

SL GREEN REALTY CORP
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2007**

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

For the transition period from _____ to _____.

Commission File Number: **1-13199**

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

13-3956775
(I.R.S. Employer
Identification No.)

420 Lexington Avenue, New York, New York
(Address of principal executive offices)

10170
(Zip Code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the registrant's common stock, \$0.01 par value, was 59,509,803 as of July 31, 2007.

SL GREEN REALTY CORP.

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	PAGE
<u>Condensed Consolidated Balance Sheets as of June 30, 2007 (unaudited) and December 31, 2006</u>	3
<u>Condensed Consolidated Statements of Income for the three and six months ended June 30, 2007 and 2006 (unaudited)</u>	4
<u>Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2007 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006 (unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
<u>ITEM 2.</u>	
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	33
<u>ITEM 3.</u>	
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	47
<u>ITEM 4.</u>	
<u>CONTROLS AND PROCEDURES</u>	47
<u>PART II.</u>	
<u>OTHER INFORMATION</u>	48
<u>ITEM 1.</u>	
<u>LEGAL PROCEEDINGS</u>	48
<u>ITEM 1A.</u>	
<u>RISK FACTORS</u>	48
<u>ITEM 2.</u>	
<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	48
<u>ITEM 3.</u>	
<u>DEFAULTS UPON SENIOR SECURITIES</u>	48
<u>ITEM 4.</u>	
<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	48
<u>ITEM 5.</u>	
<u>OTHER INFORMATION</u>	49
<u>ITEM 6.</u>	
<u>EXHIBITS</u>	49
<u>Signatures</u>	50

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

SL Green Realty Corp.

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Condensed Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	June 30, 2007	December 31, 2006
Assets	(Unaudited)	
Commercial real estate properties, at cost:		
Land and land interests	\$ 1,285,915	\$ 439,986
Building and improvements	5,082,758	2,111,970
Building leasehold and improvements	1,201,786	490,995
Property under capital lease	12,208	12,208
	7,582,667	3,055,159
Less: accumulated depreciation	(324,756)	(279,436)
	7,257,911	2,775,723
Assets held for sale	21,040	
Cash and cash equivalents	80,300	117,178
Restricted cash	131,247	252,272
Tenant and other receivables, net of allowance of \$12,729 and \$11,079 in 2007 and 2006, respectively	41,657	34,483
Related party receivables	10,943	7,195
Deferred rents receivable, net of allowance of \$12,308 and \$10,925 in 2007 and 2006, respectively	111,740	96,624
Structured finance investments, net of discount of \$18,590 and \$14,804 in 2007 and 2006, respectively	661,720	445,026
Investments in unconsolidated joint ventures	839,087	686,069
Deferred costs, net	113,885	97,850
Other assets	182,815	119,807
Total assets	\$ 9,452,345	\$ 4,632,227
Liabilities and Stockholders' Equity		
Mortgage notes payable	\$ 2,173,460	\$ 1,190,379
Revolving credit facilities	587,000	
Term loans and unsecured notes	1,792,914	525,000
Accrued interest payable and other liabilities	42,286	10,008
Accounts payable and accrued expenses	148,158	138,181
Deferred revenue/gain	42,382	43,721
Capitalized lease obligation	16,466	16,394
Deferred land leases payable	16,829	16,938
Dividend and distributions payable	47,557	40,917
Security deposits	39,475	27,913
Liabilities related to assets held for sale		
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	5,006,527	2,109,451
Commitments and Contingencies		
Minority interest in Operating Partnership	77,429	71,731
Minority interests in other partnerships	592,449	56,162
Stockholders' Equity		
Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 6,300 issued and outstanding at June 30, 2007 and December 31, 2006, respectively	151,981	151,981
Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, 4,000 issued and outstanding at June 30, 2007 and December 31, 2006, respectively	96,321	96,321
Common stock, \$0.01 par value 160,000 shares authorized and 59,923 and 49,840 issued and outstanding at June 30, 2007 and December 31, 2006, respectively (including 312 shares at June 30, 2007 held in Treasury)	598	498
Additional paid-in-capital	2,905,765	1,809,893
Treasury stock at cost	(40,368)	
Accumulated other comprehensive income	9,287	13,971
Retained earnings	652,356	322,219
Total stockholders' equity	3,775,940	2,394,883
Total liabilities and stockholders' equity	\$ 9,452,345	\$ 4,632,227

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

3

SL Green Realty Corp.

Condensed Consolidated Statements of Income

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

	Three months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
Revenues				
Rental revenue, net	\$ 176,761	\$ 80,486	\$ 328,681	\$ 156,086
Escalation and reimbursement	30,298	14,467	58,334	27,797
Preferred equity and investment income	27,443	17,305	49,152	30,784
Other income	23,204	11,382	113,089	21,190
Total revenues	257,706	123,640	549,256	235,857
Expenses				
Operating expenses including approximately \$3,961, \$6,978 (2007) and \$3,038, \$6,131 (2006) paid to affiliates	54,581	26,247	102,570	52,662
Real estate taxes	34,652	17,686	65,202	34,721
Ground rent	7,766	4,921	15,031	9,842
Interest	62,595	21,528	120,186	39,019
Amortization of deferred financing costs	9,242	1,242	12,543	1,956
Depreciation and amortization	44,623	16,720	81,981	31,793
Marketing, general and administrative	24,131	13,257	58,378	26,243
Total expenses	237,590	101,601	455,891	196,236
Income from continuing operations before equity in net income of unconsolidated joint ventures, minority interest and discontinued operations	20,116	22,039	93,365	39,621
Equity in net income from unconsolidated joint ventures	12,059	10,596	21,413	20,564
Income from continuing operations before minority interest and discontinued operations	32,175	32,635	114,778	60,185
Equity in net gain on sale of interest in unconsolidated joint ventures/ real estate			31,509	
Minority interest in other partnerships	(4,655)	(1,115)	(8,578)	(1,966)
Minority interest in Operating Partnership attributable to continuing operations	(1,081)	(1,309)	(5,360)	(2,421)
Income from continuing operations	26,439	30,211	132,349	55,798
Net income from discontinued operations, net of minority interest	2,505	3,818	4,297	6,932
Gain on sale of discontinued operations, net of minority interest	241,906		286,600	
Net income	270,850	34,029	423,246	62,730
Preferred stock dividends	(4,969)	(4,969)	(9,938)	(9,938)
Net income available to common stockholders	\$ 265,881	\$ 29,060	\$ 413,308	\$ 52,792
Basic earnings per share:				
Net income from continuing operations before discontinued operations	\$ 0.36	\$ 0.58	\$ 1.56	\$ 1.07
Net income from discontinued operations	0.04	0.09	0.07	0.16
Gain on sale of discontinued operations, net of minority interest	4.07		4.92	
Gain on sale of unconsolidated joint venture			0.54	
Net income available to common stockholders	\$ 4.47	\$ 0.67	\$ 7.09	\$ 1.23
Diluted earnings per share:				
Net income from continuing operations before discontinued operations	\$ 0.36	\$ 0.57	\$ 1.55	\$ 1.03
Net income from discontinued operations	0.04	0.08	0.07	0.16
Gain on sale of discontinued operations, net of minority interest	3.98		4.81	
Gain on sale of unconsolidated joint venture			0.50	
Net income available to common stockholders	\$ 4.38	\$ 0.65	\$ 6.93	\$ 1.19
Dividends per share	\$ 0.70	\$ 0.60	\$ 1.40	\$ 1.20

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Basic weighted average common shares outstanding	59,513	43,191	58,258	43,026
Diluted weighted average common shares and common share equivalents outstanding	63,275	46,901	62,215	46,775

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

4

SL Green Realty Corp.

Condensed Consolidated Statement of Stockholders Equity

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

	Series C Preferred Stock	Series D Preferred Stock	Common Stock Shares	Par Value	Additional Paid- In-Capital	Treasur Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total	Comprehensive Income
Balance at December 31, 2006	\$ 151,981	\$ 96,321	49,840	\$ 498	\$ 1,809,893	\$	\$ 13,971	\$ 322,219	\$ 2,394,883	
Comprehensive Income:										
Net income								423,246	423,246	\$ 423,246
Net unrealized loss on derivative instruments							(4,684)		(4,684)	(4,684)
SL Green's share of joint venture net unrealized loss on derivative instruments										(407)
Preferred dividends								(9,938)	(9,938)	
Redemption of units and DRIP proceeds			377	3	16,482				16,485	
Deferred compensation plan & stock award, net			414	4	532				536	
Amortization of deferred compensation plan					19,766				19,766	
Proceeds from stock options exercised			279	3	10,504				10,507	
Common stock issued in connection with Reckson Merger			9,013	90	1,048,588				1,048,678	
Treasury stock-at cost			(312)			(40,368)			(40,368)	
Cash distribution declared (\$1.40 per common share of which none represented a return of capital for federal income tax purposes)								(83,171)	(83,171)	
Balance at June 30, 2007	\$ 151,981	\$ 96,321	59,611	\$ 598	\$ 2,905,765	\$ (40,368)	\$ 9,287	\$ 652,356	3,775,940	\$ 418,155

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

SL Green Realty Corp.

Condensed Consolidated Statements of Cash Flows

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

	Six months Ended June 30, 2007	2006
Operating Activities		
Net income	\$ 423,246	\$ 62,730
Adjustment to reconcile net income to net cash provided by operating activities:		
Non-cash adjustments related to income from discontinued operations	14,271	3,495
Depreciation and amortization	94,524	31,793
Gain on sale of real estate	(299,180)	
Equity in net income from unconsolidated joint ventures	(21,413)	(20,564)
Equity in net gain on sale of unconsolidated joint ventures	(31,509)	
Distributions of cumulative earnings from unconsolidated joint ventures	22,227	21,666
Minority interest	13,938	6,343
Deferred rents receivable	(23,518)	(8,717)
Other non-cash adjustments	22,212	7,398
Changes in operating assets and liabilities:		
Restricted cash operations	(13,025)	(2,426)
Tenant and other receivables	(8,801)	(6,394)
Related party receivables	(3,748)	(623)
Deferred lease costs	(11,288)	(10,104)
Other assets	14,722	17,875
Accounts payable, accrued expenses and other liabilities	57,935	2,715
Deferred revenue and land lease payable	(1,122)	(2,111)
Net cash provided by operating activities	249,471	103,076
Investing Activities		
Acquisitions of real estate property	(5,055,663)	(253,758)
Proceeds from Asset Sale	1,964,914	
Additions to land, buildings and improvements	(39,111)	(26,697)
Escrowed cash capital improvements/acquisition deposits	123,146	1,513
Investments in unconsolidated joint ventures	(192,827)	(55,482)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	74,743	36,791
Proceeds from disposition of real estate/ partial interest in property	441,419	8,847
Other investments	(63,075)	(13,935)
Structured finance and other investments net of repayments/participations	(220,480)	52,620
Net cash used in investing activities	(2,966,934)	(250,101)
Financing Activities		
Proceeds from mortgage notes payable	809,914	152,591
Repayments of mortgage notes payable	(118,724)	(3,875)
Proceeds from revolving credit facilities, term loans and unsecured notes	2,352,503	440,645
Repayments of revolving credit facilities, term loans and unsecured notes	(1,754,313)	(418,000)
Net proceeds from common stock issued for Reckson Merger	1,010,078	
Purchases of Treasury Stock	(40,368)	
Proceeds from stock options exercised	10,507	13,004
Minority interest in other partnerships	524,011	16,384
Dividends and distributions paid	(85,420)	(59,497)
Deferred loan costs and capitalized lease obligation	(27,603)	(4,147)
Net cash provided by financing activities	2,680,585	137,105
Net decrease in cash and cash equivalents	(36,878)	(9,920)
Cash and cash equivalents at beginning of period	117,178	24,104
Cash and cash equivalents at end of period	\$ 80,300	\$ 14,184

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

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

1. Organization and Basis of Presentation

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

Substantially all of our assets are held by, and our operations are conducted through, the operating partnership. The Company is the sole managing general partner of the operating partnership. As of June 30, 2007, minority investors held, in the aggregate, a 3.8% limited partnership interest in the operating partnership.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, 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, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. Pursuant to the terms of the Merger Agreement, each of the issued and outstanding shares of common stock of Reckson were converted into (i) \$31.68 in cash, (ii) 0.10387 of a share of the common stock, par value \$0.01 per share, of SL Green and (iii) a prorated dividend in an amount equal to approximately \$0.0977 in cash. We also assumed an aggregate of approximately \$226.3 million of Reckson mortgage debt, approximately \$287.5 million of Reckson convertible public debt and approximately \$967.8 million of Reckson public unsecured notes. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson's former executive management, or the Buyer, for a total consideration of approximately \$2.0 billion. SL Green caused ROP to transfer the following assets to the Buyer in the Asset Sale: (1) certain real property assets and/or entities owning such real property assets, in either case, of ROP and 100% of certain loans secured by real property, all of which are located in Long Island, New York; (2) certain real property assets and/or entities owning such real property assets, in either case, of ROP located in White Plains and Harrison, New York; (3) all of the real property assets and/or entities owning 100% of the interests in such real property assets, in either case, of ROP located in New Jersey; (4) the entity owning a 25% interest in Reckson Australia Operating Company LLC, Reckson's Australian management company (including its Australian licensed responsible entity), and other related entities, and ROP and ROP subsidiaries' rights to and interests in, all related contracts and assets, including, without limitation, property management and leasing, construction services and asset management contracts and services contracts; (5) the direct or indirect interest of Reckson in Reckson Asset Partners, LLC, an affiliate of RSVP and all of ROP's rights in and to certain loans made by ROP to Frontline Capital Group, the bankrupt parent of RSVP, and other related entities, which will be purchased by a 50/50 joint venture with an affiliate of SL Green; (6) a 50% participation interest in certain loans made by a subsidiary of ROP that are secured by four real property assets located in Long Island, New York; and (7) 100% of certain loans secured by real property located in White Plains and New Rochelle, New York.

