010, Belmont will insure a deductible on the general liability insurance with a $150,000 deductible per occurrence and a $2.2 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $150,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.2 million. Prior policy years carry a higher per occurrence deductible and aggregate stop losses. Belmont has retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.

Environmental Liability: Belmont insures a deductible of $1 million per occurrence on a $30 million environmental liability policy covering the entire portfolio.

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

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 our current program trigger of $100.0 million. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2007 unsecured revolving credit facility and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

We have a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of "all-risk" property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388 and 390 Greenwich Street, where we participate with SITQ, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Other joint ventures may be covered under separate policies 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.

Our dependence on smaller and growth-oriented businesses to rent our office space could adversely affect our cash flow and results of operations.

Many of the tenants in our properties are smaller, growth-oriented businesses that may not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than large businesses. Growth-oriented firms may also seek other office space, including Class A space, as they develop. Dependence on these companies could create a higher risk of tenant defaults, turnover and bankruptcies, which could adversely affect our distributable cash flow and results of operations.

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Debt financing, financial covenants, degree of leverage, and increases in interest rates could adversely affect our economic performance.

Scheduled debt payments could adversely affect our results of operations.

The total principal amount of our outstanding consolidated indebtedness was approximately $4.6 billion (including approximately $0.9 billion of consolidated indebtedness of ROP) as of June 30, 2010, consisting of approximately $0.8 billion under the Credit Facility, $0.9 billion under our senior unsecured notes, including the old notes (including $708.8 million outstanding under ROP's senior unsecured notes, including the notes), $100.0 million under our junior subordinated deferrable interest debentures and approximately $2.8 billion of non-recourse mortgage loans on seventeen of our properties (including a $222.3 million non recourse-mortgage loan on one of ROP's properties). In addition, we could increase the amount of our outstanding indebtedness in the future, in part by borrowing under the Credit Facility, which had $627.0 million available for draw as of June 30, 2010. The Credit Facility matures in June 2011 and has a one-year as-of-right extension option. As of June 30, 2010, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was approximately $4.1 billion (including $315.0 million of non-recourse indebtedness outstanding at ROP's joint venture properties), of which our proportionate share was approximately $1.8 billion (including ROP's proportionate share of $94.5 million). Cash flow could be insufficient to pay distributions at expected levels and meet the payments of principal and interest required under our current mortgage indebtedness, the Credit Facility, senior unsecured notes, debentures and indebtedness outstanding at our joint venture properties.

If we are unable to make payments under the Credit Facility, all amounts due and owing at such time will accrue interest at a rate equal to 4% higher than the rate at which each draw was made. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make payments under the Credit Facility would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which in all cases requires substantial principal payments at maturity. In 2010, none of our corporate indebtedness or debt on our unconsolidated joint venture properties will mature. There are no debt maturities in 2010 on our consolidated properties. In April 2010, SL Green repurchased approximately $13.2 million aggregate principal amount of the 4% Exchangeable Senior Debentures due 2025, or the Debentures, of ROP in connection with its cash tender offer for certain securities of SLGOP and ROP. In addition, on June 15, 2010, ROP repurchased approximately $80.7 million aggregate principal amount of the Debentures at the option of holders. ROP has the right redeem the remaining Debentures at any time. At the present time, we intend to exercise extension options or refinance the debt associated with our properties on or prior to their respective maturity dates. If any principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow will not be sufficient in all years to repay all maturing debt. At the time of refinancing, prevailing interest rates or other factors, such as the possible reluctance of lenders to make commercial real estate loans may result in higher interest rates. Increased interest expense on the refinanced debt would adversely affect cash flow and our ability to service debt.

Financial covenants could adversely affect our ability to conduct our business.

The mortgages and mezzanine loans on our properties contain customary negative covenants that limit our ability to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. The Credit Facility contains customary restrictions and requirements on our method of operations. The Credit Facility also requires us to maintain designated ratios of total debt-to-assets, debt service coverage and unencumbered assets-to-unsecured debt. In addition, the terms of our senior unsecured notes include certain restrictions and covenants which limit, among other things, the incurrence of additional indebtedness and liens, and which require compliance with financial ratios relating to minimum amount of debt service coverage, the maximum amount of consolidated unsecured and secured indebtedness and the minimum amount of unencumbered assets. These restrictions could adversely affect our results of operations.

Rising interest rates could adversely affect our cash flow.

Advances under the Credit Facility and certain property-level mortgage debt bear interest at a variable rate. These consolidated variable rate borrowings totaled approximately $1.3 billion at June 30, 2010. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing under the Credit Facility, which had $627.0 million available for draw as of June 30, 2010. Borrowings under the Credit Facility currently bear interest at a spread equal to the 30-day LIBOR, plus 90 basis points. As of June 30, 2010, borrowings under the Credit Facility and junior subordinated deferrable interest debentures totaled $0.8 billion and $100.0 million, respectively, and bore interest at 1.21% and 5.61%, respectively. We may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance our debt at higher rates. Accordingly, increases in interest rates above that which we anticipated based upon historical trends could adversely affect our results of operations and financial conditions. At June 30, 2010, a hypothetical 100 basis point increase in interest rates along the entire interest rate curve would increase our annual interest costs by approximately $12.9 million and would increase our share of joint venture annual interest costs by approximately $6.1 million.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

The interest rate hedge instruments we use to manage some of our exposure to interest rate volatility involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to interest rate changes. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

No limitation on debt could adversely affect our cash flow.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of June 30, 2010, assuming the conversion of all outstanding units of SLGOP into shares of SL Green common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of approximately $1.8 billion, was approximately 57.3%. We have historically targeted a debt-to-market capitalization less than this. However, due to the significant decrease in SL Green's stock price we are currently operating in excess of that threshold. We are currently undertaking steps aimed at reducing our debt. Any changes that increase our debt to market capitalization percentage could be viewed negatively by investors. As a result, SL Green's stock price could decrease. SL Green's market capitalization is variable and does not necessarily reflect the fair market value of its assets at all times. We also consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service.

Structured finance investments could cause us to incur expenses, which could adversely affect our results of operations.

We owned mezzanine loans, junior participations and preferred equity interests in 28 investments with an aggregate book value of approximately $867.4 million (including three of ROP's investments with an aggregate book value of $27.8 million) at June 30, 2010. Such investments may or may not be recourse obligations of the borrower and are not insured or guaranteed by governmental agencies or otherwise. In the event of a default under these obligations, we may have to realize upon our collateral and thereafter make substantial improvements or repairs to the underlying real estate in order to maximize the property's investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce their obligation to us. Relatively high loan-to-value ratios and declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization.

We maintain and regularly evaluate financial reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses. 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 because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. We believe the increase in our non-performing loans has been driven by the recent credit crisis, which have adversely impacted the ability of many of our borrowers to service their debt and refinance our loans to them at maturity. We significantly increased our provision for loan losses to $93.8 million and our direct write-offs to $69.1 million in 2009 based upon the performance of our assets and conditions in the financial markets and overall economy, which continued to deteriorate in 2009. We increased our provision for loan loss by $11.0 million during the six months ended June 30, 2010. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse affect on our financial performance, the market prices of our securities.

Special Servicing Activities could result in liability to us.

We provide special servicing activities on behalf of third parties. We have been rated by Fitch and S&P to provide such services. An intended or unintended breach of the servicing standards and/or our fiduciary duties to bondholders could result in material liability to us.

Joint investments could be adversely affected by our lack of sole decision-making authority and reliance upon a co-venturer's financial condition.

We co-invest with third parties through partnerships, joint ventures, co-tenancies or other entities, acquiring noncontrolling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, we will not be in a position to exercise sole decision-making authority regarding that property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals, which are inconsistent with our business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner, co-tenant or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may, in specific circumstances, be liable for the actions of our third-party partners, co-tenants or co-venturers. As of June 30, 2010, our unconsolidated joint ventures owned 14 properties (including one property owned by ROP's unconsolidated joint venture) and we had an aggregate cost basis in the joint ventures totaling approximately $775.8 million (including ROP's aggregate cost basis of $49.0 million in its joint venture). As of June 30, 2010, our share of joint venture debt totaled approximately $1.8 billion (including ROP's share of $94.5 million).

Our joint venture agreements may contain terms in favor of our partners that could have an adverse effect on the value of our investments in the joint ventures.

Each of our joint venture agreements has been individually negotiated with our partner in the joint venture and, in some cases, we have agreed to terms that are favorable to our partner in the joint venture. For example, our partner may be entitled to a specified portion of the profits of the joint venture before we are entitled to any portion of such profits and our partner may have rights to buy our interest in the joint venture, to force us to buy the partner's interest in the joint venture or to compel the sale of the property owned by such joint venture. These rights may permit our partner in a particular joint venture to obtain a greater benefit from the value or profits of the joint venture than us, which could have an adverse effect on the value of our investment in the joint venture and on our financial condition and results of operations. We may also enter into similar arrangements in the future.

We are subject to possible environmental liabilities and other possible liabilities.

We are subject to various federal, state and local environmental laws. These laws regulate our use, storage, disposal and management of hazardous substances and wastes and can impose liability on property owners or operators for the clean-up of certain hazardous substances released on a property and any associated damage to natural resources without regard to whether the release was legal or whether it was caused by the property owner or operator. The presence of hazardous substances on our properties may adversely affect occupancy and our ability to develop or sell or borrow against those properties. In addition to potential liability for clean-up costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Various laws also impose liability for the clean-up of contamination at any facility (e.g., a landfill) to which we have sent hazardous substances for treatment or disposal, without regard to whether the materials were transported, treated and disposed in accordance with law.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Our properties may be subject to other risks relating to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future for which we may not have budgeted and could result in fines being levied against us. The occurrence of any of these events could have an adverse impact on our cash flows and ability to make distributions to stockholders.