As of June 30, 2007, we owned the following interests in commercial office properties primarily in midtown Manhattan, a borough of New York City, or Manhattan, as well as Long Island City, 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	24	13,899,300	98.1 %
	Unconsolidated properties	8	8,640,900	96.8 %

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Suburban	Consolidated properties	30	4,925,800	91.5 %
	Unconsolidated properties	3	2,042,000	99.5 %
		65	29,508,000	

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

7

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

We also own an aggregate of approximately 285,000 square feet of retail (nine) properties. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

We also own approximately 25% of the outstanding common stock of Gramercy Capital Corp. (NYSE: GKK), or Gramercy, as well as 64.83 units of the Class B limited partner interest in Gramercy's operating partnership. See Note 6.

Partnership Agreement

In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership Agreement, we allocate all distributions and profits and losses in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to avoid any Federal income or excise tax at the Company level. Under the Operating Partnership Agreement each limited partner will have the right to redeem units of limited partnership interest for cash, or if we so elect, shares of our common stock on a one-for-one basis. In addition, we are prohibited from selling 673 First Avenue and 470 Park Avenue South before August 2009.

Basis of Quarterly Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2007 operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2006.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us or entities which are variable interest entities in which we are the primary beneficiary under the Financial Accounting Standards Board, or FASB, Interpretation No. 46, or FIN 46, Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51, and FIN 46, Interpretation No. 46R, or FIN 46R. See Note 5, Note 6 and Note 7. Entities which we do not control and entities which are variable interest entities, but where we are not the primary beneficiary are accounted for under the equity method. We consolidate variable interest entities in which we are determined to be the primary beneficiary. The interest that we do not own is included in Minority Interest-Other Partnerships on the balance sheet. All significant intercompany balances and transactions have been eliminated.

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5, or EITF 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights, which provides guidance in determining whether a general partner controls a limited partnership. EITF 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or

(2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's business and thereby preclude the general partner from exercising unilateral control over the partnership. Our adoption of EITF 04-5 did not have any effect on net income or stockholders' equity.

We consolidate our investment in 919 Third Avenue as we own a 51% controlling interest.

Investment in Commercial Real Estate Properties

In accordance with SFAS No. 141, Business Combinations, we allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above, below and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years. The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

term of the associated lease. The value associated with in-place leases and tenant relationships are amortized over the expected term of the relationship, which includes an estimated probability of the lease renewal, and its estimated term. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

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We have not yet obtained all the information necessary to finalize our estimates to complete the purchase price allocations in accordance with SFAS No. 141 related to the Reckson Merger. The purchase price allocations will be finalized once the information we identified has been received, which should not be longer than one year from the date of acquisition.

As a result of our evaluations, under SFAS No. 141, of acquisitions made, we recognized an increase of approximately \$636,000, \$1.3 million, \$581,000 and \$921,000 in rental revenue for the three and six months ended June 30, 2007 and 2006, respectively, for the amortization of below market leases and a reduction in lease origination costs, resulting from the reallocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above market rate debt of approximately \$1.6 million, \$2.7 million, \$192,000 and \$381,000 for the three and six months ended June 30, 2007 and 2006, respectively.

Scheduled amortization on existing intangible liabilities on real estate investments is as follows (in thousands):

	Intangible Liabilities
2007	\$ 1,304
2008	2,605
2009	2,356
2010	1,857
2011	1,540
Thereafter	2,753
	\$ 12,415

Income Taxes

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected or may elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally engage in any real estate or non-real estate related business. A TRS is subject to corporate Federal income tax. Our TRS s generate income, resulting in Federal income tax liability for these entities. Our TRS s paid approximately \$0.8 million and \$1.1 million in estimated federal, state and local taxes during the six months ended June 30, 2007 and 2006.

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 12. We account for this plan under SFAS No. 123 Shared Based Payment, revised, or SFAS No. 123-R.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

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

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants during the three months ended June 30, 2007 and 2006.

	2007		2006	
Dividend yield	2.1	%	2.40	%
Expected life of option	5 years		5 years	
Risk-free interest rate	4.61	%	4.80	%
Expected stock price volatility	21.48	%	16.61	%

The following table illustrates the effect on net income available to common stockholders and earnings per share if the fair value method had been applied to all outstanding and unvested stock options for the three and six months ended June 30, 2007 and 2006 (in thousands, except per share amounts):

	Three months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
Net income available to common stockholders	\$ 265,881	\$ 29,060	\$ 413,308	\$ 52,792
Deduct stock option expense-all awards	(1,944)	(960)	(3,642)	(1,447)
Add back stock option expense included in net income	1,746	726	3,267	952
Allocation of compensation expense to minority interest	87	47	186	72
Pro forma net income available to common stockholders	\$ 265,770	\$ 28,873	\$ 413,119	\$ 52,369
Basic earnings per common share-historical	\$ 4.47	\$ 0.67	\$ 7.09	\$ 1.23
Basic earnings per common share-pro forma	\$ 4.47	\$ 0.67	\$ 7.09	\$ 1.22
Diluted earnings per common share-historical	\$ 4.38	\$ 0.65	\$ 6.93	\$ 1.19
Diluted earnings per common share-pro forma	\$ 4.38	\$ 0.65	\$ 6.92	\$ 1.18

The effects of applying SFAS No. 123-R in this pro forma disclosure are not indicative of the impact future awards may have on our results of operations.

Earnings Per Share

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

Use of Estimates

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

10

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, structured finance investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our structured finance investments is primarily located in the greater New York area. (See Note 5). We perform ongoing credit evaluations of our tenants and require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Westchester, Connecticut, New Jersey and Long Island. The tenants located in our buildings operate in various industries. Other than one tenant at 1515 Broadway who contributed approximately 5.3% of our annualized rent, no other tenant in the portfolio contributed more than 5.1% of our annualized rent, including our share of joint venture annualized rent, at June 30, 2007.

Approximately 7%, 6%, 6% and 6% of our annualized rent, including our share of joint venture annualized rent, was attributable to 1221 Avenue of the Americas, 1515 Broadway, 420 Lexington Avenue and 1185 Avenue of the Americas, respectively, for the quarter ended June 30, 2007. One borrower accounted for more than 10.0% of the revenue earned on structured finance investments during the three months ended June 30, 2007.

Reclassification

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

New Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, or FIN 48. This interpretation, among other things, creates a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings. The adoption of FIN 48, did not have a material impact on our consolidated financial statements.

3. Property Acquisitions

In January 2007, we acquired Reckson for approximately \$6.0 billion, inclusive of transaction costs. Simultaneously, we sold approximately \$2.0 billion of the Reckson assets to an asset purchasing venture led by certain of Reckson's former executive management. The transaction included the acquisition of 30 properties encompassing approximately 9.2 million square feet, of which five properties encompassing approximately 4.2 million square feet are located in Manhattan.

In January 2007, we acquired 300 Main Street in Stamford, Connecticut and 399 Knollwood Road in White Plains, New York for approximately \$46.6 million, from affiliates of RPW Group. These commercial office buildings encompass 275,000 square feet, inclusive of 50,000 square feet of garage parking at 300 Main Street.

In April 2007, we completed the acquisition of 331 Madison Avenue and 48 East 43rd Street for a total of \$73.0 million. Both 331 Madison Avenue and 48 East 43rd Street are located adjacent to 317 Madison Avenue, a property that SL Green acquired in 2001. 331 Madison Avenue is an approximately 92,000-square foot, 14-story office building. The

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22,850-square-foot 48 East 43rd Street property is a seven-story loft building that was later converted to office use.

In April 2007, we acquired the fee interest in 333 West 34th Street for approximately \$183.0 million from Citigroup Global Markets Inc. The property encompasses approximately 345,000 square feet. At closing, Citigroup entered into a full building triple net lease through December 2009.

11

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

In June 2007, we, through a joint venture, acquired the second and third floors in the office tower at 717 Fifth Avenue for approximately \$16.9 million.

In June 2007, we acquired 1010 Washington Avenue, CT, a 143,400 square foot office tower. The fee interest was purchased for approximately \$38.0 million.

In June 2007, we acquired an office property located at 500 West Putnam Avenue in Greenwich, Connecticut. The Greenwich property, a four-story, 121,500-square-foot office building, was purchased for approximately \$56.0 million.

Pro Forma

The following table (in thousands, except per share amounts) summarizes, on an unaudited pro forma basis, our combined results of operations for the six months ended June 30, 2007 and 2006 as though the acquisitions of 521 Fifth Avenue (March 2006), the investment in 609 Fifth Avenue, the July and November 2006 common stock offerings as well as the Reckson Merger were completed on January 1, 2006. The supplemental pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transactions had been completed as set forth above, nor do they purport to represent our results of operations for future periods. In addition, the following supplemental pro forma operating data does not present the sale of assets through June 30, 2007. The Company accounted for the acquisition of assets utilizing the purchase method of accounting.

	2007	2006
Pro forma revenues	\$ 583,705	\$ 454,903
Pro forma net income	\$ 410,507	\$ 35,086
Pro forma earnings per common share-basic	\$ 6.92	\$ 0.60
Pro forma earnings per common share and common share equivalents-diluted	\$ 6.57	\$ 0.58
Pro forma common shares-basic	59,280	58,545
Pro forma common share and common share equivalents-diluted	63,238	62,295

4. Property Dispositions and Assets Held for Sale

In February 2007, we sold the fee interests in 70 West 36th Street for approximately \$61.5 million, excluding closing costs. The property is approximately 151,000 square feet. We recognized a gain on sale of approximately \$47.2 million.

In June 2007, we sold our office condominium interest in floors six through eighteen at 110 East 42nd Street for approximately \$111.5 million, excluding closing costs. The property encompasses approximately 181,000 square feet. The sale does not include approximately 112,000 square feet of developable air rights, which we retained along with the ability to transfer these rights off-site. We recognized a gain on sale of approximately \$84.0 million.

In June 2007, we sold our condominium interests in 125 Broad Street for approximately \$273.0 million, excluding closing costs. The property is approximately 525,000 square feet. We recognized a gain on sale of approximately \$167.9 million.

At June 30, 2007, discontinued operations included the results of operations of real estate assets sold prior to that date. This included 286 and 290 Madison Avenue, sold in July 2006, 1140 Avenue of the Americas, sold in August 2006, and 125 Broad Street and 110 East 42nd Street sold in June 2007, and 292 Madison Avenue, which was considered as held for sale at June 30, 2007.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

The following table summarizes income from discontinued operations (net of minority interest) and the related realized gain on sale of discontinued operations (net of minority interest) for the three and six months ended June 30, 2007 and 2006 (in thousands).

	Three months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
Revenues				
Rental revenue	\$ 6,557	\$ 10,629	\$ 14,030	\$ 21,215
Escalation and reimbursement revenues	1,407	2,477	3,064	4,784
Other income	29	118	70	227
Total revenues	7,993	13,224	17,164	26,226
Operating expense	2,860	4,214	6,279	8,687
Real estate taxes	1,076	2,117	2,362	4,206
Ground rent		87		173
Interest	1,208	1,373	2,535	2,733
Depreciation and amortization	240	1,418	1,502	3,129
Total expenses	5,384	9,209	12,678	18,928
Income from discontinued operations	2,609	4,015	4,486	7,298
Gain on disposition of discontinued operations	251,950		299,180	
Minority interest in operating partnership	(10,148)	(197)	(12,769)	(366)
Income from discontinued operations, net of minority interest	\$ 244,411	\$ 3,818	\$ 290,897	\$ 6,932

5. Structured Finance Investments

During the three months ended June 30, 2007 and 2006, we originated approximately \$63.8 million and \$44.3 million in structured finance and preferred equity investments (net of discount), respectively. In addition, we assumed approximately \$136.9 million of structured finance investments as part of the Reckson Merger. There were approximately \$90.4 million and \$176.5 million in repayments and participations during those periods, respectively. At June 30, 2007 and December 31, 2006 all loans were performing in accordance with the terms of the loan agreements.

Preferred equity and investment income consists of the following (in thousands):

	Three months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
Preferred Equity and Investment income	\$ 23,854	\$ 16,860	\$ 43,153	\$ 29,406
Interest income	3,589	445	5,999	1,378
Total	\$ 27,443	\$ 17,305	\$ 49,152	\$ 30,784

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

As of June 30, 2007 and December 31, 2006, we held the following structured finance investments, excluding preferred equity investments, with an aggregate weighted average current yield of approximately 10.5% (in thousands):

Loan Type		Gross Investment	Senior Financing	2007 Principal Outstanding	2006 Principal Outstanding	Initial Maturity Date
Mezzanine Loan (1)	\$ 3,500	\$ 15,000	\$ 3,500	\$ 3,500	September 2021	
Mezzanine Loan (1) (2)	85,000	225,000	90,723	31,226	December 2020	
Mezzanine Loan (1)	28,500		28,500	28,500	August 2008	
Mezzanine Loan (1)	60,000	205,000	58,094	58,013	February 2016	
Mezzanine Loan (1)	25,000	200,000	25,000	25,000	May 2016	
Mezzanine Loan (1)	35,000	165,000	33,139	33,082	October 2016	
Mezzanine Loan (1) (3)	75,000	4,200,000	64,497	64,100	December 2016	
Mezzanine Loan (1)	15,000		15,000		February 2010	
Mezzanine Loan (1)	10,000	4,500	10,000		October 2007	
Mezzanine Loan (3)	30,500	1,007,908	30,500		February 2008	
Mezzanine Loan (1)(2)	25,000	314,830	27,059		November 2009	
Mezzanine Loan (1)	1,000		1,000		January 2010	
Mezzanine Loan	500		500		December 2009	
Mezzanine Loan (1)	14,189	15,661	9,938		April 2008	
Mezzanine Loan (1)	67,000	1,139,000	62,680		March 2017	
Junior Participation (1)	37,500	477,500	37,500	37,500	January 2014	
Junior Participation (1) (4)	4,000	44,000	3,896	3,911	August 2010	
Junior Participation (1)	11,000	53,000	11,000	11,000	November 2009	
Junior Participation (1)	21,000	115,000	21,000	21,000	November 2009	
Junior Participation	12,000	73,000	12,000	12,000	December 2007	
	\$ 560,689	\$ 8,254,399	\$ 545,526	\$ 328,832		

(1) This is a fixed rate loan.

(2) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.

(3) Gramercy holds a pari passu interest in a mezzanine loan on this asset.

(4) This is an amortizing loan.

Preferred Equity Investments

As of June 30, 2007 and December 31, 2006, we held the following preferred equity investments with an aggregate weighted average current yield of approximately 11.2% (in thousands):

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Type	Gross Investment	Senior Financing	2007 Amount Outstanding	2006 Amount Outstanding	Initial Mandatory Redemption
Preferred equity (1)	\$ 75,000	\$ 69,724	\$ 3,694	\$ 3,694	July 2014
Preferred equity (1)	15,000	2,350,000	15,000	15,000	February 2015
Preferred equity (1)(2)	51,000	224,000	51,000	51,000	February 2014
Preferred equity (1)	7,000	75,000	7,000	7,000	August 2015
Preferred equity (1)	7,000		7,000	7,000	June 2009
Preferred equity (3)	32,500	385,000	32,500	32,500	July 2007
	\$ 187,500	\$ 3,103,724	\$ 116,194	\$ 116,194	

- (1) This is a fixed rate investment.
- (2) Gramercy holds a mezzanine loan on this asset.
- (3) Gramercy held a pari passu preferred equity investment in this asset. This investment was redeemed in July 2007.

6. Investment in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners, including The Rockefeller Group International Inc., or RGII, The City Investment Fund, or CIF, SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ, a fund managed by JP Morgan Investment Management, or JP Morgan, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Mack-Cali Realty Corporation, or Mack-Cali, Jeff Sutton, or Sutton, and Gramercy, as well as private investors. As we do not control these joint ventures, we account for them under the equity method of accounting.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

We assess the accounting treatment for each joint venture on a stand-alone basis. This includes a review of each joint venture or partnership LLC agreement to determine which party has what rights and whether those rights are protective or participating under EITF 04-5 and EITF 96-16. In situations where our minority partner approves the annual budget, receives a detailed monthly reporting package from us, meets with us on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount of space relative to the total rentable space at each property we do not consolidate the joint venture as we consider these to be substantive participation rights. Our joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

The table below provides general information on each joint venture as of June 30, 2007 (in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price (1)
1221 Avenue of the Americas (2)	RGII	45.00%	45.00%	2,550	12/03	\$ 1,000,000
1250 Broadway (3)	SITQ	55.00%	66.18%	670	08/99	\$ 121,500
1515 Broadway (4)	SITQ	55.00%	68.45%	1,750	05/02	\$ 483,500
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	\$ 95,800
One Madison Avenue South Building (5)	Gramercy	55.00%	55.00%	1,176	04/05	\$ 803,000
379 West Broadway	Sutton	45.00%	45.00%	62	12/05	\$ 19,750
Mack-Green joint venture	Mack-Cali	48.00%	48.00%	900	05/06	\$ 127,500
21 West 34th Street (6)	Sutton	50.00%	50.00%	30	07/05	\$ 22,400
800 Third Avenue (7)	Private Investors	47.34%	47.34%	526	12/06	\$ 285,000
521 Fifth Avenue	CIF	50.10%	50.10%	460	12/06	\$ 240,000
One Court Square	JP Morgan	30.00%	30.00%	1,402	01/07	\$ 533,500
1604-1610 Broadway (8)	Onyx/Sutton	45.00%	63.00%	30	11/05	\$ 4,400
1745 Broadway (9)	Witkoff/SITQ	32.26%	32.26%	674	04/07	\$ 520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	\$ 210,000
2 Herald Square (10)	Gramercy	55.00%	55.00%	354	04/07	\$ 225,000

(1) Acquisition price represents the actual or implied purchase price for the joint venture.

(2) We acquired our interest from The McGraw-Hill Companies, or MHC. MHC is a tenant at the property and accounted for approximately 14.6% of property's annualized rent at June 30, 2007. We do not manage this joint venture.

(3) As a result of exceeding the performance thresholds set forth in our joint venture agreement with SITQ, our economic stake in the property was increased to 66.175% in August 2006.

(4) Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to the joint venture, the joint venture has agreed not to adversely affect the limited partners tax positions before December 2011. One tenant, whose leases end between 2008 and 2015, represents approximately 85.4% of this joint venture's annualized rent at June 30, 2007.

- (5) We entered into an agreement to acquire Gramercy's interest at an implied value of \$1.0 billion. This transaction closed in August 2007.
- (6) Effective November 2006, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary under FIN 46(R). Both partners had the same amount of equity at risk and neither partner controlled the joint venture.
- (7) We invested approximately \$109.5 million in this asset through the origination of a loan secured by up to 47% of the interests in the property's ownership, with an option to convert the loan to an equity interest. Certain existing members have the right to re-acquire approximately 4% of the property's equity.
- (8) Effective April 1, 2007, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary under FIN 46(R). Both partners had the same amount of equity at risk and neither partner controlled the joint venture.
- (9) We have the ability to syndicate our interest down to 14.79%.
- (10) We, along with Gramercy, together as tenants-in-common, acquired a fee interest in 2 Herald Square. The fee interest is subject to a long-term operating lease.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

In March 2007, a joint venture between our company, SITQ and SEB Immobilien Investment GmbH sold One Park Avenue for \$550.0 million. We received approximately \$108.7 million in proceeds from the sale, approximately \$77.2 million of which represented an incentive distribution under our joint venture arrangement with SEB and the balance of approximately \$31.5 million was recognized as gain on sale.

In June 2007, a joint venture between our company, Ian Schragar, RFR Holding LLC and Credit Suisse, sold Five Madison Avenue-Clock Tower for \$200.0 million. We realized an incentive distribution of approximately \$5.5 million upon the winding down of the joint venture.

We finance our joint ventures with non-recourse debt. The first mortgage notes payable collateralized by the respective joint venture properties and assignment of leases at June 30, 2007 and December 31, 2006, respectively, are as follows (in thousands):

Property	Maturity date	Interest rate (1)	2007	2006
1221 Avenue of the Americas (2)	12/2010	5.86 %	\$ 170,000	\$ 170,000
1250 Broadway (3)	08/2008	6.12 %	\$ 115,000	\$ 115,000
1515 Broadway (4)	11/2007	6.23 %	\$ 625,000	\$ 625,000
100 Park Avenue	11/2015	6.52 %	\$ 175,000	\$ 175,000
One Madison Avenue South Building	05/2020	5.91 %	\$ 678,440	\$ 683,374
379 West Broadway	12/2007	7.57 %	\$ 13,095	\$ 12,872
Mack-Green joint venture (5)	08/2014	7.86 %	\$ 102,450	\$ 102,519
21 West 34th Street	12/2016	5.75 %	\$ 100,000	\$ 100,000
800 Third Avenue	08/2008	5.95 %	\$ 20,910	\$ 20,910
521 Fifth Avenue	04/2011	6.32 %	\$ 140,000	\$ 140,000
One Court Square	12/2010	4.91 %	\$ 315,000	
2 Herald Square	04/2017	5.36 %	\$ 191,250	
1604-1610 Broadway	03/2012	5.66 %	\$ 27,000	
1745 Broadway	01/2017	5.68 %	\$ 340,000	
1 and 2 Jericho Plaza	03/2017	5.65 %	\$ 163,750	

(1) Interest rate represents the effective all-in weighted average interest rate for the quarter ended June 30, 2007.

(2) This loan has an interest rate based on the LIBOR plus 75 basis points. \$65.0 million of this loan has been hedged through December 2010. The hedge fixed the LIBOR rate at 4.8%.

(3) The interest only loan carried an interest rate of 120 basis points over the 30-day LIBOR, but was reduced to 80 basis points over the 30-day LIBOR in December 2006. The loan is subject to two one-year as-of-right renewal extensions. The joint venture extended this loan for one year.

(4) The interest only loan carries an interest rate of 90 basis points over the 30-day LIBOR. The mortgage is subject to three one-year as-of-right renewal options.

(5) Comprised of \$90.5 million variable rate debt that matures in May 2008 and \$12.0 million fixed rate debt that matures in August 2014. Gramercy provided the variable rate debt.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 1221 Avenue of the Americas, Mack-Green, 800 Third Avenue and 1 and 2 Jericho Plaza. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately \$2.5 million, \$5.5 million, \$2.7 million and \$4.2 million from these services for the three and six months ended June 30, 2007, and 2006, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

Gramercy Capital Corp.

In April 2004, we formed Gramercy as a commercial real estate specialty finance company that focuses on the direct origination and acquisition of whole loans, subordinate interests in whole loans, mezzanine loans, preferred equity and net lease investments involving commercial properties throughout the United States. Gramercy also established a real estate securities business that focuses on the acquisition, trading and financing of commercial mortgage backed securities and other real estate related securities. Gramercy qualified as a REIT for federal income tax purposes and expects to qualify for its current fiscal year. In August 2004, Gramercy sold 12.5 million shares of common stock in its initial public offering at a price of \$15.00 per share, for a total offering of \$187.5 million. As part of the offering, which closed on August 2, 2004, we purchased 3,125,000 shares, or 25%, of Gramercy, for a total investment of approximately \$46.9 million. During the term of Gramercy's amended and restated origination agreement, we have the right to

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

purchase 25% of the shares in any future offering of Gramercy's common stock in order to maintain our percentage ownership interest in Gramercy. At June 30, 2007 we held 6,418,333 shares of Gramercy's common stock representing a total investment of approximately \$120.7 million. The market value of our investment in Gramercy was approximately \$176.8 million at June 30, 2007.

Gramercy is a variable interest entity, but we are not the primary beneficiary. Due to the significant influence we have over Gramercy, we account for our investment under the equity method of accounting.

In connection with Gramercy's initial public offering, GKK Manager LLC, or the Manager, an affiliate of ours, entered into a management agreement with Gramercy, which provided for an initial term through December 2007, with automatic one-year extension options and certain termination rights. In April 2006, Gramercy's board of directors approved, among other things, an extension of the management agreement through December 2009. Gramercy pays the Manager an annual management fee equal to 1.75% of their gross stockholders' equity (as defined in the amended and restated management agreement), inclusive of the trust preferred securities. In addition, Gramercy also pays the Manager a collateral management fee (as defined in the collateral management agreement) of 0.25% per annum on the outstanding investment grade bonds in Gramercy's July 2005 collateralized debt obligation. The amended and restated management agreement provides that in connection with formations of future collateralized debt obligations, or CDO, or other securitization vehicles, if a collateral manager is retained, the Manager or an affiliate will be the collateral manager and will receive the following fees: (i) 0.25% per annum of the book value of the assets owned for transitional managed CDOs, (ii) 0.15% per annum of the book value of the assets owned for non-transitional managed CDOs, (iii) 0.10% per annum of the book value of the assets owned for static CDOs that own primarily non-investment grade bonds, and (iv) 0.05% per annum of the book value of the assets owned for static CDOs that own primarily investment grade bonds; limited in each instance by the fees that are paid to the collateral manager. Collateral manager fees paid on Gramercy's CDO that closed in August 2006 are governed by the amended and restated management agreement as a transitional managed CDO, as defined in the amended and restated management agreement, consisting primarily of debt investments secured by non-stabilized real estate. The amended and restated management agreement provides that in connection with formations of collateralized debt obligations or other securitization vehicles after the execution of the amended and restated management agreement, if a collateral manager is retained, the Manager or an affiliate will be the collateral manager and will receive the following fees: (i) 0.25% per annum of the book value of the assets owned for transitional managed CDOs, (ii) 0.15% per annum of the book value of the assets owned for non-transitional managed CDOs, (iii) 0.10% per annum of the book value of the assets owned for static CDOs that own primarily non-investment grade bonds, and (iv) 0.05% per annum of the book value of the assets owned for static CDOs that own primarily investment grade bonds; limited in each instance by the fees that are paid to the collateral manager. For the three and six months ended June 30, 2007 and 2006, we received an aggregate of approximately \$3.1 million, \$5.8 million, \$2.5 million and \$4.7 million, respectively, in fees under the management agreement and \$1.1 million, \$2.2 million, \$0.5 million and \$1.0 million under the collateral management agreement.