Under the Americans with Disabilities Act, or ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties is not in compliance with the ADA or other legislation, then we would be required to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount of the cost of compliance with ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations and cash flow and/or ability to satisfy our debt service obligations could be adversely affected.

We face potential conflicts of interest.

Limitations on our ability to sell or reduce the indebtedness on specific mortgaged properties could adversely affect our results of operations and financial condition.

On May 15, 2002, we acquired the property located at 1515 Broadway, New York, New York. Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to us, we have agreed not to take certain action that would adversely affect the limited partners' tax positions before December 31, 2011. We also acquired the property located at 625 Madison Avenue, New York, New York, on October 19, 2004 and have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition, for a period of seven years after the acquisition.

In connection with future acquisitions of interests in properties, we may agree to similar restrictions on our ability to sell or refinance the acquired properties with similar potential adverse consequences.

There are potential conflicts of interest between SL Green and Mr. Green.

There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and his family in SL Green's initial public offering. Mr. Green serves as the chairman of SL Green's board of directors and is an executive officer. As part of our formation, Mr. Green contributed appreciated property, with a net book value of $73.5 million, to SLGOP in exchange for units of limited partnership interest in SLGOP. He did not recognize any taxable gain as a result of the contribution. SLGOP, however, took a tax basis in the contributed property equal to that of the contributing unitholder. The fair market value of the property contributed by him exceeded his tax basis by approximately $34.0 million at the time of contribution. The difference between fair market value and tax basis at the time of contribution represents a built-in gain. If we sell a property in a transaction in which a taxable gain is recognized, for tax purposes the built-in gain would be allocated solely to him and not to SL Green. As a result, Mr. Green has a conflict of interest if the sale of a property, which he contributed, is in SL Green's best interest but not his.

There is a potential conflict of interest relating to the refinancing of indebtedness specifically allocated to Mr. Green. Mr. Green would recognize gain if he were to receive a distribution of cash from SLGOP in an amount that exceeds his tax basis in his partnership units. His tax basis includes his share of debt, including mortgage indebtedness, owed by SLGOP. If SLGOP were to retire such debt, then he would experience a decrease in his share of liabilities, which, for tax purposes, would be treated as a distribution of cash to him. To the extent the deemed distribution of cash exceeded his tax basis, he would recognize gain.

Members of management may have a conflict of interest over whether to enforce terms of agreements with entities with which senior management, directly or indirectly, has an affiliation.

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors. Our company and our tenants accounted for approximately 23.7% of Alliance's 2009 estimated total revenue. The contracts pursuant to which these services are provided are not the result of arm's length negotiations and, therefore, there can be no assurance that the terms and conditions are not less favorable than those which could be obtained from third parties providing comparable services. In addition, to the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with the individual involved.

Members of management may have a conflict of interest over whether to enforce terms of senior management's employment and non-competition agreements.

Stephen Green, Marc Holliday, Gregory Hughes, Andrew Levine and Andrew Mathias entered into employment and non-competition agreements with SL Green pursuant to which they have agreed not to actively engage in the acquisition, development or operation of office real estate in the New York City metropolitan area. For the most part these restrictions apply to the executive both during his employment and for a period of time thereafter. Each executive is also prohibited from otherwise disrupting or interfering with our business through the solicitation of our employees or clients or otherwise. To the extent that SL Green chooses to enforce its rights under any of these agreements, SL Green may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of its desire to maintain its ongoing relationship with the individual involved. Additionally, the non-competition provisions of these agreements, despite being limited in scope and duration, could be difficult to enforce, or may be subject to limited enforcement, should litigation arise over them in the future. Mr. Green has interests in two properties in Manhattan, which are exempt from the non-competition provisions of his employment and non-competition agreement.

SL Green's failure to qualify as a REIT would be costly.

We believe that SL Green has operated in a manner to qualify as a REIT for federal income tax purposes and SL Green intends to continue to so operate. Many of these requirements, however, are highly technical and complex. The determination that SL Green is a REIT requires an analysis of factual matters and circumstances. These matters, some of which may not be totally within SL Green's control, can affect its qualification as a REIT. For example, to qualify as a REIT, at least 95% of SL Green's gross income must come from designated sources that are listed in the REIT tax laws. SL Green is also required to distribute to stockholders at least 90% of its REIT taxable income excluding capital gains. The fact that SL Green holds its assets through subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize SL Green's REIT status. Furthermore, Congress and the Internal Revenue Service, which we refer to as the IRS, might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for SL Green to remain qualified as a REIT.

If SL Green fails to qualify as a REIT, it would be subject to federal income tax at regular corporate rates. Also, unless the IRS grants SL Green relief under specific statutory provisions, it would remain disqualified as a REIT for four years following the year it first failed to qualify. If SL Green failed to qualify as a REIT, we would have to pay significant income taxes and ROP would therefore have less money available to service indebtedness.

We are dependent on external sources of capital.

Because of distribution requirements imposed on SL Green to qualify as a REIT, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. In addition, we anticipate having to raise money in the public equity and debt markets with some regularity and our ability to do so will depend upon the general conditions prevailing in these markets. At any time conditions may exist which effectively prevent us, and REITs in general, from accessing these markets. Moreover, additional debt financing may substantially increase our leverage. Due to the current financial crisis and the lack of liquidity in the market, such capital may not be available.

We face significant competition for tenants.

The leasing of real estate is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the facility to be leased. We directly compete with all lessors and developers of similar space in the areas in which our properties are located. Demand for retail space has been impacted by the recent bankruptcy of a number of retail companies and a general trend toward consolidation in the retail industry, which could adversely affect the ability of our company to attract and retain tenants.

Our commercial office properties are concentrated in highly developed areas of midtown Manhattan and certain Suburban central business districts, or CBD's. Manhattan is the largest office market in the United States. The number of competitive office properties in Manhattan and CBD's in which our Suburban properties are located (which may be newer or better located than our properties) could have a material adverse effect on our ability to lease office space at our properties, and on the effective rents we are able to charge.

Loss of our key personnel could harm our operations.

We are dependent on the efforts of Stephen L. Green, the chairman of SL Green's board of directors and an executive officer, Marc Holliday, SL Green's chief executive officer, Andrew Mathias, SL Green's president and chief investment officer and Gregory F. Hughes, SL Green's chief operating officer and chief financial officer. These officers have employment agreements which expire in December 2010, January 2013, December 2010, and September 2010, respectively. A loss of the services of any of these individuals could adversely affect our operations.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a Disaster Recovery Plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

Compliance with changing regulation applicable to corporate governance and public disclosure may result in additional expenses, affect our operations and affect our reputation.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new Commission regulations and NYSE rules, can create uncertainty for public companies. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment has required the commitment of significant financial and managerial resources. In addition, it has become more difficult and more expensive for us to obtain director and officer liability insurance. We expect these efforts to require the continued commitment of significant resources. Further, our directors, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus and in the documents incorporated by reference, and in future oral and written statements that the issuer and the co-obligors make, may be forward-looking. These statements reflect our beliefs and expectations as to future events and trends affecting our business, consolidated financial condition and results of operations. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future performance and future business plans. Forward-looking statements are identified by such words and phrases as "anticipates," "believes," "could be," "estimates," "expects," "intends," "plans to," "may," "will" and similar expressions. Forward-looking statements are necessarily subject to

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risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements.

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements:

- general economic or business (particularly real estate) conditions, either nationally or in the New York Metro area being less favorable than expected if the credit crisis continues;
- reduced demand for office space;
- risks of real estate acquisitions;
- risks of structured finance investments and borrowers;
- availability and creditworthiness of prospective tenants and borrowers;
- tenant bankruptcies;
- adverse changes in the real estate markets, including increasing vacancy, increasing availability of sublease space, decreasing rental revenue and increasing insurance costs;
- availability, terms and deployment of capital (debt and equity);
- unanticipated increases in financing and other costs, including a rise in interest rates;
- market interest rates could adversely affect performance and cash flows;
- declining real estate valuations and impairment charges;
- our ability to comply with financial covenants in our debt instruments;
- SL Green's ability to satisfy complex rules in order for SL Green to qualify as a REIT, for federal income tax purposes, SLGOP's and ROP's abilities to satisfy the rules in order for them to qualify as a partnership for federal income tax purposes, the ability of certain of SL Green's subsidiaries to qualify as REITs and certain of SL Green's subsidiaries to qualify as taxable REIT subsidiaries for federal income tax purposes and the ability of SL Green's subsidiaries, including SLGOP and ROP, to operate effectively within the limitations imposed by these rules;
- accounting principles and policies and guidelines applicable to REITs;

- competition with other companies;
- availability of, and our ability to attract and retain, qualified personnel;
- the continuing threat of terrorist attacks on the national, regional and local economies including, in particular, the New York City area and our tenants;
- legislative or regulatory changes adversely affecting real estate investment trusts and the real estate business; and
- environmental, regulatory and/or safety requirements.