To provide an incentive for the Manager to enhance the value of Gramercy's common stock, we, along with the other holders of Class B limited partnership interests in Gramercy's operating partnership, are entitled to an incentive return payable through the Class B limited partner interests in Gramercy's operating partnership, equal to 25% of the amount by which funds from operations (as defined in Gramercy's amended and restated partnership agreement) plus certain accounting gains exceed the product of the weighted average stockholders' equity of Gramercy multiplied by 9.5% (divided by 4 to adjust for quarterly calculations). We will record any distributions on the Class B limited partner interests as incentive distribution income in the period when earned and when receipt of such amounts have become probable and reasonably estimable in accordance with Gramercy's amended and restated partnership agreement as if such agreement had been terminated on that date. We earned approximately \$3.8 million, \$6.6 million, \$1.6 million and \$2.8 million under this agreement for the three and six months ended June 30, 2007, and 2006, respectively. Due to the control we have over the Manager, we consolidate the accounts of the Manager into ours.

In May 2005, our Compensation Committee approved long-term incentive performance awards pursuant to which certain of our officers and employees, including some of whom are our senior executive officers, were awarded a portion of the interests previously held by us in the Manager as well as in the Class B limited partner interests in Gramercy's operating partnership. These awards are dependent upon, among other things, tenure of employment and the performance by SL Green Realty Corp. of its investment in Gramercy. We recorded compensation expense of approximately \$0.7 million, \$1.4 million, \$0.4 million and \$0.7 million for the three and six months ended June 30, 2007 and 2006, respectively, related to these awards. After giving effect to these awards, we own 64.83 units of the Class B limited partner interests and 65.83% of the Manager. The officers and employees who received these awards own 15.75 units of the Class B limited partner interests and 15.75% of

the Manager.

Gramercy is obligated to reimburse the Manager for its costs incurred under an asset servicing agreement and an outsourcing agreement between the Manager and us. The asset servicing agreement, which was amended and restated in April 2006, provides for an annual fee payable to us of 0.05% of the book value of all Gramercy's credit tenant lease assets and non-investment grade bonds

17

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

and 0.15% of the book value of all other Gramercy assets. We may reduce the asset-servicing fee for fees that Gramercy pays directly to outside servicers. The outsourcing agreement currently provides for a fee of \$1.33 million per year, increasing 3% annually over the prior year. For the three and six months ended June 30, 2007 and 2006, the Manager received an aggregate of approximately \$1.2 million, \$2.3 million, \$0.9 million and \$1.6 million, respectively, under the outsourcing and asset servicing agreements.

During the three months ended March 31, 2006, we paid our proportionate share of an advisory fee of approximately \$162,500 to Gramercy in connection with a transaction.

All fees earned from Gramercy are included in other income in the Consolidated Statements of Income.

Effective May 1, 2005 Gramercy entered into a lease agreement with an affiliate of ours, for their corporate offices at 420 Lexington Avenue, New York, NY. The lease is for approximately five thousand square feet with an option to lease an additional approximately two thousand square feet and carries a term of ten year with rents of approximately \$249,000 per annum for year one rising to \$315,000 per annum in year ten.

See above for a discussion on Gramercy's joint venture investment, along with us, in One Madison Avenue-South Building. Gramercy, along with us, also has tenancy-in-common interests in 55 Corporate Drive, NJ and 2 Herald Square. See Note 5 for information of our structured finance investments in which Gramercy also holds an interest.

The condensed combined balance sheets for the unconsolidated joint ventures, including Gramercy, at June 30, 2007 and December 31, 2006, are as follows (in thousands):

	June 30, 2007	December 31, 2006
Assets		
Commercial real estate property, net	\$ 4,824,919	\$ 3,760,477
Structured finance investments	2,635,115	2,144,151
Other assets	770,836	783,754
Total assets	\$ 8,230,870	\$ 6,688,382
Liabilities and members' equity		
Mortgages payable	\$ 3,271,421	\$ 2,605,023
Other loans	2,510,909	2,156,662
Other liabilities	146,874	141,504
Members' equity	2,301,666	1,785,193
Total liabilities and members' equity	\$ 8,230,870	\$ 6,688,382
Company's net investment in unconsolidated joint ventures	\$ 839,087	\$ 686,069

The condensed combined statements of operations for the unconsolidated joint ventures, including Gramercy from acquisition date through June 30, 2007 and 2006 are as follows (in thousands):

	Three months Ended		Six months Ended	
	June 30, 2007	2006	June 30, 2007	2006
Total revenues	\$ 215,195	\$ 152,852	\$ 406,319	\$ 298,411
Operating expenses	44,256	33,077	86,418	65,460
Real estate taxes	19,797	17,605	39,994	35,022
Interest	89,005	55,511	165,364	105,126

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Depreciation and amortization	27,925	17,784	50,750	35,892
Total expenses	180,983	123,977	342,526	241,500
Net income before gain on sale	\$ 34,212	\$ 28,875	\$ 63,793	\$ 56,911
Company's equity in net income of unconsolidated joint ventures	\$ 12,059	\$ 10,596	\$ 21,413	\$ 20,564

7. Investment in and Advances to Affiliates

Service Corporation

Income from management, leasing and construction contracts from third parties and joint venture properties is realized by the Service

18

SL Green Realty Corp.**Notes to Condensed Consolidated Financial Statements****(Unaudited)****June 30, 2007**

Corporation. In order to maintain our qualification as a REIT, we, through our operating partnership, own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation our operating partnership receives substantially all of the cash flow from the Service Corporation's operations through dividends on its equity interest. All of the voting common stock of the Service Corporation (representing 5% of the total equity) is held by our affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. Effective July 1, 2003, we consolidated the operations of the Service Corporation because it is considered to be a variable interest entity under FIN 46 and we are the primary beneficiary. For the three and six months ended June 30, 2007 and 2006, the Service Corporation earned approximately \$2.8 million, \$6.3 million, \$2.4 million and \$3.7 million of revenue and incurred approximately \$2.1 million, \$4.7 million, \$1.6 million and \$3.6 million in expenses, respectively. Effective January 1, 2001, the Service Corporation elected to be treated as a TRS.

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

eEmerge

In May 2000, our operating partnership formed eEmerge, Inc., a Delaware corporation, or eEmerge. eEmerge is a separately managed, self-funded company that provides fully-wired and furnished office space, services and support to businesses.

In March 2002, we acquired all the voting common stock of eEmerge Inc. As a result, we control all the common stock of eEmerge. Effective with the quarter ended June 30, 2002, we consolidated the operations of eEmerge. Effective January 1, 2001, eEmerge elected to be taxed as a TRS.

In June 2000, eEmerge and Eureka Broadband Corporation, or Eureka, formed eEmerge.NYC LLC, a Delaware limited liability company, or ENYC, whereby eEmerge has a 95% interest and Eureka has a 5% interest in ENYC. During the third quarter of 2006, ENYC acquired the interest held by Eureka. As a result, eEmerge owns 100% of ENYC. ENYC operates a 71,700 square foot fractional office suites business. ENYC entered into a 10-year lease with our Operating Partnership for its 50,200 square foot premises, which is located at 440 Ninth Avenue, Manhattan. ENYC entered into another 10-year lease with our Operating Partnership for its 21,500 square foot premises at 28 West 44th Street, Manhattan. Allocations of net profits, net losses and distributions are made in accordance with the Limited Liability Company Agreement of ENYC. Effective with the quarter ended March 31, 2002, we consolidated the operations of ENYC.

The net book value of our investment as of June 30, 2007 and December 31, 2006 was approximately \$3.1 million and \$3.6 million, respectively.

8. Deferred Costs

Deferred costs at June 30, 2007 and December 31, 2006 consisted of the following (in thousands):

	2007	2006
Deferred financing	\$ 54,828	\$ 28,584
Deferred leasing	119,869	115,147
	174,697	143,731
Less accumulated amortization	(60,812)	(45,881)
	\$ 113,885	\$ 97,850

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

9. Mortgage Notes Payable

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The first mortgage notes payable collateralized by the respective properties and assignment of leases at June 30, 2007 and December 31, 2006, respectively, were as follows (in thousands):

Property	Maturity Date	Interest Rate (2)	2007	2006
711 Third Avenue (1)	06/2015	4.99 %	\$ 120,000	\$ 120,000
420 Lexington Avenue (1)	11/2010	8.44 %	113,951	115,182
673 First Avenue (1)	02/2013	5.67 %	33,471	33,816
125 Broad Street (3)				73,985
220 East 42nd Street (1)	12/2013	5.24 %	208,240	210,000
625 Madison Avenue (1)	11/2015	6.27 %	100,821	101,834
55 Corporate Drive	12/2015	5.75 %	95,000	95,000
609 Fifth Avenue (1)	10/2013	5.85 %	101,200	101,807
609 Partners, LLC	07/2014	5.00 %	63,891	63,891
485 Lexington Avenue	02/2017	5.61 %	450,000	
120 West 45th Street	02/2017	6.12 %	170,000	
919 Third Avenue (4)	07/2018	6.87 %	233,359	
300 Main Street	02/2017	5.75 %	11,500	
399 Knollwood Rd	03/2014	5.75 %	19,166	
70 West 36th Street (5)				11,199
500 West Putnam	01/2016	5.52 %	25,000	
141 Fifth Avenue (6)	06/2017	5.70 %	25,000	10,457
Total fixed rate debt			1,770,599	937,171
1551/1555 Broadway	08/2008	7.33 %	82,361	78,208
717 Fifth Avenue (7)	09/2008	6.92 %	192,500	175,000
Landmark Square	02/2009	7.17 %	128,000	
Total floating rate debt			402,861	253,208
Total mortgage notes payable			\$ 2,173,460	\$ 1,190,379

- (1) Held in bankruptcy remote special purpose entity.
- (2) Effective interest rate for the quarter ended June 30, 2007.
- (3) This property was sold in June 2007.
- (4) We own a 51% interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us.
- (5) We sold this property in March 2007.
- (6) We own a 50% interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. This loan was refinanced in June 2007.
- (7) See Note 3 for a description of our ownership interest in this property.

In May 2007, the Company repaid, at maturity, the \$12.3 million mortgage that had encumbered 100 Summit Road, Westchester.

At June 30, 2007 and December 31, 2006 the gross book value of the properties collateralizing the mortgage notes was approximately \$3.2 billion and \$1.6 billion, respectively.

For the three and six months ended June 30, 2007 and 2006, we incurred approximately \$71.8 million, \$132.7 million, \$22.8 million and \$41.0 million of interest expense, respectively, excluding interest which was capitalized of approximately \$2.9 million, \$6.8 million, \$2.5 million and \$6.0 million, respectively.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

10. Corporate Indebtedness

2005 Unsecured Revolving Credit Facility

We have a \$1.25 billion unsecured revolving credit facility. We increased the capacity under the 2005 unsecured revolving credit facility by \$300.0 million in January 2007 and by an additional \$450.0 million in June 2007. The 2005 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over LIBOR, based on our leverage ratio. This facility matures in June 2011 and has a one-year extension option. The 2005 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2005 unsecured revolving credit facility had \$587.0 million outstanding and carried a spread over LIBOR of 80 basis points at June 30, 2007. Availability under the 2005 unsecured revolving credit facility was further reduced by the issuance of approximately \$20.3 million in letters of credit. The effective all-in interest rate on the 2005 unsecured revolving credit facility was 6.12% for the three months ended June 30, 2007. The 2005 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

Term Loans

We had a \$325.0 million unsecured term loan, which was scheduled to mature in August 2009. This term loan bore interest at a spread ranging from 110 basis points to 140 basis points over LIBOR, based on our leverage ratio. This unsecured term loan was repaid and terminated in March 2007.

We had \$200.0 million five-year non-recourse term loan secured by a pledge of our ownership interest in 1221 Avenue of the Americas. This term loan had a floating rate of 125 basis points over the current LIBOR rate and was scheduled to mature in May 2010. This secured term loan was repaid and terminated in June 2007. The effective all-in interest rate on this secured term loan was 5.95% for the three months ended June 30, 2007.

In January 2007, we closed on a \$500.0 million unsecured bridge loan, which matures in January 2010. This term loan bore interest at a spread ranging from 85 basis points to 125 basis points over LIBOR, based on our leverage ratio. This unsecured bridge loan was repaid and terminated in June 2007. The effective all-in interest rate on the unsecured bridge loan was 6.42% for three months ended June 30, 2007.

Unsecured Notes

In March 2007, we issued \$750.0 million of 3.00% exchangeable senior notes which are due in 2027. The notes were offered in accordance with Rule 144A under the Securities Act of 1933, as amended. The notes will pay interest semi-annually at a rate of 3.00% per annum and mature on March 30, 2027. Interest on these notes is payable semi-annually on March 30 and September 30. The notes will have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes will be senior unsecured obligations of our operating partnership and will be exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes will be Redeemable, at our option on, and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately \$736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes.

As of June 30, 2007, we had outstanding approximately \$1.8 billion (net of unamortized issuance discounts) of senior unsecured notes.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date (in thousands):

Issuance	Face Amount	Coupon Rate	Term (in Years)	Maturity
March 26, 1999	\$ 200,000	7.75	% 10	March 15, 2009
January 22, 2004	150,000	5.15	% 7	January 15, 2011
August 13, 2004	150,000	5.875	% 10	August 15, 2014
March 31, 2006	275,000	6.00	% 10	March 31, 2016
June 27, 2005(1)	287,500	4.00	% 20	June 15, 2025
March 26, 2007	750,000	3.00	% 20	March 30, 2027
	\$ 1,812,500			

(1)Exchangeable senior debentures which are callable after June 17, 2010 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 Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491.

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, assumed as part of the Reckson Merger, were redeemed.

Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates. In addition, certain of the senior unsecured notes were issued at discounts aggregating approximately \$20.1 million. Such discounts are being amortized to interest expense over the term of the senior unsecured notes to which they relate. Through June 30, 2007, approximately \$0.6 million of the aggregate discounts have been amortized.

Restrictive Covenants

The terms of the 2005 unsecured revolving credit facility and unsecured bonds include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, and fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal Income Tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments. As of June 30, 2007 and December 31, 2006, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued \$100.0 million in unsecured floating rate trust preferred securities through a newly formed trust, SL Green Capital Trust I, or Trust, which is a wholly-owned subsidiary of our Operating Partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015, a period of up to eight consecutive quarters if our Operating Partnership exercises its right to defer such payments. The trust preferred securities are redeemable, at the option of our Operating Partnership, in whole or in part, with no prepayment premium any time after July 2010. Our interest in the Trust is accounted for using the equity method and the assets and liabilities of that entity is not consolidated into our financial statements. Interest on the junior subordinated notes is included in interest expense on our consolidated statements of income while the value of the junior subordinated notes, net of our investment in the trusts that issued the securities, is presented as a separate item in our consolidated balance sheets.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

Principal Maturities

Combined aggregate principal maturities of mortgages and notes payable, 2005 unsecured revolving credit facility, trust preferred securities, unsecured notes and our share of joint venture debt as of June 30, 2007, excluding extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Unsecured Notes	Total	Joint Venture Debt
2007	\$ 6,857	\$	\$	\$	\$	\$ 6,857	\$ 416,013
2008	14,493	274,862				289,355	59,252
2009	15,596	128,000			200,000	343,596	6,573
2010	16,247	104,691				120,938	83,718
2011	13,467	216,656	587,000		150,000	967,123	79,177
Thereafter	26,592	1,355,999		100,000	1,442,914	2,925,505	838,816
	\$ 93,252	\$ 2,080,208	\$ 587,000	\$ 100,000	\$ 1,792,914	\$ 4,653,374	\$ 1,483,549

11. Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our 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. First Quality leased 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We sold this property in February 2007. We paid Alliance approximately \$4.0 million, \$7.0 million, \$3.0 million and \$6.1 million for the three and six months ended June 30, 2007 and 2006 respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 507 square feet of space at 420 Lexington Avenue on a month-to-month basis. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due pursuant to the lease is \$15,210 per year. 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 pays to her pursuant to a consulting agreement, which is cancelable upon 30-days notice.

Brokerage Services

Sonnenblick-Goldman Company, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2006, our 485 Lexington Avenue joint venture paid approximately \$757,000 to Sonnenblick in connection with refinancing the property and increasing the first mortgage to \$390.0 million. Also in 2006, an entity in which we hold a preferred equity investment paid approximately \$438,000 to Sonnenblick in connection with refinancing the property held by that entity and increasing the first mortgage to \$90.0 million. In 2007, our 1604-1610 Broadway joint venture paid approximately \$146,500 to Sonnenblick in connection with obtaining a \$27.0 million first mortgage and we paid \$759,000 in connection with the refinancing of 485 Lexington Avenue.

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In 2007, we paid a consulting fee of \$525,000 to Stephen Wolff, the brother-in-law of Marc Holliday, in connection with our aggregate investment of \$119.1 million in the joint venture that owns 800 Third Avenue.

Management Fees

S.L. Green Management Corp. receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately \$67,000, \$133,000, \$45,000 and \$88,000 for the three and six months ended June 30, 2007 and 2006, respectively.

23

SL Green Realty Corp.**Notes to Condensed Consolidated Financial Statements****(Unaudited)****June 30, 2007****Other**

Amounts due from (to) related parties at June 30, 2007 and December 31, 2006 consisted of the following (in thousands):

	2007	2006
Due from joint ventures	\$ 6,571	\$ 3,479
Officers and employees	153	153
Other	4,219	3,563
Related party receivables	\$ 10,943	\$ 7,195

Management Indebtedness

In January 2001, Mr. Marc Holliday, then our president, received a non-recourse loan from us in the principal amount of \$1.0 million pursuant to his amended and restated employment and non-competition agreement he executed at the time. This loan bore interest at the applicable federal rate per annum and was secured by a pledge of certain of Mr. Holliday's shares of our common stock. The principal of and interest on this loan was forgivable upon our attainment of specified financial performance goals prior to December 31, 2006, provided that Mr. Holliday remained employed by us until January 17, 2007. Due to the attainment of the performance goals, this loan was forgiven in January 2007. In April 2000, Mr. Holliday received a loan from us in the principal amount of \$300,000 with a maturity date of July 2003. This loan bore interest at a rate of 6.60% per annum and was secured by a pledge of certain of Mr. Holliday's shares of our common stock. In May 2002, Mr. Holliday entered into a loan modification agreement with us in order to modify the repayment terms of the \$300,000 loan. Pursuant to the agreement, \$100,000 (plus accrued interest thereon) was forgivable on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remained employed by us through each of such date. This \$300,000 loan was completely forgiven on January 1, 2006.

Gramercy Capital Corp.

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

12. Stockholders Equity

Common Stock

Our authorized capital stock consists of 260,000,000 shares, \$.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, \$.01 par value per share, 75,000,000 shares of excess stock, at \$.01 par value per share, and 25,000,000 shares of preferred stock, par value \$.01 per share. As of June 30, 2007, 59,625,587 shares of common stock and no shares of excess stock were issued and outstanding.

In January 2007, we issued approximately 9.0 million shares of our common stock in connection with the Reckson Merger. These shares had a value of approximately \$1.1 billion on the date the merger agreement was executed.

In March 2007, Board of Directors approved a stock purchase plan under which we can buy up to \$300.0 million of our common stock. This plan will expire on December 31, 2008. As of June 30, 2007, we purchased and settled approximately 312,200 shares of our common stock at an average price of \$129.30 per share.

Perpetual Preferred Stock

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

In 2004, we sold 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or the Series D preferred stock, with a mandatory liquidation preference of \$25.00 per share. Net proceeds from these offerings (approximately \$96.3 million) were used principally to repay amounts outstanding under our secured and unsecured revolving credit facilities. The Series D preferred stockholders receive annual dividends of \$1.96875 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. On or after May 27, 2009, we may redeem the Series D preferred stock at par for cash at our option. The Series D preferred stock was recorded net of underwriters discount and issuance costs.

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

Rights Plan

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

Dividend Reinvestment and Stock Purchase Plan

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

During the six months ended June 30, 2007 and 2006, approximately 48,000 and 57,000 shares were issued and approximately \$6.3 million and \$4.8 million of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base of \$30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2002. 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 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. We record the expense of the restricted stock award in accordance with SFAS 123-R. The fair value of the award on the date of grant was determined to be \$3.2 million. Forty percent of the value of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of \$101,500, \$203,000, \$162,500 and \$325,500 was recorded during the three and six months ended June 30, 2007 and 2006, respectively.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of \$68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of

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December 1, 2005 or \$50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30 consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30 day period. Each participant's award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark is achieved. Individual awards would be made in the form of partnership units, or LTIP Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

25

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. 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, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in SL Green Operating Partnership, L.P., that, subject to certain conditions, are convertible into shares of the Company's common stock or cash, at the Company's election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

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 in accordance with SFAS 123-R. We recorded approximately \$0.5 million, \$1.0 million, \$0.4 million and \$0.8 million of compensation expense during the three and six months ended June 30, 2007 and 2006, respectively, in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from August 1, 2006 through July 31, 2009 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of \$106.39 per share. The size of the pool will be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum award of \$60 million. The maximum award will be reduced by the amount of any unallocated or forfeited awards. In the event the potential performance pool reaches the maximum award before July 31, 2009 and remains at that level or higher for 30 consecutive days, the performance period will end early and the pool will be formed on the last day of such 30 day period. Each participant's award under the 2006 Outperformance Plan will be designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant's participation agreement. Individual awards will be made in the form of partnership units, or LTIP Units, that, subject to vesting and the satisfaction of other conditions, are exchangeable for a per unit value equal to the then trading price of one share of our common stock. This value is payable in cash or, at our election, in shares of common stock. LTIP Units will be granted prior to the determination of the performance pool; however, they will only vest upon satisfaction of performance and time vesting thresholds under the 2006 Outperformance Plan, and will not be entitled to distributions until after the performance pool is established. Distributions on LTIP Units will equal the dividends paid on our common stock on a per unit basis. The 2006 Outperformance Plan provides that if the pool is established, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions will be paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units that are a part of the performance pool, whether vested or unvested. Although the amount of earned awards under the 2006 Outperformance Plan (i.e. the number of LTIP Units earned) will be determined when the performance pool is established, not all of the awards will vest at that time. Instead, one-third of the awards will vest on July 31, 2009 and each of the first two anniversaries thereafter based on continued employment.

In the event of a change in control of our company prior to August 1, 2007, the performance period will be shortened to end on a date immediately prior to such event and the cumulative stockholder return benchmark will be adjusted on a pro rata basis. In the event of a change in control of our company on or after August 1, 2007 but before July 31, 2009, the performance pool will be calculated assuming the performance period ended on July 31, 2009 and the total return continued at the same annualized rate from the date of the change in control to July 31, 2009 as was achieved from August 1, 2006 to the date of the change in control; provided that the performance pool may not exceed 200% of what it would have been if it was calculated using the total return from August 1, 2006 to the date of the change in control and a pro rated benchmark. In either case, the performance pool will be formed as described above if the adjusted benchmark target is achieved and all earned awards will be fully vested upon the change in control. If a change in control occurs after the performance period has ended, all unvested awards issued under our 2006 Outperformance Plan will become fully vested upon the change in control.

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The cost of the 2006 Outperformance Plan will be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately \$0.6 million and \$1.3 million of compensation expense during the three and six months ended June 30, 2007 in connection with the 2006 Outperformance Plan.

26

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

Deferred Stock Compensation Plan for Directors

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

During the six months ended June 30, 2007, 3,980 phantom stock units were earned. As of June 30, 2007, there were approximately 14,540 phantom stock units outstanding.

Stock Option Plan

During August 1997, we instituted the 1997 Stock Option and Incentive Plan, or the 1997 Plan. The 1997 Plan was amended in December 1997, March 1998, March 1999 and May 2002. The 1997 Plan, as amended, authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, or ISOs, (ii) the grant of stock options that do not qualify, or NQSOs, (iii) the grant of stock options in lieu of cash Directors' fees and (iv) grants of shares of restricted and unrestricted common stock. The exercise price of stock options are determined by our compensation committee, but may not be less than 100% of the fair market value of the shares of our common stock on the date of grant. At June 30, 2007, approximately 0.6 million shares of our common stock were reserved for issuance under the 1997 Plan.

Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 7,000,000 shares, or the Fungible Pool Limit, 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. As described below, the manner in which the Fungible Pool Limit is finally determined can ultimately result in the issuance under the 2005 Plan of up to 6,000,000 shares (subject to adjustments upon certain corporate transactions or events). The amendment and restatement of the 2005 Plan was approved by our Board of Directors in March 2007 and our stockholders in May 2007 at our annual meeting of stockholders. Each share issued or to be issued in connection with Full-Value Awards (as defined below) that vest or are granted based on the achievement of certain performance goals that are based on (A) FFO growth, (B) total return to stockholders (either in absolute terms or compared with a peer group of other companies) or (C) a combination of the foregoing (as set forth in the 2005 Plan), shall be counted against the Fungible Pool Limit as 2.0 units. Full-Value Awards are awards other than Options, Stock Appreciation Rights or other awards that do not deliver the full value at grant thereof of the underlying shares (e.g., Restricted Stock). Each share issued or to be issued in connection with any other Full-Value Awards shall be counted against the Fungible Pool Limit as 3.0 units. Options, Stock Appreciation Rights and other awards that do not deliver the value at grant thereof of the underlying shares and that expire 10 years from the date of grant shall be counted against the Fungible Pool Limit as one unit. Options, Stock Appreciation Rights and other awards that do not deliver the value at grant thereof of the underlying shares and that expire five years from the date of grant shall be counted against the Fungible Pool Limit as 0.7 of a unit, or five-year option. Thus, under the foregoing rules, depending on the type of grants made, as many as 6,000,000 shares could be the subject of grants under the 2005 Plan. At the end of the third calendar year following April 1, 2005, which is the effective date of the original 2005 Plan, as well as at the end of the third calendar year following April 1, 2007, which is the effective date of the 2005 Plan, (i) the three-year average of (A) the number of shares subject to awards granted in a single year, divided by

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation

(B) the number of shares of our outstanding common stock at the end of such year shall not exceed the (ii) greater of (A) 2%, with respect to the third calendar year following April 1, 2005, or 2.23%, with respect to the third calendar year following April 1, 2007, or (B) the mean of the applicable peer group. For purposes of calculating the number of shares granted in a year in connection with the limitation set forth in the foregoing sentence, shares underlying Full-Value Awards will be taken into account as (i) 1.5 shares if our annual common stock price volatility is 53% or higher, (ii) two shares if our annual common stock price volatility is between 25% and 52%, and (iii) four shares if our annual common stock price volatility is less than 25%. No award may be granted to any person who, assuming exercise of all options and payment of all awards held by such person, would own or be deemed to own more than 9.8% of the outstanding shares of the Company's common stock. In addition, subject to adjustment upon certain corporate transactions or events, a participant may not receive awards (with shares subject to awards being counted, depending on the type of award, in the proportions ranging from 0.7 to 3.0, as described above) in any one year covering more than 700,000 shares; thus, under this provision, depending on the type of grant involved, as many as 1,000,000 shares can be the subject of option grants to any one person in any year, and as many as 350,000 shares may be granted as restricted stock (or be the subject of other Full-Value Grants) to any one person in any year. If an option or other award granted under the 2005 Plan expires or

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Unless the 2005 Plan is previously terminated by the Board, no new Award may be granted under the 2005 Plan after the tenth anniversary of the date that the 2005 Plan was approved by the Board. At June 30, 2007, approximately 4.2 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 6.0 million if all shares available under the 2005 Plan were issued as five-year options.