Except as required by applicable law, undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus might not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

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RATIO OF EARNINGS TO FIXED CHARGES OF SLGOP

The following table sets forth the ratio of earnings to fixed charges for SL Green Operating Partnership, L.P. on a historical basis for the periods indicated:

	Six Months ended	Year ended December 31,				
	June 30, 2010	2009	2008	2007	2006	2005
Ratio of Earnings to Fixed Charges	1.39X	1.33X	2.71X	1.64X	2.24X	3.22X

The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. For the purpose of calculating the ratios, the earnings have been calculated by adding fixed charges to income or loss from continuing operations before adjustment for noncontrolling interests plus distributions from unconsolidated joint ventures, excluding gains or losses from sale of property, loss on equity investment and marketable securities and the cumulative effect of changes in accounting principles. Fixed charges consist of all interest, whether expensed or capitalized, including the amortization of debt issuance costs and rental expense deemed to represent interest expense.

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RATIO OF EARNINGS TO FIXED CHARGES OF ROP

The following table sets forth the ratio of earnings to fixed charges for Reckson Operating Partnership, L.P. on a historical basis for the periods indicated:

	Six Months ended	Year ended December 31,				
	June 30, 2010	2009	2008	2007	2006	2005
Ratio of Earnings to Fixed Charges	1.81X	1.57X	1.72X	1.46X	0.75X	0.86X

The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. For the purpose of calculating the ratios, the earnings have been calculated by adding fixed charges to income or loss from continuing operations before adjustment for noncontrolling interests plus distributions from unconsolidated joint ventures, excluding gains or losses from sale of property, loss on equity investment and marketable securities and the cumulative effect of changes in accounting principles. Fixed charges consist of all interest, whether expensed or capitalized, including the amortization of debt issuance costs and rental expense deemed to represent interest expense.

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SELECTED HISTORICAL FINANCIAL DATA OF SLGOP

We derived the following financial data from audited financial statements for fiscal years 2005 through 2009 and the unaudited financial statements for the six months ended June 30, 2010 and 2009. The audited financial statements for the fiscal years 2007 through 2009 and the unaudited financial statements for the six months ended June 30, 2010 and 2009 are included in this prospectus for SLGOP. Results for the interim periods should not be considered indicative of results for any other periods or for the full year ending December 31, 2010.

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for SLGOP" and SLGOP's consolidated financial statements and related notes included elsewhere in this prospectus.

Operating Data	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Year Ended December 31, 2009	2008	2007	2006	2005
(In thousands, except per unit data)	(unaudited)	(unaudited)					
Total revenue	$ 518,355	$ 514,441	$ 1,010,659	$ 1,079,422	$ 974,830	$ 451,022	$ 339,799
Operating expenses	113,385	107,204	217,559	228,191	207,978	102,548	77,541
Real estate taxes	76,995	73,269	141,723	126,304	120,972	62,915	45,935
Ground rent	15,501	16,092	31,826	31,494	32,389	20,150	19,250
Interest expense, net of interest income	115,128	116,740	236,300	291,536	256,941	89,394	71,752
Amortization of deferred finance costs	4,308	2,912	7,947	6,433	15,893	4,424	4,461
Depreciation and amortization	113,957	109,352	226,545	216,583	174,257	62,523	46,670
Loan loss and other investment reserves	10,985	107,577	150,510	115,882			
Transaction related costs	5,162						
Marketing, general and administration	36,778	35,868	73,992	104,583	93,045	57,850	36,826
Total expenses	492,199	569,014	1,086,402	1,121,006	901,475	399,804	302,435
Equity in net income of unconsolidated joint ventures	25,381	29,901	62,878	59,961	46,765	40,780	49,349
Gain (loss) on early extinguishment of debt	(1,389)	77,033	86,006	77,465			
Loss on equity investment in marketable securities	(285)	(681)	(396)	(147,489)			
Gain on sale of properties/partial interests	126,769	6,848	6,691	103,056	31,509	3,451	11,550
Income from continuing operations	176,632	58,528	79,436	51,409	151,629	95,449	98,263
Discontinued operations		5,582	(7,771)	356,467	537,790	141,909	67,309
Net income	176,632	64,110	71,665	407,876	689,419	237,358	165,572
Net income attributable to noncontrolling interests in other partnerships	(7,097)	(7,160)	(12,900)	(12,505)	(17,105)	(5,210)	69
Net income attributable to SLGOP	169,535	56,950	58,765	395,371	672,314	232,148	165,641
Preferred dividends	(14,660)	(9,938)	(19,875)	(19,875)	(19,875)	(19,875)	(19,875)
Net income attributable to SLGOP common unitholders	$ 154,875	$ 47,012	$ 38,890	$ 375,496	$ 652,439	$ 212,273	$ 145,766
Net income per common unit Basic	$ 1.95	$ 0.73	$ 0.54	$ 6.22	$ 10.66	$ 4.50	$ 3.29
Net income per common unit Diluted	$ 1.94	$ 0.73	$ 0.54	$ 6.20	$ 10.54	$ 4.38	$ 3.20
	$ 0.20	$ 0.475	$ 0.6750	$ 2.7375	$ 2.89	$ 2.50	$ 2.22

Cash dividends declared per common unit							
Basic weighted average common unit outstanding	79,349	64,636	71,965	60,336	61,188	47,104	44,292
Diluted weighted average common units and common unit equivalents outstanding	79,771	64,679	72,044	60,598	61,885	48,495	45,504

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Balance Sheet Data (In thousands)	As of June 30, 2010	As of December 31, 2009	2008	2007	2006	2005
	(unaudited)					
Commercial real estate, before accumulated depreciation	$ 8,333,310	$ 8,257,100	$ 8,201,789	$ 8,622,496	$ 3,055,159	$ 2,222,922
Total assets	10,408,034	10,487,577	10,984,353	11,430,078	4,632,227	3,309,777
Mortgage notes and other loans payable, revolving credit facility, term loans, unsecured notes and trust preferred securities	4,558,947	4,892,688	5,581,559	5,658,149	1,815,379	1,542,252
Partners' capital	5,266,082	4,997,747	4,569,290	4,606,215	2,522,776	1,558,502

Other Data (In thousands)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Year Ended December 31, 2009	2008	2007	2006	2005
	(unaudited)	(unaudited)					
Funds from operations available to common unitholders[(1)]	$ 166,407	$ 171,630	$ 318,817	$ 344,856	$ 343,186	$ 223,634	$ 189,513
Funds from operations available to all unitholders[(1)]	166,407	171,630	318,817	344,856	343,186	223,634	189,513
Net cash provided by operating activities	152,654	152,374	275,211	296,011	406,705	225,644	138,398
Net cash (used in) provided by investment activities	246,899	25,170	(345,379)	396,219	(2,334,337)	(786,912)	(465,674)
Net cash (used in) provided by financing activities	(403,691)	(227,665)	(313,006)	(11,305)	1,856,418	654,342	315,585

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

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

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SELECTED HISTORICAL FINANCIAL DATA OF ROP

We derived the following financial data from ROP's audited financial statements for fiscal years 2005 through 2009 and the unaudited financial statements for the six months ended June 30, 2010 and 2009. ROP's audited financial statements for the fiscal years 2007 through 2009 and the unaudited financial statements for the six months ended June 30, 2010 and 2009 are included in this prospectus. Results for the interim periods should not be considered indicative of results for any other periods or for the full year ending December 31, 2010.

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for ROP" and ROP's financial statements and related notes included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,	Year Ended December 31,	Period January 26 to December 31,	Period January 1 to January 25,	Fiscal Year Ended December 31,	
Operating Data	**2010**	**2009**	**2009**	**2008**	**2007**	**2007**	**2006**	**2005**
	(Successor)	**(Successor)**						
(In thousands)	**(unaudited)**	**(unaudited)**	**(Successor)**	**(Successor)**	**(Successor)**	**(Predecessor)**	**(Predecessor)**	**(Predecessor)**
Total revenue	$ 174,921	$ 172,956	$ 348,306	$ 349,547	$ 306,357	$ 26,418	$ 350,128	$ 351,861
Operating expenses	37,342	37,906	76,115	80,099	70,679	6,770	78,275	71,019
Real estate taxes	29,365	28,590	55,317	50,331	46,391	4,659	56,525	52,198
Ground rent	4,322	4,322	8,643	8,643	8,081	699	8,489	7,907
Interest expense, net of interest income	29,866	29,662	56,299	72,649	69,068	6,956	98,512	97,916
Amortization of deferred finance costs	111					152	4,312	4,166
Depreciation and amortization	48,472	46,897	99,792	90,497	72,692	5,205	75,417	76,701
Merger related costs						8,814	56,896	
Loan loss reserves		24,907	24,907	10,550				
Long-term incentive compensation expense						1,800	10,169	23,534
Marketing, general and administration	214	230	563	789	698	3,547	42,749	24,460
Total expenses	149,692	172,514	321,636	313,558	267,609	38,602	431,344	357,901
Income (loss) from continuing operations	25,229	442	26,670	35,989	38,748	(12,184)	(81,216)	(6,040)
Equity in net income from unconsolidated joint venture	476	568	1,109	838	1,249	8	3,681	1,371
Gain (loss) on early extinguishment of debt	(1,202)	3,682	3,519	16,569				
Gain on sale of properties							63,640	92,130
Income (loss) from continuing operations	24,503	4,692	31,298	53,396	39,997	(12,176)	(13,895)	87,461
Discontinued operations		(42)	(42)	1,418	2,457	3,018	70,411	129,767
Net (loss) income	24,503	4,650	31,256	54,814	42,454	(9,158)	56,516	217,228
Net income attributable to noncontrolling interests	(6,901)	(6,975)	(13,380)	(16,687)	(9,864)	(2,173)	(13,690)	(15,276)
Income (loss) attributable to ROP common unitholders	$ 17,602	$ (2,325)	$ 17,876	$ 38,127	$ 32,590	$ (11,331)	$ 42,826	$ 201,952

As of December 31,

Balance Sheet Data (In thousands)	As of June 30, 2010 (Sucessor) (unaudited)	2009 (Successor)	2008 (Successor)	2007 (Successor)	2006 (Predecessor)	2005 (Predecessor)
Commercial real estate, before accumulated depreciation	$ 3,947,834	$ 3,938,299	$ 3,907,982	$ 3,938,060	$ 3,649,874	$ 3,476,415
Total assets	3,931,393	3,969,890	4,122,047	4,266,869	3,746,831	3,816,459
Mortgage notes payable, revolving credit facilities, term loans and senior unsecured notes	931,137	887,259	1,182,361	1,279,873	1,944,035	2,023,687
Partners' capital	2,707,835	2,755,187	2,559,589	2,541,803	1,521,514	1,563,370

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR SLGOP

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. SL Green is 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" in this section mean SLGOP and all entities owned or controlled by SLGOP.