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

A summary of the status of our stock options as of June 30, 2007 and December 31, 2006 and changes during the periods then ended are presented below:

	2007		2006	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	1,645,643	\$ 58.77	1,731,258	\$ 41.25
Granted	508,000	\$ 144.07	403,500	\$ 103.30
Exercised	(279,436)	\$ 37.60	(444,449)	\$ 32.29
Lapsed or cancelled	(25,000)	\$ 28.10	(44,666)	\$ 40.58
Balance at end of period	1,849,207	\$ 85.82	1,645,643	\$ 58.77
Options exercisable at end of period	607,526	\$ 61.91	597,974	\$ 52.72
Weighted average fair value of options granted during the period	\$ 15,906,000		\$ 7,805,000	

All options were granted within a price range of \$18.44 to \$152.76. The remaining weighted average contractual life of the options was 7.9 years.

Earnings Per Share

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

	Three months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
Numerator (Income)				
Basic Earnings:				
Income available to common stockholders	\$ 265,881	\$ 29,060	\$ 413,308	\$ 52,792
Effect of Dilutive Securities:				
Redemption of units to common shares	11,230	1,506	18,128	2,787
Stock options				
Diluted Earnings:				
Income available to common stockholders	\$ 277,111	\$ 30,566	\$ 431,436	\$ 55,578

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	Three months Ended		Six months Ended	
	June 30, 2007	2006	June 30, 2007	2006
Denominator (Weighted Average Shares)				
Basic Earnings:				
Shares available to common stockholders	59,513	43,191	58,258	43,026
Effect of Dilutive Securities:				
Redemption of units to common shares	2,471	2,230	2,555	2,270
4.0% exchangeable senior debentures	116		169	
Stock-based compensation plans	1,175	1,480	1,233	1,479
Diluted Shares	63,275	46,901	62,215	46,775

13. Minority Interest

The unit holders represent the minority interest ownership in our operating partnership. As of June 30, 2007 and December 31, 2006, the minority interest unit holders owned 3.8% (2,365,338 units) and 5.1% (2,693,900 units) of the operating partnership, respectively.

28

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

At June 30, 2007, 2,365,338 shares of our common stock were reserved for the conversion of units of limited partnership interest in our operating partnership.

14. Commitments and Contingencies

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

In June 2007, we renewed and extended the maturity date of the ground lease at 420 Lexington Avenue through December 31, 2029, with an option for further extension through 2080. Ground lease rent payments through 2029 will total approximately \$12.2 million per year. Thereafter, the ground lease will be subject to a revaluation.

Our property located at 810 7th Avenue, New York, NY is subject to certain air rights lease agreements. These lease agreements have terms expiring in 2044 and 2048, including renewal options.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of June 30, 2007 (in thousands):

	Air Rights	Capital lease	Non-cancellable operating leases
2007	\$ 14	\$ 708	\$ 19,661
2008	29	1,416	37,327
2009	29	1,416	35,153
2010	29	1,451	34,712
2011	29	1,555	32,000
Thereafter	213	50,315	666,602
Total minimum lease payments	\$ 343	56,861	\$ 825,455
Less amount representing interest		(40,395))
Present value of net minimum lease payments		\$ 16,466	

15. Financial Instruments: Derivatives and Hedging

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, 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 will be immediately recognized in earnings. SFAS No. 133 may increase or decrease reported net income and stockholders' equity prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of our derivative financial instruments at June 30, 2007. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (in thousands).

Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
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In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize a

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Interest Rate Swap	\$ 100,000	4.650	% 5/2006	12/2008	\$ 805
Interest Rate Swap	\$ 60,000	4.364	% 1/2007	5/2010	\$ 1388
Interest Rate Cap	\$ 12,580	6.600	% 8/2005	9/2007	\$
Interest Rate Cap	\$ 112,700	6.000	% 7/2006	8/2008	\$ 4
Interest Rate Cap	\$ 192,500	6.000	% 6/2007	1/2008	\$
Interest Rate Cap	\$ 128,000	6.000	% 1/2007	2/2009	\$ 37

On June 30, 2007, the derivative instruments were reported as an asset at their fair value of approximately \$2.2 million. This is included in Other Assets on the consolidated balance sheet at June 30, 2007. Offsetting adjustments are represented as deferred gains

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

or losses in Accumulated Other Comprehensive Income of \$9.3 million, including a gain of approximately \$7.2 million from the settlement of a forward swap, which is being amortized over the ten-year term of the related mortgage obligation from December 2003. Currently, all of our derivative instruments are designated as effective hedging instruments.

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

16. Environmental Matters

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

17. Segment Information

We are a REIT engaged in owning, managing, leasing, acquiring and repositioning commercial office and retail properties in Manhattan, Westchester County, Connecticut, Long Island City and New Jersey and have two reportable segments, real estate and structured finance investments. Our investment in Gramercy and its related earnings are included in the structured finance segment. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

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

Selected results of operations for the three and six months ended June 30, 2007 and 2006, and selected asset information as of June 30, 2007 and December 31, 2006, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Structured Finance Segment	Total Company
Total revenues			
Three months ended:			
June 30, 2007	\$ 230,263	\$ 27,443	\$ 257,706
June 30, 2006	106,335	17,305	123,640
Six months ended:			
June 30, 2007	500,104	49,152	549,256
June 30, 2006	205,073	30,784	235,857
Income from continuing operations before minority interest:			
Three months ended:			
June 30, 2007	\$ 17,785	\$ 14,390	\$ 32,175
June 30, 2006	22,990	9,645	32,635
Six months ended:			
June 30, 2007	92,038	22,740	114,778
June 30, 2006	44,808	15,377	60,185
Total assets			

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize a

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As of:

June 30, 2007	\$ 8,657,808	\$ 794,537	\$ 9,452,345
December 31, 2006	4,060,772	571,455	4,632,227

Income from continuing operations represents total revenues less total expenses for the real estate segment and total investment income less allocated interest expense for the structured finance segment. Interest costs for the structured finance segment are imputed assuming 100% leverage at our unsecured revolving credit facility borrowing cost. We do not allocate marketing, general and administrative expenses (approximately \$24.1 million, \$58.4 million, \$13.3 million and \$26.2 million for the three and six months ended June 30, 2007 and 2006, respectively) to the structured finance segment, since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets. There were no transactions between the above two segments.

30

SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2007

The table below reconciles income from continuing operations before minority interest to net income available to common stockholders for the three and six months ended June 30, 2007 and 2006 (in thousands):

	Three months Ended June 30, 2007		Six months Ended June 30, 2007		2006
Income from continuing operations before minority interest	\$ 32,175	\$ 32,635	\$ 114,778	\$ 60,185	
Gain on sale of unconsolidated joint venture			31,509		
Minority interest in operating partnership attributable to continuing operations	(1,081)	(1,309)	(5,360)	(2,421)	
Minority interest in other partnerships	(4,655)	(1,115)	(8,578)	(1,966)	
Net income from continuing operations	26,439	30,211	132,349	55,798	
Income/ gains from discontinued operations, net of minority interest	244,411	3,818	290,897	6,932	
Gain on sale of real estate					
Net income	270,850	34,029	423,246	62,730	
Preferred stock dividends	(4,969)	(4,969)	(9,938)	(9,938)	
Net income available to common stockholders	\$ 265,881	\$ 29,060	\$ 413,308	\$ 52,792	

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

A summary of our non-cash investing and financing activities for the six months ended June 30, 2007 and 2006 is presented below (in thousands):

	2007	2006
Issuance of common stock as deferred compensation	\$ 536	\$ 7,272
Redemption of units and dividend reinvestments	16,488	11,123
Derivative instruments at fair value	(5,516)	5,115
Tenant improvements and capital expenditures payable	16,289	671
Transfer of real estate to joint venture	5,018	132,980
Assignment of mortgage to joint venture	27,000	120,859
Assignment of minority interest to joint venture		5,750
Issuance of preferred units	1,200	63,891
Assumption of mortgage loans and unsecured notes	1,548,756	102,000
SFAS 141 mark-to-market of debt assumed	54,270	
Net operating liabilities assumed	23,474	
Assumption of other liabilities		3,725

19. Subsequent Events

In July 2007, we, along with Gramercy, together as tenants-in-common, acquired the fee interest in a 607,000 square foot office and retail property located at 885 Third Avenue in New York City. The fee interest, which is subject to a long-term operating lease, was purchased for approximately \$317.0 million. We own 55% of the fee and Gramercy owns the remaining 45%. The tenancy-in-common financed its acquisition with a \$267.65 million, 10-year fixed rate loan provided by an affiliate of Goldman, Sachs & Co.

In July 2007, we, along with The City Investment Fund, or CIF, closed on the acquisition of a 38-story, 317,625-square-foot office building located in Brooklyn, NY for approximately \$107.5 million. We own a 35% interest in the venture. CIF owns the remaining 65% interest.

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize a

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In July 2007, we sold our property located at 292 Madison Avenue for approximately \$140.0 million, excluding closing costs. The property encompasses approximately 187,000 square feet. We recognized a gain on sale of approximately \$99.0 million.

In July 2007, the joint venture which we had formed with Wachovia Corporation (NYSE:WB), acquired 1372 Broadway, New York, New York, a property which was wholly-owned by us. Under the terms of the joint venture agreement, Wachovia will own an 85% interest in the property based upon a gross aggregate price of \$335.0 million. We have the ability to earn incentive fees based on the financial performance of the property.

In August 2007, we acquired Gramercy's 45% interest in One Madison Avenue South Building at an implied value of \$1.0 billion.

31

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

SL Green Realty Corp., or the Company, a Maryland corporation, and SL Green Operating Partnership, L.P., or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. We are a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. Unless the context requires otherwise, all references to we, our and us means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, 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, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P. or ROP. Pursuant to the terms of the Merger Agreement, each of the issued and outstanding shares of common stock of Reckson were converted into the right to receive (i) \$31.68 in cash, (ii) 0.10387 of a share of the common stock, par value \$0.01 per share, of SL Green and (iii) a prorated dividend in an amount equal to approximately \$0.0977 in cash. We also assumed an aggregate of approximately \$226.3 million of Reckson mortgage debt, approximately \$287.5 million of Reckson convertible public debt and approximately \$967.8 million of Reckson public unsecured notes.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson's former executive management, or the Buyer, for a total consideration of approximately \$2.0 billion. SL Green caused ROP to transfer the following assets to the Buyer in the Asset Sale: (1) certain real property assets and/or entities owning such real property assets, in either case, of ROP and 100% of certain loans secured by real property, all of which are located in Long Island, New York; (2) certain real property assets and/or entities owning such real property assets, in either case, of ROP located in White Plains and Harrison, New York; (3) all of the real property assets and/or entities owning 100% of the interests in such real property assets, in either case, of ROP located in New Jersey; (4) the entity owning a 25% interest in Reckson Australia Operating Company LLC, Reckson's Australian management company (including its Australian licensed responsible entity), and other related entities, and ROP and ROP subsidiaries' rights to and interests in, all related contracts and assets, including, without limitation, property management and leasing, construction services and asset management contracts and services contracts; (5) the direct or indirect interest of Reckson in Reckson Asset Partners, LLC, an affiliate of RSVP and all of ROP's rights in and to certain loans made by ROP to Frontline Capital Group, the bankrupt parent of RSVP, and other related entities, which will be purchased by a 50/50 joint venture with an affiliate of SL Green; (6) a 50% participation interest in certain loans made by a subsidiary of ROP that are secured by four real property assets located in Long Island, New York; and (7) 100% of certain loans secured by real property located in White Plains and New Rochelle, New York.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this report and in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2006.

As of June 30, 2007, we owned the following interests in commercial office properties primarily in midtown Manhattan, a borough of New York City, or Manhattan, as well as Long Island City, 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	24	13,899,300	98.1%
	Unconsolidated properties	8	8,640,900	96.8%
Suburban	Consolidated properties	30	4,925,800	91.5%
	Unconsolidated properties	3	2,042,000	99.5%
		65	29,508,000	

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

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We also own approximately 285,000 square feet of retail (nine) properties. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

We also own approximately 25% of the outstanding common stock of Gramercy Capital Corp. (NYSE: GKK), or Gramercy, as well as 64.83 units of the Class B limited partner interest in Gramercy's operating partnership. See Item 1 Financial Statements, Note 6.

32

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Critical Accounting Policies**

Refer to our 2006 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include rental property, investment in unconsolidated joint ventures, revenue recognition, allowance for doubtful accounts, reserve for possible credit losses and derivative instruments. There have been no material changes to these policies in 2007.

Results of Operations*Comparison of the three months ended June 30, 2007 to the three months ended June 30, 2006*

The following comparison for the three months ended June 30, 2007, or 2007, to the three months ended June 30, 2006, or 2006, makes reference to the following: (i) the effect of the Same-Store Properties, which represents all properties owned by us at January 1, 2006 and at June 30, 2007 and total 15 of our 65 consolidated properties, representing approximately 37.1% of our share of annualized rental revenue, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2006, namely, 25-27 and 29 West 34th Street (January), 521 Fifth Avenue (March), 609 Fifth Avenue (June), 717 Fifth Avenue (September), 485 Lexington Avenue (December) and in 2007, namely, 300 Main Street, 399 Knollwood, and the Reckson assets (January), 333 West 34th Street, 331 Madison Avenue and 48 East 43rd Street (April) and 1010 Washington Avenue, CT, and 500 West Putnam Avenue, CT (June) 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)	2007	2006	\$ Change	% Change
Rental revenue	\$ 176.8	\$ 80.5	\$ 96.3	119.6 %
Escalation and reimbursement revenue	30.3	14.5	15.8	109.0
Total	\$ 207.1	\$ 95.0	\$ 112.1	118.0 %
Same-Store Properties	\$ 93.5	\$ 86.2	\$ 7.3	8.5 %
Acquisitions	112.1	6.6	105.5	1,598.5
Other	1.5	2.2	(0.7)	(31.8)
Total	\$ 207.1	\$ 95.0	\$ 112.1	118.0 %

The increase in the Same-Store Properties is primarily due to an increase in occupancy from 96.5% at June 30, 2006 to 97.9% at June 30, 2007. The increase in the Acquisitions is primarily due to owning these properties for a period during the quarter in 2007 compared to a partial period or not being included in 2006.

At June 30, 2007, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 45.2% and 17.7% higher, respectively, than then existing in-place fully escalated rents. We believe that the trend of increasing rental rates will continue during 2007. Approximately 3.4% of the space leased at our consolidated properties expires during the remainder of 2007. We believe that occupancy rates will increase slightly at the Same-Store Properties in 2007.

The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties (\$1.4 million) and the Acquisitions (\$14.4 million). The increase in recoveries at the Same-Store Properties was primarily due to electric reimbursements (\$0.7 million), operating expense escalations (\$0.7 million) and real estate tax escalations (\$0.03 million).

Investment and Other Income (in millions)	2007	2006	\$ Change	% Change
Equity in net income of unconsolidated joint ventures	\$ 12.1	\$ 10.6	\$ 1.5	14.2 %
Investment and preferred equity income	27.4	17.3	10.1	58.4
Other income	23.2	11.4	11.8	103.5
Total	\$ 62.7	\$ 39.3	\$ 23.4	59.5 %

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize a

The increase in equity in net income of unconsolidated joint ventures was primarily due to increased net income contributions from Gramercy (\$1.8 million), 800 Third Avenue (\$0.8 million) and 2 Herald Square (\$1.4 million). This was partially offset by lower net income contributions from our investments in 521 Fifth Avenue which is under redevelopment (\$0.7 million), 485 Lexington Avenue which is wholly-owned since December 2006 (\$0.6 million) and the Mack-Green joint venture (\$0.9 million). Occupancy at our joint venture properties increased from 97.0% in 2006 to 97.3% in 2007. At June 30, 2007, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 45.5% and 9.6% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.4% of the space leased at our joint venture properties expires during the remainder of 2007.

33

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

The increase in investment and preferred equity income was primarily due to higher outstanding balances during the current quarter. The weighted average investment balance outstanding and weighted average yield were \$699.6 million and 10.5%, respectively, for 2007 compared to \$409.7 million and 10.3%, respectively, for 2006.

The increase in other income was primarily due to incentive distributions and asset management fees earned in 2007 (approximately \$7.1 million) as well by fee income earned by GKK Manager, an affiliate of ours and the external manager of Gramercy, (approximately \$3.8 million).

Property Operating Expenses (in millions)	2007	2006	\$ Change	% Change
Operating expenses	\$ 54.6	\$ 26.2	\$ 28.4	108.4 %
Real estate taxes	34.7	17.7	17.0	96.1
Ground rent	7.8	4.9	2.9	59.2
Total	\$ 97.1	\$ 48.8	\$ 48.3	99.0 %
Same-Store Properties	\$ 46.4	\$ 42.7	\$ 3.7	8.7 %
Acquisitions	46.9	2.4	44.5	1,854.2
Other	3.8	3.7	0.1	2.7
Total	\$ 97.1	\$ 48.8	\$ 48.3	99.0 %

Same-Store Properties operating expenses, excluding real estate taxes (\$0.4 million), increased approximately \$3.3 million. There were increases in repairs, maintenance and payroll expenses (\$0.6 million), utilities (\$2.4 million), ground rent expense (\$0.4 million) and other miscellaneous expenses (\$0.2 million), respectively. This was partially offset by a decrease in insurance costs (\$0.3 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties (\$0.4 million) due to higher assessed property values and the Acquisitions (\$16.8 million). This was partially offset by a reduction in real estate taxes due to properties that were sold (\$0.2 million).

Other Expenses (in millions)	2007	2006	\$ Change	% Change
Interest expense	\$ 71.8	\$ 22.8	\$ 49.0	214.9 %
Depreciation and amortization expense	44.6	16.7	27.9	167.1
Marketing, general and administrative expense	24.1	13.3	10.8	81.2
Total	\$ 140.5	\$ 52.8	\$ 87.7	166.1 %

The increase in interest expense was primarily attributable to borrowings associated with new investment activity, primarily the Reckson Merger, and the funding of ongoing capital projects and working capital requirements as well as the write-off for exit fees, make-whole payments and the write-off of unamortized deferred financing costs in connection with the early redemption of unsecured notes and loans (\$9.1 million). The weighted average interest rate decreased from 5.84% for the quarter ended June 30, 2006 to 5.51% for the quarter ended June 30, 2007. As a result of the new investment activity, the weighted average debt balance increased from \$1.7 billion as of June 30, 2006 to \$4.8 billion as of June 30, 2007.

Marketing, general and administrative expense represented 9.4% of total revenues in 2007 compared to 10.7% in 2006. The increase is primarily due to higher compensation costs due to increased hiring primarily as a result of the Reckson Merger as well as the new employment agreements entered into in 2007.

Comparison of the six months ended June 30, 2007 to the six months ended June 30, 2006

The following comparison for the six months ended June 30, 2007, or 2007, to the six months ended June 30, 2006, or 2006, makes reference to the following: (i) the effect of the Same-Store Properties, which represents all properties owned by us at January 1, 2006 and at June 30, 2007 and total 15 of our 65 consolidated properties, representing approximately 37.1% of our share of annualized rental revenue, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2006, namely, 25-27 and 29 West 34th Street (January),

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize a

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521 Fifth Avenue (March), 609 Fifth Avenue (June), 717 Fifth Avenue (September), 485 Lexington (December) and in 2007, namely, 300 Main Street, 399 Knollwood, and the Reckson assets (January), 333 West 34th Street, 331 Madison Avenue and 48 East 43rd Street (April) and 1010 Washington Avenue, CT, and 500 West Putnam Avenue, CT (June) 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.

34

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

Rental Revenues (in millions)	2007	2006	\$ Change	% Change
Rental revenue	\$ 328.7	\$ 156.1	\$ 172.6	110.6 %
Escalation and reimbursement revenue	58.3	27.8	30.5	109.7
Total	\$ 387.0	\$ 183.9	\$ 203.1	110.4 %
Same-Store Properties	\$ 186.1	\$ 170.8	\$ 15.3	9.0 %
Acquisitions	197.3	9.2	188.1	2,044.6
Other	3.6	3.9	(0.3)	(7.7)
Total	\$ 387.0	\$ 183.9	\$ 203.1	110.4 %

The increase in the Same-Store Properties was primarily due to an increase in occupancy from 96.5% at June 30, 2006 to 97.9% at June 30, 2007. The increase in the Acquisitions is primarily due to owning these properties for a period during the quarter in 2007 compared to a partial period or not being included in 2006.

At June 30, 2007, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 45.2% and 17.7% higher, respectively, than then existing in-place fully escalated rents. We believe that the trend of increasing rental rates will continue during 2007. Approximately 3.4% of the space leased at our consolidated properties expires during the remainder of 2007. We believe that occupancy rates will increase slightly at the Same-Store Properties in 2007.

The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties (\$4.3 million) and the Acquisitions (\$26.2 million). The increase in recoveries at the Same-Store Properties was primarily due to electric reimbursements (\$1.5 million), operating expense escalations (\$2.1 million) and real estate tax escalations (\$0.7 million).

Investment and Other Income (in millions)	2007	2006	\$ Change	% Change
Equity in net income of unconsolidated joint ventures	\$ 21.4	\$ 20.6	\$ 0.8	3.9 %
Investment and preferred equity income	49.2	30.8	18.4	59.7
Other income	113.1	21.2	91.9	433.5
Total	\$ 183.7	\$ 72.6	\$ 111.1	153.0 %

The increase in equity in net income of unconsolidated joint ventures was primarily due to increased net income contributions from Gramercy (\$3.4 million), 2 Herald Square (\$1.4 million) and 800 Third Avenue (\$0.9 million). This was partially offset by lower net income contributions from our investments in 521 Fifth Avenue which is under redevelopment (\$1.4 million), 485 Lexington Avenue which is wholly-owned since December 2006 (\$0.9 million) and the Mack-Green joint venture (\$2.2 million). Occupancy at our joint venture properties increased from 97.0% in 2006 to 97.3% in 2007. At June 30, 2007, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 45.5% and 9.6% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.4% of the space leased at our joint venture properties expires during the remainder of 2007.

The increase in investment and preferred equity income was primarily due to higher outstanding balances during the current period. The weighted average investment balance outstanding and weighted average yield were \$709.1 million and 10.3%, respectively, for 2007 compared to \$431.3 million and 10.3%, respectively, for 2006.

The increase 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 5 Madison Avenue-the Clock Tower (\$5.5 million) as well by fee income earned by GKK Manager, an affiliate of ours and the external manager of Gramercy, (approximately \$6.7 million).

Property Operating Expenses (in millions)	2007	2006	\$ Change	% Change
Operating expenses	\$ 102.6	\$ 52.7	\$ 49.9	94.7 %
Real estate taxes	65.2	34.7	30.5	87.9
Ground rent	15.0	9.8	5.2	53.1

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize a

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Total	\$ 182.8	\$ 97.2	\$ 85.6	88.1	%
Same-Store Properties	\$ 93.3	\$ 86.7	\$ 6.6	7.6	%
Acquisitions	81.9	3.4	78.5	2,308.8	
Other	7.6	7.1	0.5	7.0	
Total	\$ 182.8	\$ 97.2	\$ 85.6	88.1	%

35

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

Same-Store Properties operating expenses, excluding real estate taxes (\$0.8 million), increased approximately \$5.8 million. There were increases in repairs, maintenance and payroll expenses (\$1.3 million), utilities (\$4.4 million), ground rent expense (\$0.3 million) and other miscellaneous expenses (\$0.8 million), respectively. This was partially offset by a decrease in insurance costs (\$0.6 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties (\$0.8 million) due to higher assessed property values and the Acquisitions (\$30.0 million). This was partially offset by a reduction in real estate taxes due to properties that were sold (\$0.3 million).

Other Expenses (in millions)	2007	2006	\$ Change	% Change
Interest expense	\$ 132.7	\$ 41.0	\$ 91.7	223.7 %
Depreciation and amortization expense	82.0	31.8	50.2	157.9
Marketing, general and administrative expense	58.4	26.2	32.2	122.9
Total	\$ 273.1	\$ 99.0	\$ 174.1	175.9 %

The increase in interest expense was primarily attributable to borrowings associated with new investment activity, primarily the Reckson Merger, and the funding of ongoing capital projects and working capital requirements as well as the write-off for exit fees, make-whole payments and the write-off of unamortized deferred financing costs in connection with the early redemption of unsecured notes and loans (\$9.1 million). The weighted average interest rate decreased from 5.75% for the quarter ended June 30, 2006 to 5.57% for the quarter ended June 30, 2007. As a result of the new investment activity, the weighted average debt balance increased from \$1.7 billion as of June 30, 2006 to \$4.4 billion as of June 30, 2007.

Marketing, general and administrative expense represented 10.6% of total revenues in 2007 compared to 11.1% in 2006. The increase is primarily due to higher compensation costs due to increased hiring primarily as a result of the Reckson Merger as well as the amended and restated employment agreements entered into in 2007.

Liquidity and Capital Resources

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) Borrowings under our 2005 unsecured revolving credit facility;
- (3) Other forms of secured or unsecured financing;
- (4) Proceeds from common or preferred equity or debt offerings by us or the Operating Partnership (including issuances of limited partnership units in the Operating Partnership and trust preferred securities); and
- (5) Net proceeds from divestitures of properties and redemptions and participations of structured finance investments.

Cash flow from operations is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates achieved on our leases, the collectibility 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 for acquisitions.

We believe that our sources of working capital, specifically our cash flow from operations and borrowings available under our 2005 unsecured revolving credit facility, and our ability to access private and public debt and equity capital, are adequate for us to meet our short-term and long-term liquidity requirements for the foreseeable future.