The following discussion related to our consolidated financial statements should be read in conjunction with our financial statements and related notes appearing elsewhere in this prospectus and the financial statements and related notes of SL Green and Reckson Operating Partnership, L.P., which is referred to as ROP, incorporated by reference and included elsewhere in this prospectus, respectively.

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

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

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

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

The recent credit crisis has put many borrowers, including some borrowers in our structured finance investment portfolio, under increasing amounts of financial and capital distress. For the year ended December 31, 2009, we recorded a gross provision for loan losses and charge offs of approximately $146.5 million. We increased our provision for loan losses by $11.0 million during the six months ended June 30, 2010. Much of it is related to non-New York City structured finance investments.

At the same time, we recognized that the market's distress was creating attractive new strategic investment opportunities for those with the capital available to take new debt positions. Such opportunities sometimes involved investing in debt at attractive discounts which offered the ability to control and benefit from restructuring efforts and potentially even take equity ownership under attractive terms. We made new structured finance investments totaling $254.3 million in 2009 and $181.2 during the six months ended June 30, 2010. Our structured finance portfolio included a position in the debt backed by 100 Church Street in Manhattan, New York City, which we subsequently converted to full operational control and then full ownership in 2010.

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

Property sales continue to lag, as noted above. New York City sales activity in 2009 decreased by approximately $16.9 billion when compared to 2008, as total volume only reached approximately $3.5 billion. We believe that this is primarily due to a lack of financing for purchasers. However, we, as well as SL Green, have been able to access capital for refinancing purposes which we believe primarily results from the asset quality of our portfolio and our ability to create and preserve asset value.

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

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

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

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

Our and SL Green's activities for 2009 included:

- Acquired two sub-leasehold positions at 420 Lexington Avenue for approximately $15.9 million;

- Sold two properties for an aggregate gross sales price of approximately $135.7 million generating losses to us of approximately $7.1 million;

- Signed 217 office leases totaling 2.1 million square feet during 2009 while increasing the cash rents paid by new tenants on previously occupied space by 14.8% and decreasing cash rents by

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2.4% over the most recent cash rent paid by the previous tenants for the same space for the Manhattan and Suburban properties, respectively;

Sold 19,550,000 shares of SL Green's common stock, generating net proceeds of approximately $387.1 million which were contributed to us;

Repurchased approximately $564.6 million of our exchangeable and non-exchangeable bonds and a portion of the Credit Facility, realizing gains on early extinguishment of debt of approximately $86.0 million;

Originated or acquired approximately $184.3 million of new structured finance investments, net of redemptions and recorded approximately $146.5 million in loan loss reserves and charge offs; and

Closed on approximately $1.0 billion of mortgage financings.

As of June 30, 2010, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	22	14,829,700	91.0%
	Unconsolidated properties	8	7,182,515	93.8%
Suburban	Consolidated properties	25	3,863,000	83.3%
	Unconsolidated properties	6	2,941,700	93.9%
		61	28,816,915	91.0%

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

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

In April 2010, SL Green completed a cash tender offer, or Tender Offer, to purchase up to $250.0 million aggregate principal amount of our outstanding 3.00% Exchangeable Senior Notes due 2027, and the outstanding 4.00% Exchangeable Senior Debentures due 2025, 5.15% Notes due 2011 and 5.875% Notes due 2014 issued by ROP. In connection with the Tender Offer, SL Green purchased $13.0 million of our outstanding 3.00% Exchangeable Senior Notes due 2027, and $13.2 million of the outstanding 4.00% Exchangeable Senior Debentures due 2025, $38.8 million of the 5.15% Notes due 2011 and $50.0 million of the 5.875% Notes due 2014 issued by ROP.

In April 2010, we closed on a $104.0 million loan secured by our interest in a structured finance investment. The interest-only loan bears interest at the rate of 250 basis points above the 30-day LIBOR. The loan matures in April 2012 and has a one-year extension option. The loan is prepayable at any time without penalty.

In May 2010, Green Hill Acquisition LLC, our wholly owned subsidiary, sold its 45% beneficial interest in the property known as 1221 Avenue of the Americas, located in Manhattan, to a wholly owned subsidiary of the Canada Pension Plan Investment Board ("CPPIB"), for total consideration of $577.4 million, of which approximately $95.9 million represents the payment for existing reserves and

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the assumption of our pro-rata share of in-place financing. The sale generated proceeds to us of approximately $500.9 million. We recognized a gain of approximately $126.8 million on the sale of our interest.

In May 2010, we entered into an agreement to acquire 125 Park Avenue, a Manhattan office tower, for $330 million. In connection with the acquisition, we will assume $146.25 million of in-place financing. The 5.748% interest-only loan matures in October 2014. The acquisition of the property at 125 Park Avenue closed in August 2010.

In May 2010, we, through a joint venture with CPPIB acquired 600 Lexington Avenue for $193.0 million. In connection with the transaction, the joint venture assumed $49.85 million of in-place financing. The 5.74% interest-only loan matures in March 2014.

On June 15, 2010, we repurchased $80.7 million aggregate principal amount of ROP's outstanding 4.00% Exchangeable Senior Debentures due 2025, or the Debentures, pursuant to their terms. Following the repurchase, approximately $0.66 million aggregate principal amount of the Debentures remain outstanding.

Critical Accounting Policies

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

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties and discounted for unconsolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred and is determined to be other than temporary, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the value of any of our consolidated rental properties or equity investments in rental properties was impaired at June 30, 2010, December 31, 2009 and 2008.

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

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

Investment in Unconsolidated Joint Ventures

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

Revenue Recognition

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

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

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

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

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

Where impairment is indicated, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $4.0 million, $10.0 million, $5.0 million and $5.0 million in loan loss reserves and charge offs during the three and six months ended June 30, 2010 and 2009, respectively, on investments being held to maturity. We recorded approximately $38.4 million and $45.8 million in loan loss reserves and charge offs during the years ended December 31, 2009 and 2008, respectively, on investments being held to maturity.

Structured finance investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the loan will be reclassified at its net carrying value to structured finance investments held to maturity. During the quarter ended September 30, 2009, we reclassified loans with a net carrying value of approximately $56.7 million from held for sale to held to maturity. For these reclassified loans, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the loan. We recorded a mark-to-market adjustment of approximately $1.0 million, $1.0 million, $40.6 million and $102.6 million against our held for sale investment during the three and six months ended June 30, 2010 and 2009, respectively. As of December 31, 2009, one loan with a net carrying value of approximately $1.0 million had been designated as held for sale. We recorded a mark-to-market adjustment of approximately $69.1 million against this held for sale investment during the year ended December 31, 2009.

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Derivative Instruments

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

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

Results of Operations

Comparison of the three months ended June 30, 2010 to the three months ended June 30, 2009

The following comparison for the three months ended June 30, 2010, or 2010, to the three months ended June 30, 2009, or 2009, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us at January 1, 2009 and at June 30, 2010 and total 45 of our 47 consolidated properties, representing approximately 77% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2009 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2010	2009	$ Change	% Change
Rental revenue	$ 199.7	$ 191.9	$ 7.8	4.1%
Escalation and reimbursement revenue	30.0	31.4	(1.4)	(4.5)
Total	$ 229.7	$ 223.3	$ 6.4	2.9%
Same-Store Properties	$ 221.3	$ 219.9	$ 1.4	0.6%
Acquisitions	7.1	2.4	4.7	195.8
Other	1.3	1.0	0.3	30.0
Total	$ 229.7	$ 223.3	$ 6.4	2.9%

Occupancy in the Same-Store Properties was 94.8% at June 30, 2009, 93.5% at December 31, 2009 and 92.5% at June 30, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties for a period during the quarter in 2010 compared to a partial period or not being included in 2009.

During the quarter, we signed or commenced 56 leases in the Manhattan portfolio totaling 513,307 square feet, of which 49 leases and 461,492 square feet represented office leases. Average starting Manhattan office rents of $40.09 per rentable square foot on the 461,492 square feet of office leases signed or commenced during the quarter represented a 4.4% decrease over the previously fully escalated rents. The average lease term was 7.7 years and average tenant concessions were 2.8 months of free rent with a tenant improvement allowance of $23.72 per rentable square foot.

During the quarter, we signed 31 leases in the Suburban portfolio totaling 118,159 square feet, of which 22 leases and 103,076 square feet represented office leases. Average starting Suburban office rents of $30.80 per rentable square foot for the quarter represented a 2.6% decrease over the previously fully escalated rents.

At June 30, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 4.3% and 4.8% higher, respectively, than then existing in-place fully escalated rents. Approximately 5.7% of the space leased at our consolidated properties expires during the remainder of 2010.

The decrease in escalation and reimbursement revenue was due to lower recoveries at the Same-Store Properties ($1.8 million) which was partially offset by an increase in recoveries from the Acquisitions ($0.4 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower operating expense escalations ($1.0 million) and electric reimbursements ($1.2 million) which were partially offset by higher real estate tax escalations ($0.4 million).

Investment and Other Income (in millions)	**2010**	**2009**	**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$ 10.0	$ 16.8	$ (6.8)	(40.5)%
Investment and preferred equity income	20.8	15.5	5.3	34.2
Other income	9.3	13.2	(3.9)	(29.5)
Total	$ 40.1	$ 45.5	$ (5.4)	(11.9)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 800 Third Avenue ($0.2 million), 600 Lexington Avenue ($0.5 million), 1221 Avenue of the Americas due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($3.8 million) and 1515 Broadway ($3.3 million). This was partially offset by higher net income contributions primarily from our investments in 100 Park Avenue ($1.6 million) and 717 Fifth Avenue ($0.3 million).

Occupancy at our joint venture properties was 94.8% at June 30, 2009, 95.1% at December 31, 2009 and 93.8% at June 30, 2010. At June 30, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 13.1% and 9.2% higher, respectively, than then existing in-place fully escalated rents. Approximately 1.4% of the space leased at our joint venture properties expires during the remainder of 2010.

Investment and preferred equity income increased during the current quarter primarily due to new investment activity. The weighted average investment balance outstanding and weighted average yield were $814.2 million and 8.1%, respectively, for 2010 compared to $665.6 million and 8.3%, respectively, for 2009.

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The decrease in other income was primarily due to lower fee and other income earned ($4.2 million) which was partially offset by higher lease buy-out income ($0.3 million).

Property Operating Expenses (in millions)	**2010**	**2009**	**$ Change**	**% Change**
Operating expenses	$ 54.6	$ 52.1	$ 2.5	4.8%
Real estate taxes	38.6	36.5	2.1	5.8
Ground rent	7.7	8.0	(0.3)	(3.8)
Total	$ 100.9	$ 96.6	$ 4.3	4.5%
Same-Store Properties	$ 93.2	$ 91.6	$ 1.6	1.7%
Acquisitions	6.8	0.9	5.9	655.6
Other	0.9	4.1	(3.2)	(78.0)
Total	$ 100.9	$ 96.6	$ 4.3	4.5%

Same-Store Properties operating expenses, excluding real estate taxes, increased approximately $0.4 million. There were increases in payroll costs ($1.0 million) and repairs and maintenance ($0.9 million). This was partially offset by decreases in utilities ($1.1 million) and ground rent expenses ($0.3 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($1.2 million) due to higher assessed property values and increased rates.

Other Expenses (in millions)	**2010**	**2009**	**$ Change**	**% Change**
Interest expense, net of interest income	$ 59.4	$ 58.2	$ 1.2	2.1%
Depreciation and amortization expense	56.9	54.9	2.0	3.6
Loan loss reserves	5.0	45.6	(40.6)	(89.0)
Transaction related costs	4.1		4.1	100.0
Marketing, general and administrative expense	18.4	17.9	0.5	2.8
Total	$ 143.8	$ 176.6	$ (32.8)	(18.6)%

The increase in interest expense was primarily attributable to the weighted average interest rate increasing from 4.31% for the quarter ended June 30, 2009 to 4.99% for the quarter ended June 30, 2010. The weighted average debt balance decreased from $5.1 billion as of June 30, 2009 to $4.6 billion as of June 30, 2010.

We expensed approximately $4.1 million of transaction related costs during the three months ended June 30, 2010. Of these costs, $3.4 million were required to be expensed under new accounting guidelines which took effect in 2009. Transaction costs included approximately $0.7 million for non-recoverable costs incurred in connection with the pursuit of a redevelopment project.

Marketing, general and administrative expense represented 7.1% of total revenues in 2010 compared to 7.1% in 2009.

Comparison of the six months ended June 30, 2010 to the six months ended June 30, 2009

The following comparison for the six months ended June 30, 2010, or 2010, to the six months ended June 30, 2009, or 2009, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us at January 1, 2009 and at June 30, 2010 and total 45 of our 47 consolidated properties, representing approximately 77% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2009 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not

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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)	2010	2009	$ Change	% Change
Rental revenue	$ 398.3	$ 387.5	$ 10.8	2.8%
Escalation and reimbursement revenue	61.4	65.0	(3.6)	(5.5)
Total	$ 459.7	$ 452.5	$ 7.2	1.6%
Same-Store Properties	$ 445.0	$ 442.7	$ 2.3	0.5%
Acquisitions	12.3	5.9	6.4	108.5
Other	2.4	3.9	(1.5)	(38.5)
Total	$ 459.7	$ 452.5	$ 7.2	1.6%

Occupancy in the Same-Store Properties was 94.8% at June 30, 2009, 93.5% at December 31, 2009 and 92.5% at June 30, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties for a period during the six months in 2010 compared to a partial period or not being included in 2009.

During the six months, we signed or commenced 114 leases in the Manhattan portfolio totaling 1,049,528 square feet, of which 96 leases and 962,813 square feet represented office leases. Average starting Manhattan office rents of $42.65 per rentable square foot on the 962,813 square feet of office leases signed or commenced during the six months ended June 30, 2010 represented a 4.8% decrease over the previously fully escalated rents. The average lease term was 8.4 years and average tenant concessions were 4.2 months of free rent with a tenant improvement allowance of $26.11 per rentable square foot.

During the six months, we signed 68 leases in the Suburban portfolio totaling 358,331 square feet, of which 53 leases and 318,007 square feet represented office leases. Average starting Suburban office rents of $29.29 per rentable square foot for the six months ended June 30, 2010 represented an 8.2% decrease over the previously fully escalated rents.

At June 30, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 4.3% and 4.8% higher, respectively, than then existing in-place fully escalated rents. Approximately 5.7% of the space leased at our consolidated properties expires during the remainder of 2010.

The decrease in escalation and reimbursement revenue was due to lower recoveries at the Same-Store Properties ($3.8 million) which was partially offset by an increase in recoveries from the Acquisitions ($0.1 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower operating expense escalations ($2.1 million) and electric reimbursements ($2.2 million) which were partially offset by higher real estate tax escalations ($0.5 million).

Investment and Other Income (in millions)	2010	2009	$ Change	% Change
Equity in net income of unconsolidated joint ventures	$ 25.4	$ 29.9	$ (4.5)	(15.1)%
Investment and preferred equity income	41.2	32.4	8.8	27.2
Other income	17.5	29.4	(11.9)	(40.5)
Total	$ 84.1	$ 91.7	$ (7.6)	(8.3)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 16 Court Street ($0.3 million), 521 Fifth Avenue ($0.9 million), 600 Lexington Avenue ($0.5 million), 1604 Broadway ($0.4 million), 1221 Avenue of the Americas due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($3.1 million) and 1515

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Broadway ($6.3 million). This was partially offset by higher income contributions primarily from our investments in Gramercy ($3.5 million), Jericho Plaza ($0.6 million) and 100 Park Avenue ($2.5 million).

Occupancy at our joint venture properties was 94.8% at June 30, 2009, 95.1% at December 31, 2009 and 93.8% at June 30, 2010. At June 30, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 13.1% and 9.2% higher, respectively, than then existing in-place fully escalated rents. Approximately 1.4% of the space leased at our joint venture properties expires during the remainder of 2010.

Investment and preferred equity income increased primarily due to new investment activity as well as a $2.5 million gain recognized on the disposition of an investment that had previously been reserved. The weighted average investment balance outstanding and weighted average yield were $800.2 million and 8.2%, respectively, for 2010 compared to $677.2 million and 8.7%, respectively, for 2009.

The decrease in other income was primarily due to lower fee and other income earned ($14.4 million) which was partially offset by higher lease buy-out income ($2.5 million).

Property Operating Expenses (in millions)	2010	2009	$ Change	% Change
Operating expenses	$ 113.4	$ 107.2	$ 6.2	5.8%
Real estate taxes	77.0	73.3	3.7	5.0
Ground rent	15.5	16.1	(0.6)	(3.7)
Total	$ 205.9	$ 196.6	$ 9.3	4.7%
Same-Store Properties	$ 189.5	$ 187.8	$ 1.7	0.9%
Acquisitions	10.6	1.9	8.7	457.9
Other	5.8	6.9	(1.1)	(15.9)
Total	$ 205.9	$ 196.6	$ 9.3	4.7%

Same-Store Properties operating expenses, excluding real estate taxes, decreased approximately $0.4 million. There were decreases in utilities ($2.4 million) and ground rent ($0.6 million), respectively. This was partially offset by an increase in payroll costs ($1.6 million), repairs and maintenance ($1.2 million) and insurance costs ($0.5 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($2.1 million) due to higher assessed property values and increased rates.

Other Expenses (in millions)	2010	2009	$ Change	% Change
Interest expense, net of interest income	$ 119.4	$ 119.7	$ (0.3)	(0.3)%
Depreciation and amortization expense	114.0	109.4	4.6	4.2
Loan loss reserves	11.0	107.6	(96.6)	(89.8)
Transaction related costs	5.2		5.2	100.0
Marketing, general and administrative expense	36.8	35.9	0.9	2.5
Total	$ 286.4	$ 372.6	$ (86.2)	(23.1)%

The decrease in interest expense was primarily attributable to the early repurchase of our exchangeable and non-exchangeable notes and the reduction of the outstanding balance on our 2007 unsecured revolving credit facility. The weighted average interest rate increased from 4.34% for the six months ended June 30, 2009 to 4.71% for the six months ended June 30, 2010. The weighted average debt balance decreased from $5.3 billion as of June 30, 2009 to $4.8 billion as of June 30, 2010.

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We expensed approximately $5.2 million of transaction related costs during the six months ended June 30, 2010. Of these costs, $3.4 million were required to be expensed under new accounting guidelines which took effect in 2009. Transaction costs included approximately $1.8 million for non-recoverable costs incurred in connection with the pursuit of a redevelopment project.

Marketing, general and administrative expense represented 7.1% of total revenues in 2010 compared to 7.0% in 2009.

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

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

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

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

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

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

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

8.5 years and average tenant concessions were 3.6 months of free rent with a tenant improvement allowance of $33.36 per rentable square foot.

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

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

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

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

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

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

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

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

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

In 2009, we repurchased approximately $564.6 million of our exchangeable and non-exchangeable bonds and a portion of the Credit Facility, realizing gains on early extinguishment of debt of approximately $86.0 million.

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

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

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

The following comparison for the year ended December 31, 2008, or 2008, to the year ended December 31, 2007, or 2007, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all properties owned by us at January 1, 2007 and at December 31, 2008 and total 40 of our 49 consolidated properties, inclusive of the ROP assets (acquired January 2007), representing approximately 69.2% of our share of annualized rental revenue, and the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2007, namely, 300 Main Street, 399 Knollwood (all January 2007), 333 West 34th Street, 331 Madison Avenue and 48 East 43rd Street (April), 1010 Washington Avenue, Connecticut, and 500 West Putnam Avenue, Connecticut (June), and 180 Broadway and One Madison Avenue (August) and (iii) "Other," which represents company level items not allocable to specific properties, the Service Corporation and

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eEmerge. There were no acquisitions of commercial office properties in 2008. Assets classified as held for sale are excluded from the following discussion.

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

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

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

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

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

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

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

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

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

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

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

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

The increase in interest expense was primarily attributable borrowings under the Credit Facility which were done in response to uncertainty in the financial sector. The weighted average interest rate decreased from 5.66% for the year ended December 31, 2007 to 5.24% for the year ended December 31, 2008. As a result of the new investment activity in 2007 and borrowings under the Credit Facility in 2008, the weighted average debt balance increased from $4.7 billion as of December 31, 2007 to $5.7 billion as of December 31, 2008.

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

Marketing, general and administrative expenses, or MG&A, represented 10.8% of total revenues in 2008 compared to 10.3% in 2007. During the fourth quarter, we and certain of our employees agreed

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to cancel, without compensation, certain employee stock options as well as a portion of our 2006 long-term outperformance plan. These cancellations resulted in a non-cash charge of approximately $18.0 million. MG&A for 2008 includes personnel hired by GKK Manager in connection with the AFR acquisition which added approximately $4.3 million to MG&A. MG&A for 2008 also includes a non-recurring expense of approximately $2.0 million for costs incurred in connection with the pursuit of redevelopment projects.

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

Liquidity and Capital Resources

We continue to experience a global economic downturn and difficult credit environment, although positive signs have started to materialize. As a result, many financial industry participants, including commercial real estate owners, operators, investors and lenders, continue to find it difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt. When debt is available, it is generally at a cost much higher than may have been available in the past.

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

(1) Cash flow from operations;

(2) Cash on hand;

(3) Borrowings under the Credit Facility;

(4) Other forms of secured or unsecured financing by us or SL Green;

(5) Net proceeds from divestitures of properties and redemptions, participations and dispositions of structured finance investments; and

(6) Proceeds from common or preferred equity or debt offerings by us or SL Green (including issuances of limited partnership units and trust preferred securities).

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

Our combined aggregate principal maturities of our property mortgages, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of June 30, 2010 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 14,570	$ 246,606	$ 250,681	$ 594,060	$ 30,042	$ 1,664,907	$ 2,800,866
Corporate obligations		84,823	949,278		98,578	625,402	1,758,081
Joint venture debt-our share	3,935	218,083	61,767	37,207	361,917	1,137,199	1,820,108
Total	$ 18,505	$ 549,512	$ 1,261,726	$ 631,267	$ 490,537	$ 3,427,508	$ 6,379,055

As of June 30, 2010, we had approximately $412.6 million of cash on hand, inclusive of approximately $73.0 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We and/or SL Green may also seek to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this

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capital will be made available to us. Management believes that these sources of liquidity if we are able to access them, along with potential refinancing opportunities for secured debt and continued repurchases of our senior unsecured notes, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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

We continue to monitor closely the financial viability of our largest tenant, Citigroup, which accounted for approximately 8.3% of our annualized rent as of June 30, 2010, paying particular attention to the potentially negative effects of its capital position and reductions in its headcount on its tenancy in our portfolio. During 2008 and 2009, Citigroup benefited from substantial U.S. government financial investments, including (i) raising capital through the sale of Citigroup non-voting perpetual, cumulative preferred stock and warrants to purchase common stock issued to the U.S. Department of the Treasury, (ii) entering into a loss-sharing agreement with various U.S. government entities covering certain of Citigroup assets, and (iii) issuing senior unsecured debt guaranteed by the Federal Deposit Insurance Corporation. Most significantly, in December 2009 Citigroup issued approximately $17 billion of common stock and approximately $3.5 billion of tangible equity units representing the largest public equity offering in U.S. capital markets history. The proceeds from this offering were then used to repay the $20 billion Citigroup received from the U.S. government under TARP and served to significantly improve Citigroup's TIER 1 capital ratio.

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

Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in our financial statements included elsewhere in this prospectus 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 $339.6 million and $676.8 million at June 30, 2010 and 2009, respectively, representing a decrease of $337.2 million. The decrease was a result of the following increases and decreases in cash flows (in thousands):

	Six months ended June 30,		
	2010	**2009**	**Increase (Decrease)**
Net cash provided by operating activities	$ 152,654	$ 152,374	$ 280
Net cash provided by investing activities	$ 246,899	$ 25,170	$ 221,729
Net cash used in financing activities	$ (403,691)	$ (227,665)	$ (176,026)

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

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

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At June 30, 2010 our portfolio was 91.0% occupied. Our structured finance and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria.

During the six months ended June 30, 2010, when compared to the six months ended June 30, 2009, we used cash primarily for the following investing activities (in thousands):

Acquisitions of and additions of real estate	$ 12,094
Escrow cash-capital improvements/acquisition deposits	(48,062)
Joint venture investments	(69,226)
Distributions from joint ventures	(2,995)
Proceeds from sales of real estate	478,165
Structured finance and other investments	(148,247)

During the year ended December 31, 2009, when compared to the year ended December 31, 2008, we used cash primarily for the following investing activities (in thousands):

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

We generally fund our investment activity through property-level financing, the Credit Facility, senior unsecured notes, construction loans and from time to time SL Green issues common or preferred stock and contributes the proceeds to us in exchange for partnership units of a corresponding class.

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During the six months ended June 30, 2010, when compared to the six months ended June 30, 2009, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$ 322,366
Repayments under our debt obligations	(234,275)
Noncontrolling interests, contributions in excess of distributions	4,503
Other financing activities	(27,914)
Proceeds from sale of common/preferred stock by SL Green	(265,305)
Dividends paid	24,599

During the year ended December 31, 2009, when compared to the year ended December 31, 2008, we used cash for the following financing activities (in thousands):

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

Capitalization

As of June 30, 2010, we had 78,209,392 general and limited partner common units, 1,210,748 limited partner common units, 11,700,000 units of our 7.625% Series C cumulative redeemable preferred units, or Series C preferred units, and 4,000,000 units of our 7.875% Series D cumulative redeemable preferred units, or Series D preferred units, outstanding. Whenever SL Green issues common or preferred stock, the net proceeds received are contributed to us in exchange for an equivalent number of operating partnership units of a corresponding class.

In January 2010, SL Green sold 5,400,000 shares of its Series C preferred stock in an underwritten public offering. Following of this offering, SL Green had 11,700,000 shares of the Series C preferred stock outstanding. The shares of Series C preferred stock have a liquidation preference of $25.00 per share and are redeemable at par, plus accrued and unpaid dividends, at any time at SL Green's option. The shares were priced at $23.53 per share including accrued dividends equating to a yield of 8.101%. SL Green contributed the net offering proceeds of approximately $122.0 million to us in exchange for an equivalent number of operating partnership units of a corresponding class. We used the net offering proceeds for general corporate and/or working capital purposes, including purchases of the indebtedness of our subsidiaries and investment opportunities.

In May 2009, SL Green sold 19,550,000 shares of its common stock. The net proceeds from this offering (approximately $387.1 million), which were contributed to us in exchange for an equivalent number of common units, were primarily used to repurchase unsecured debt and for other corporate purposes.

In March 2007, SL Green's board of directors approved a stock repurchase plan under which SL Green could buy up to $300.0 million shares of its common stock. This plan expired on December 31, 2008. SL Green repurchased approximately $300.0 million, or 3.3 million shares of its common stock, at an average price of $90.49 per share. The funds used for the $300.0 million of repurchases were distributed by us to SL Green in exchange for the repurchase of 3.3 million common units.

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Compensation Plans

All employees of SL Green are compensated through a subsidiary of SLGOP. SL Green's employee and director compensation plans are described below. Under each plan, whenever SL Green issues common or preferred stock, we issue an equivalent number of operating partnership units of a corresponding class to SL Green.

Rights Plan

SL Green adopted a shareholder rights plan which provided, among other things, that when specified events occur, its shareholders would be entitled to purchase from it a newly created series of junior preferred shares. This plan expired in March 2010.

Dividend Reinvestment and Stock Purchase Plan

SL Green registered 2,000,000 shares of common stock under its dividend reinvestment and stock purchase plan, or DRIP. The DRIP commenced on September 24, 2001.

During the six months ended June 30, 2010 and 2009, approximately 251,000 and no shares were issued and approximately $11.2 million and no proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price. The $11.2 million in proceeds received during the six months ended June 30, 2010 were contributed to us by SL Green in exchange for an equivalent number common units.

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 Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At June 30, 2010, approximately 3.8 million fungible units, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 4.8 million shares of common stock if all shares available under the 2005 Plan were issued as five-year stock options.

2003 Long-Term Outperformance Compensation Program

SL Green's board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program provided for restricted stock awards to be made to plan participants if the holders of its common equity achieved a total return in excess of 40% over a 48-month period commencing April 1, 2003. In April 2007, the compensation committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Plan. In accordance with the terms of the program, 40% of each award vested on March 31, 2007 and the remainder was scheduled to vest ratably over the subsequent three years based on continued employment. The fair value of the awards under this program on the date of grant was determined to be $3.2 million. This fair value is expensed over the term of the restricted stock award. Forty percent of the value of the award was amortized over four years from the date of grant and the balance was amortized, in equal parts, over five, six and seven years (i.e., 20% of the total value was amortized over five years (20% per year), 20% of the total value was amortized over six years (16.67% per year) and 20% of the total value was amortized over seven years (14.29% per year)). We recorded compensation expenses of none, $23,000, $29,500 and $59,000 related to this program during the three and six months ended June 30, 2010 and 2009, respectively. We recorded compensation expenses of $0.1 million, $0.2 million and $0.4 million related to this plan during the years ended December 31, 2009, 2008 and 2007, respectively.

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2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of SL Green's board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan were entitled to earn LTIP Units in SLGOP if SL Green's total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%; provided that participants were entitled to earn LTIP Units earlier in the event that SL Green achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value equal to 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of SL Green's outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. On June 14, 2006, the compensation committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Ouperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned scheduled to vest on each of November 30, 2009 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on SL Green's common stock, whether or not they are vested.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period. We recorded approximately $1.2 million, $1.6 million, $0.6 million and $1.2 million of compensation expense during the three and six months ended June 30, 2010 and 2009, respectively, in connection with the 2005 Outperformance Plan. We recorded approximately $2.3 million, $3.9 million and $2.1 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of SL Green's board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan were entitled to earn LTIP Units in SLGOP if SL Green's total return to stockholders for the three-year period beginning August 1, 2006 exceeded a cumulative total return to stockholders of 30%; provided that participants were entitled to earn LTIP Units earlier in the event that SL Green achieved maximum performance for 30 consecutive days. The total number of LTIP Units that could be earned was to be a number having an assumed value of 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to $60.0 million. The 2006 Outperformance Plan provided that if the LTIP Units were earned, each participant would also have been entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions would have been paid in the form of additional LTIP Units. Thereafter, distributions would have been paid currently with respect to all earned LTIP Units, whether vested or unvested. Any LTIP Units earned under the 2006 Outperformance Plan were to remain subject to time-based vesting, with one-third of the awards vesting on each of July 31, 2009 and the first two anniversaries thereafter based on continued employment.

The cost of the 2006 Outperformance Plan (approximately $16.4 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period. We recorded approximately

$0.1 million, $0.1 million, $0.1 million and $0.2 million of compensation expense during the three and six months ended June 30, 2010 and 2009, respectively, in connection with the 2006 Outperformance Plan. We recorded approximately $0.4 million, $12.2 million and $2.5 million of compensation expense during the years ended December 31, 2009, 2008 and 2007, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including SL Green's executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan. This charge of approximately $9.2 million is included in the compensation expense above. The performance criteria under the 2006 Outperformance Plan were not met and, accordingly, no LTIP Units have been earned under the 2006 Outperformance Plan.

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

In December 2009, the compensation committee of SL Green's board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, the 2010 Long Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients may earn, in the aggregate, from approximately $15 million up to approximately $75 million of LTIP Units in SLGOP based on SL Green's 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 SL Green's aggregate stock price appreciation during the performance period is 25% to the maximum amount of approximately $75 million if SL Green's aggregate stock price appreciation during the performance period is 50% or greater. No awards will be earned if SL Green's 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.

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 SL Green's 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 to award the balance of the LTIP Units due under the 2010 Long-Term Compensation Plan. The cost of the 2010 Long Term Compensation Plan (approximately $24.8 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately $1.1 million and $1.6 million during the three and six months ended June 30, 2010 related to this program.

Deferred Stock Compensation Plan for Directors

Under our Independent Director's Deferral Program, which commenced July 2004, SL Green's 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 SL Green's board

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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 SL Green's 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 six months ended June 30, 2010, approximately 8,000 phantom stock units were earned. As of June 30, 2010, there were approximately 56,400 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, SL Green's board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage its employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable eligible employees to purchase SL Green's shares of common stock through payroll deductions. The ESPP became effective on January 1, 2009 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. The common stock will be offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2009. 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 SL Green's stockholders at its 2009 annual meeting of stockholders. As of June 30, 2010, approximately 42,928 shares of SL Green's common stock had been issued under the ESPP. SL Green contributed the proceeds from the sale of those shares to us in exchange for an equivalent number of our common units.

Market Capitalization

At June 30, 2010, borrowings under our mortgage loans, the Credit Facility, senior unsecured notes and trust preferred securities (including our share of joint venture debt of approximately $1.8 billion) represented 57.3% of SL Green's combined market capitalization of approximately $11.1 billion (based on a common stock price of $55.04 per share, the closing price of SL Green's common stock on the NYSE on June 30, 2010). Market capitalization includes our consolidated debt, SL Green common and preferred stock and the conversion of all our units of limited partnership interest into SL Green common stock and our share of joint venture debt.

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Indebtedness

The table below summarizes our consolidated mortgage debt, the Credit Facility, senior unsecured notes and trust preferred securities outstanding at June 30, 2010 and December 31, 2009 and 2008, respectively (dollars in thousands).

Debt Summary	June 30, 2010	December 31, 2009	December 31, 2008
Balance			
Fixed rate	$ 3,249,292	$ 3,256,081	$ 3,918,454
Variable rate hedged		60,000	60,000
Total fixed rate	3,249,292	3,316,081	3,978,454
Variable rate	850,459	1,110,391	1,427,677
Variable rate supporting variable rate assets	459,196	466,216	175,428
Total variable rate	1,309,655	1,576,607	1,603,105
Total	$ 4,558,947	$ 4,892,688	$ 5,581,559
Percent of Total Debt:			
Total fixed rate	71.3%	67.8%	71.3%
Variable rate	28.7%	32.2%	28.7%
Total	100.0%	100.0%	100.0%
Effective Interest Rate for the Quarter / Year:			
Fixed rate	5.97%	5.60%	5.37%
Variable rate	1.92%	1.45%	4.05%
Effective interest rate	4.81%	4.30%	5.24%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.35%, 0.23% and 0.44% at June 30, 2010, December 31, 2009 and 2008, respectively). Our consolidated debt at June 30, 2010 and December 31, 2009 had a weighted average term to maturity of approximately 5.0 years and 4.9 years, respectively.

Certain of our structured finance investments, with a carrying value of approximately $459.2 million and $466.2 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at June 30, 2010 and December 31, 2009, respectively.

Mortgage Financing

As of June 30, 2010, our total mortgage debt (excluding our share of joint venture debt of approximately $1.8 billion) consisted of approximately $2.3 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 6.01% and $375.7 million of variable rate debt with an effective weighted average interest rate of approximately 3.25%.

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

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2007 Unsecured Revolving Credit Facility

We have a $1.5 billion unsecured revolving credit facility, which is referred to as the Credit Facility. The Credit Facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR which, based on our leverage ratio is currently 90 basis points. This facility matures in June 2011 and has a one-year as-of-right extension option. The Credit Facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The Credit Facility had approximately $0.8 billion and $1.37 billion outstanding at June 30, 2010 and December 31, 2009, respectively. Availability under the Credit Facility was further reduced at June 30, 2010 and December 31, 2009 by the issuance of approximately $25.0 million and $27.1 million, respectively, in letters of credit. The Credit Facility includes certain restrictions and covenants (see restrictive covenants below). The Credit Facility is guaranteed by certain of SLGOP's subsidiaries and structured finance investment entities. ROP and certain of its subsidiaries also provide a senior guaranty of SLGOP's obligations under the Credit Facility. As of June 30, 2010, the maximum amount of ROP and its subsidiaries' guaranty obligation was approximately $566.1 million.

In August 2009, we amended the Credit Facility to provide us with the ability to acquire a portion of the loans outstanding under the Credit Facility. Such repurchases reduce our availability under the Credit Facility. In August 2009, one of our subsidiaries repurchased approximately $48.0 million of the total commitment, and we realized gains on early extinguishment of debt of approximately $7.1 million.

Term Loans

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

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of June 30, 2010 (in thousands):

Issuance	Accreted Balance	Coupon Rate[4]	Term (in Years)	Maturity
January 22, 2004[1][5]	$ 84,823	5.15%	7	January 15, 2011
August 13, 2004[1][5]	98,578	5.875%	10	August 15, 2014
March 31, 2006[1]	274,746	6.00%	10	March 31, 2016
March 16, 2010[1]	250,000	7.75%	10	March 15, 2020
June 27, 2005[1][2][5]	657	4.00%	20	June 15, 2025
March 26, 2007[3][5]	149,277	3.00%	20	March 30, 2027
	$ 858,081			

(1) Issued by ROP.

(2) Exchangeable senior debentures which are currently redeemable at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of ROP by SL Green, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of SL Green's common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491. During the six months ended June 30, 2010, we repurchased approximately $115.4 million of these bonds (inclusive of the tender offer described in Note (5) and $80.7 million repurchased in June 2010 pursuant to their terms) and realized a net loss on early extinguishment of debt of

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approximately $0.3 million. On the date of the Reckson Merger, $13.1 million was recorded in equity and was fully amortized as of June 30, 2010.

(3) In March 2007, we issued $750.0 million of these convertible bonds. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of SL Green's common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are our senior unsecured obligations 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 SL Green's common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of SL Green's common stock and for general corporate purposes. On the issuance date, $66.6 million was recorded in equity. As of June 30, 2010, approximately $6.4 million remained unamortized.

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

(5) In April 2010, SL Green completed a cash tender offer, or Tender Offer, and purchased $13.0 million of our outstanding 3.00% Exchangeable Senior Notes due 2027, and $13.2 million of the outstanding 4.00% Exchangeable Senior Debentures due 2025, $38.8 million of the 5.15% Notes due 2011 and $50.0 million of the 5.875% Notes due 2014 issued by ROP.

In March 2009, the $200.0 million, 7.75% unsecured notes scheduled to mature in March 2009, issued by ROP, were repaid at par.

On April 27, 2007, the $50.0 million 6.0% unsecured notes scheduled to mature in June 2007 and the $150.0 million 7.20% unsecured notes scheduled to mature in August 2007, issued by ROP, were redeemed.

Junior Subordinate Deferrable Interest Debentures

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

Restrictive Covenants

The terms of the Credit Facility and senior unsecured notes include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations.

The dividend restriction referred to above provides that, except to enable SL Green to continue to qualify as a REIT for Federal income tax purposes, it will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations for such period, subject to certain other

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adjustments. As of June 30, 2010, and December 31, 2009 and 2008, we were in compliance with all such covenants.

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for the three months ended June 30, 2010 and the years ended December 31, 2009 and 2008, would increase our annual interest cost by approximately $12.9 million, $15.2 million and $15.3 million and would increase our share of joint venture annual interest cost by approximately $6.1 million, $6.4 million and $7.4 million, respectively.

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

Approximately $3.2 billion and $3.3 billion of our long-term debt bore interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates as of June 30, 2010 and December 31, 2009, respectively. The interest rate on our variable rate debt and joint venture debt as of both June 30, 2010 and December 31, 2009 ranged from LIBOR plus 75 basis points to LIBOR plus 400 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and notes payable, the Credit Facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense (based on weighted average interest rates for the quarter) and our obligations under our capital lease and ground leases, as of June 30, 2010 are as follows (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Property Mortgages	$ 14,570	$ 246,606	$ 250,681	$ 594,060	$ 30,042	$ 1,664,907	$ 2,800,866
Revolving Credit Facility			800,000				800,000
Trust Preferred Securities						100,000	100,000
Senior Unsecured Notes		84,823	149,277		98,578	525,403	858,081
Capital lease	743	1,555	1,555	1,555	1,555	45,651	52,614
Ground leases	15,600	28,929	28,179	28,179	28,179	580,600	709,666
Estimated interest expense	111,157	205,309	182,233	161,594	143,625	412,728	1,216,646
Joint venture debt	3,935	218,083	61,767	37,207	361,917	1,137,199	1,820,108
Total	$ 146,005	$ 785,305	$ 1,473,692	$ 822,595	$ 663,896	$ 4,466,488	$ 8,357,981

Off-Balance Sheet Arrangements

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

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Capital Expenditures

We estimate that for the six months ending December 31, 2010, we will incur approximately $77.9 million of capital expenditures, 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 $15.5 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 that 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

SL Green expects to pay dividends to its stockholders based on the distributions we make to them primarily from property revenues net of operating expenses or, if necessary, from working capital or borrowings.

To maintain its qualification as a REIT, SL Green must pay annual dividends to its stockholders of at least 90% of its REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. SL Green intends to continue to pay regular quarterly dividends to its stockholders on an annual basis. Based on SL Green's current annual dividend rate of $0.40 per share, it would pay approximately $31.3 million in dividends. Before SL Green pays any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured and secured credit facilities, and our term loans, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors. First Quality also provides additional services directly to tenants on a separately negotiated basis. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service 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 $0.5 million, $1.0 million, $0.6 million and $0.9 million for the three and six months ended June 30, 2010, and 2009, respectively, and $1.6 million, $1.4 million and $0.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. First Quality leases 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We received approximately $75,000 in rent from Alliance in 2007. We sold this property in March 2007. We paid Alliance approximately $3.1 million, $6.2 million, $4.3 million and $7.7 million for the three and six months ended June 30, 2010 and 2009, respectively, and $14.9 million, $15.1 million and $14.8 million for three years ended December 31, 2009, respectively, for these services (excluding services provided directly to tenants).

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Leases

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

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately $94,000, $202,000, $84,000 and $179,000 for the three and six months ended June 30, 2010 and 2009, respectively, and $351,700 in 2009, $353,500 in 2008 and $297,100 in 2007.

Brokerage Services

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

Gramercy Capital Corp.

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

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $500.0 million for acts of terrorism. This policy expires in December 31, 2010. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2010. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2010.

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

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective September 1, 2009, Belmont increased its terrorism coverage from $250 million to $400 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio for certified acts of terrorism above a program trigger of $100.0 million. Belmont is responsible for a small deductible and 15% of the remaining balance of a loss, with the remaining 85% covered by the Federal government.

General Liability: For the period commencing October 31, 2010, Belmont will insure a deductible on the general liability insurance with a $150,000 deductible per occurrence and a $2.2 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $150,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.2 million. Prior policy years carry a higher per occurrence deductible and aggregate stop losses. Belmont has retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.

Environmental Liability: Belmont insures a deductible of $1 million per occurrence on a $30 million environmental liability policy covering the entire portfolio.

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

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 our current program trigger of $100.0 million. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2007 unsecured revolving credit facility and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

We have a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of "all-risk" property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided

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by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388 and 390 Greenwich Street, where we participate with SITQ, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Other joint ventures may be covered under separate policies 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 defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles, or GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties.

SL Green also uses 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 and SL Green's ability to make cash distributions.

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FFO for the three and six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008 and 2007 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Years Ended December 31,		
	2010	2009	2010	2009	2009	2008	2007
Net income attributable to SLGOP common unitholders	$ 139,505	$ 12,925	$ 154,875	$ 47,012	$ 38,890	$ 375,496	$ 652,439
Add:							
Depreciation and amortization	56,905	54,888	113,957	109,352	226,545	216,583	174,257
Discontinued operations depreciation adjustment		298		632	708	6,656	12,456
Unconsolidated joint ventures depreciation and noncontrolling interests adjustment	8,721	9,322	17,492	20,587	39,964	38,731	21,152
Net income attributable to noncontrolling interests in other partnerships	3,449	3,683	7,097	7,160	12,900	12,505	17,105
Loss (gain) on equity investment in marketable securities		(126)	285	681	396	147,489	
Less:							
Gain (loss) on sale of discontinued operations				6,572	(6,841)	348,573	501,812
(Gain) loss on sale of joint venture property/ partial interest	126,769	(2,693)	126,769	6,848	6,691	103,056	31,509
Depreciation on non-rental real estate assets	358	170	530	374	736	975	902
Funds from Operations available to common unitholders	81,453	83,513	166,407	171,630	318,817	344,856	343,186
Dividends on convertible preferred units							
Funds from Operations available to all unitholders	$ 81,453	$ 83,513	$ 166,407	$ 171,630	$ 318,817	$ 344,856	$ 343,186
Cash flows provided by operating activities	$ 85,972	$ 96,925	$ 152,654	$ 152,374	$ 275,211	$ 296,011	$ 406,705
Cash flows (used in) provided by investing activities	$ 307,142	$ 28,406	$ 246,899	$ 25,170	$ (345,379)	$ 396,219	$ (2,334,337)
Cash flows (used in) provided by financing activities	$ (221,191)	$ 117,783	$ (403,691)	$ (227,665)	$ (313,006)	$ (11,305)	$ 1,856,418

Inflation

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

Accounting Standards Updates

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR ROP

Overview

The following discussion related to ROP's consolidated financial statements should be read in conjunction with the financial statements and related notes of ROP included in this prospectus. ROP is a wholly-owned subsidiary of SLGOP.

On January 25, 2007, SL Green, completed the acquisition of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or RARC, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, WAGP, Wyoming Acquisition Partnership LP, RARC and ROP. SL Green paid approximately $6.0 billion, inclusive of transaction costs, for ROP. This transaction is referred to herein as the Reckson Merger.

On January 25, 2007, SL Green completed the sale of certain assets of ROP to an investment group led by certain of ROP's former executive management for a total consideration of approximately $2.0 billion.

As a result of the substantial change in ownership from the Reckson Merger, SL Green has recorded the Reckson Merger in accordance with the provisions of Emerging Issues Task Force Topic D-97, "Push-Down Accounting." The application of "push-down accounting" resulted in the adjustment of the carrying values of the assets and liabilities of ROP to fair value in the same manner as ROP's assets and liabilities were recorded by SL Green subsequent to the Reckson Merger. The net impact of such adjustments was approximately $3.0 billion.

As of June 30, 2010, ROP owned the following interests in commercial office properties in t