Cash Flows

The following summary discussion of our cash flows is based on our condensed consolidated statements of cash flows in Item 1. Financial Statements and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

36

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

Cash and cash equivalents were \$80.3 million and \$117.2 million at June 30, 2007 and December 31, 2006, respectively, representing a decrease of \$36.9 million. This decrease was a result of the following increases and decreases in cash flows (in thousands):

	Six months ended June 30,		Increase (Decrease)
	2007	2006	
Net cash provided by operating activities	\$ 249.5	\$ 103.1	\$ 146.4
Net cash used in investing activities	\$ (2,966.9)	\$ (250.1)	\$ (2,716.8)
Net cash provided by financing activities	\$ 2,680.6	\$ 137.1	\$ 2,543.5

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, 2007 our portfolio was 96.7% occupied. In addition, rental rates continue to increase and tenant concession packages decrease in the Manhattan and Suburban marketplace. 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. In the first quarter of 2007, we acquired Reckson for approximately \$4.0 billion which included the assumption of approximately \$1.5 billion of consolidated debt. During the six months ended June 30, 2007, when compared to the six months ended June 30, 2006, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	\$ (4,801,905)
Capital expenditures and capitalized interest	(12,414)
Escrow cash-capital improvements/acquisition deposits	121,633
Joint venture investments	(137,345)
Distributions from joint ventures	37,952
Proceeds from sales of real estate	432,572
Structured finance and other investments	(322,240)
Proceeds from asset sale	1,964,914

We generally fund our investment activity through property-level financing, our 2005 unsecured revolving credit facility, term loans, unsecured notes, construction loans and from time to time we issue common stock. During the six months ended June 30, 2007, when compared to the six months ended June 30, 2006, the following financing activities provided the funds to complete the investing activity noted above (in thousands):

Proceeds from our debt obligations	\$ 2,569,181
Repayments under our debt obligations	(1,451,162)
Net proceeds from issuance of common stock	1,010,078
Minority interest in other partnerships and other financing activities	441,306
Dividends and distributions paid	(25,923)

Capitalization

As of June 30, 2007, we had 59,625,587 shares of common stock, 2,365,338 units of limited partnership interest in our operating partnership, 6,300,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock, and 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, outstanding.

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In March 2007, our Board of Directors approved a stock purchase plan under which we can buy up to \$300.0 million of our common stock. This plan will expire on December 31, 2008. As of June 30, 2007, we purchased and settled approximately 312,200 shares of our common stock at an average price of \$129.30 per share.

Rights Plan

We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our shareholders will be entitled to purchase from us a new created series of junior preferred shares, subject to our ownership limit described below. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a purchase announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17%

37

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

or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

Dividend Reinvestment and Stock Purchase Plan

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

During the six months ended June 30, 2007 and 2006, approximately 48,000 and 57,000 shares were issued and approximately \$6.3 million and \$4.8 million of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base of \$30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2002. 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 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. We record the expense of the restricted stock award in accordance with SFAS 123-R. The fair value of the award on the date of grant was determined to be \$3.2 million. Forty percent of the value of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of \$101,500, \$203,000, \$162,500 and \$325,000 was recorded during the three and six months ended June 30, 2007 and 2006, respectively.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of \$68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or \$50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30 consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30 day period. Each participant's award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark is achieved. Individual awards would be made in the form of partnership units, or LTIP Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. 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, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in SL Green Operating Partnership, L.P., that, subject to certain conditions, are convertible into shares of the Company's common stock or cash, at the Company's election. The total number of LTIP

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Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

38

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

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 in accordance with SFAS 123-R. We recorded approximately \$0.5 million, \$1.0 million, \$0.4 million and \$0.8 million of compensation expense during the three and six months ended June 30, 2007 and 2006, respectively in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from August 1, 2006 through July 31, 2009 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of \$106.39 per share. The size of the pool will be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum award of \$60 million. The maximum award will be reduced by the amount of any unallocated or forfeited awards. In the event the potential performance pool reaches the maximum award before July 31, 2009 and remains at that level or higher for 30 consecutive days, the performance period will end early and the pool will be formed on the last day of such 30 day period. Each participant's award under the 2006 Outperformance Plan will be designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant's participation agreement. Individual awards will be made in the form of partnership units, or LTIP Units, that, subject to vesting and the satisfaction of other conditions, are exchangeable for a per unit value equal to the then trading price of one share of our common stock. This value is payable in cash or, at our election, in shares of common stock. LTIP Units will be granted prior to the determination of the performance pool; however, they will only vest upon satisfaction of performance and time vesting thresholds under the 2006 Outperformance Plan, and will not be entitled to distributions until after the performance pool is established. Distributions on LTIP Units will equal the dividends paid on our common stock on a per unit basis. The 2006 Outperformance Plan provides that if the pool is established, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions will be paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units that are a part of the performance pool, whether vested or unvested. Although the amount of earned awards under the 2006 Outperformance Plan (i.e. the number of LTIP Units earned) will be determined when the performance pool is established, not all of the awards will vest at that time. Instead, one-third of the awards will vest on July 31, 2009 and each of the first two anniversaries thereafter based on continued employment.

In the event of a change in control of our company prior to August 1, 2007, the performance period will be shortened to end on a date immediately prior to such event and the cumulative stockholder return benchmark will be adjusted on a pro rata basis. In the event of a change in control of our company on or after August 1, 2007 but before July 31, 2009, the performance pool will be calculated assuming the performance period ended on July 31, 2009 and the total return continued at the same annualized rate from the date of the change in control to July 31, 2009 as was achieved from August 1, 2006 to the date of the change in control; provided that the performance pool may not exceed 200% of what it would have been if it was calculated using the total return from August 1, 2006 to the date of the change in control and a pro rated benchmark. In either case, the performance pool will be formed as described above if the adjusted benchmark target is achieved and all earned awards will be fully vested upon the change in control. If a change in control occurs after the performance period has ended, all unvested awards issued under our 2006 Outperformance Plan will become fully vested upon the change in control.

The cost of the 2006 Outperformance Plan will be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately \$0.6 million and \$1.3 million of compensation expense during the three and six months ended June 30, 2007 in connection with the 2006 Outperformance Plan.

Deferred Stock Compensation Plan for Directors

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

During the six months ended June 30, 2007, approximately 3,980 phantom stock units were earned. As of June 30, 2007, there were approximately 14,540 phantom stock units outstanding.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Amended and Restated 2005 Stock Option and Incentive Plan**

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 6,000,000 shares, or the Fungible Pool Limit, 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, 2007, approximately 4.2 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 6.0 million shares if all shares available under the 2005 Plan were issued as five-year options.

Market Capitalization

At June 30, 2007, borrowings under our mortgage loans, 2005 unsecured revolving credit facility, unsecured notes and trust preferred securities (including our share of joint venture debt of approximately \$1.5 billion) represented 43.6% of our combined market capitalization of approximately \$14.1 billion (based on a common stock price of \$123.89 per share, the closing price of our common stock on the New York Stock Exchange on June 30, 2007). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our Operating Partnership, and our share of joint venture debt.

Indebtedness

The table below summarizes our consolidated mortgage debt, 2005 unsecured revolving credit facility, unsecured bridge loan, unsecured notes and trust preferred securities outstanding at June 30, 2007 and December 31, 2006, respectively (dollars in thousands).

Debt Summary:	June 30, 2007	December 31, 2006	
Balance			
Fixed rate	\$ 3,663,513	\$ 1,026,714	
Variable rate hedged	160,000	485,000	
Total fixed rate	3,823,513	1,511,714	
Variable rate	786,861	291,665	
Variable rate supporting variable rate assets	43,000	12,000	
Total variable rate	829,861	303,665	
Total	\$ 4,653,374	\$ 1,815,379	
Percent of Total Debt:			
Total fixed rate	82.2	% 83.3	%
Variable rate	17.8	% 16.7	%
Total	100.0	% 100.0	%
Effective Interest Rate for the Quarter:			
Fixed rate	5.27	% 5.75	%
Variable rate	6.59	% 6.57	%
Effective interest rate	5.51	% 5.93	%

The variable rate debt shown above bears interest at an interest rate based on 30-day LIBOR (5.32% and 5.33% at June 30, 2007 and 2006, respectively). Our consolidated debt at June 30, 2007 had a weighted average term to maturity of approximately 9.2 years.

Certain of our structured finance investments, totaling approximately \$43.0 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at June 30, 2007.

Mortgage Financing

As of June 30, 2007, our total mortgage debt (excluding our share of joint venture debt of approximately \$1.5 billion) consisted of approximately \$1.8 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.99% and \$0.4 billion of variable rate debt with an effective weighted average interest rate of approximately 7.1%.

Corporate Indebtedness

2005 Unsecured Revolving Credit Facility

We have a \$1.25 billion unsecured revolving credit facility. We increased the capacity under the 2005 unsecured revolving credit facility by \$300.00 million in January 2007 and by an additional \$450.0 million in June 2007. The 2005 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR, based on our leverage ratio, currently 80 basis points. This facility matures in June 2011 and has a one-year extension option. The 2005 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2005 unsecured revolving credit facility had \$587.0 million outstanding at June 30, 2007. Availability under the 2005 unsecured revolving credit facility was further reduced by the issuance of approximately \$20.3 million in letters of credit. The 2005 unsecured revolving credit

40

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

facility includes certain restrictions and covenants (see restrictive covenants below).

Term Loans

We had a \$325.0 million unsecured term loan, which was scheduled to mature in August 2009. The effective all-in weighted average interest rate on the unsecured term loan was 5.63% for three months ended June 30, 2007. The unsecured term loan was repaid and terminated in March 2007.

We had a \$200.0 million five-year non-recourse term loan, secured by a pledge of our ownership interest in 1221 Avenue of the

Americas. The loan was scheduled to mature in May 2010. This term loan had a floating rate of 125 basis points over the current 30-day LIBOR rate. The secured term loan was repaid and terminated in June 2007. This loan carried an effective all-in weighted average interest rate of 5.95% for the three months ended June 30, 2007.

In January 2007, we closed on a \$500.0 million unsecured bridge loan, which matures in January 2010. This bridge loan bore interest at a spread ranging from 85 basis points to 125 basis points over LIBOR, based on our leverage ratio. This unsecured bridge loan was repaid and terminated in June 2007. The effective all-in interest rate on the unsecured bridge loan was 6.42% for three months ended June 30, 2007.

Unsecured Notes

In March 2007, we issued \$750.0 million of 3.00% exchangeable senior notes which are due in 2027. The notes were offered in accordance with Rule 144A under the Securities Act of 1933, as amended. The notes will pay interest semiannually at a rate of 3.00% per annum and mature on March 30, 2027. Interest on these notes is payable semi-annually on March 30 and September 30. The notes will have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes will be senior unsecured obligations of our operating partnership and will be exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes will be redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately \$736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes.

As of June 30, 2007, we had outstanding approximately \$1.8 billion (net of unamortized issuance discounts) of senior unsecured notes.

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date (in thousands):

Issuance	Face Amount	Coupon Rate	Term (in Years)	Maturity
March 26, 1999	200,000	7.75	% 10	March 15, 2009
January 22, 2004	150,000	5.15	% 7	January 15, 2011
August 13, 2004	150,000	5.875	% 10	August 15, 2014
March 31, 2006	275,000	6.00	% 10	March 31, 2016
June 27, 2005 (1)	287,500	4.00	% 20	June 15, 2025
March 26, 2007	750,000	3.00	% 20	March 30, 2027
	\$ 1,812,500			

(1) Exchangeable senior debentures which are callable after June 17, 2010 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 Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491.

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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, assumed as part of the Reckson Merger, were redeemed.

Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates. In addition, certain of the senior unsecured notes were issued at discounts aggregating approximately \$20.1 million. Such discounts are being amortized to interest expense over the term of the senior unsecured notes to which they relate. Through June 30, 2007, approximately \$0.6 million of the aggregate discounts have been amortized.

41

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Junior Subordinate Deferrable Interest Debentures**

In June 2005, we issued \$100.0 million of Trust Preferred Securities, which are reflected on the balance sheet at June 30, 2007 as Junior Subordinate Deferrable Interest Debentures. The proceeds were used to repay our unsecured revolving credit facility. The \$100.0 million of junior subordinate deferred 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 our 2005 unsecured revolving credit facility and unsecured bonds include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments. As of June 30, 2007 and December 31, 2006, 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 2007 would increase our annual interest cost by approximately \$8.0 million and would increase our share of joint venture annual interest cost by approximately \$6.5 million, respectively.

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

Approximately \$3.8 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of June 30, 2007 ranged from LIBOR plus 62.5 basis points to LIBOR plus 275 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and notes payable, 2005 unsecured revolving credit facility, unsecured notes and bonds, trust preferred securities, our share of joint venture debt, excluding extension options, estimated interest expense, and our obligations under our capital lease, air rights and ground leases, as of June 30, 2007 are as follows (in thousands):

	2007	2008	2009	2010	2011	Thereafter	Total
Property Mortgages	\$ 6,857	\$ 289,355	\$ 143,596	\$ 120,938	\$ 230,123	\$ 1,382,591	\$ 2,173,460
Revolving Credit Facility					587,000		587,000
Trust Preferred Securities						100,000	100,000
Unsecured Notes			200,000		150,000	1,442,914	1,792,914
Capital lease	708	1,416	1,416	1,451	1,555	50,315	56,861
Ground leases	19,661	37,327	35,153	34,712	32,000	666,602	825,455
Air rights	14	29	29	29	29	213	343
	129,315	248,260	225,266	207,485	173,145	953,229	1,936,700

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Estimated interest
expense

Joint venture debt	416,013	59,252	6,573	83,718	79,177	838,816	1,483,549
Total	\$ 572,568	\$ 635,639	\$ 612,033	\$ 448,333	\$ 1,253,029	\$ 5,434,680	\$ 8,956,282

42

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

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.

Capital Expenditures

We estimate that for the six months ending December 31, 2007, we will incur approximately \$145.8 million of capital expenditures (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties will be approximately \$20.5 million. We expect to fund these capital expenditures with operating cash flow, borrowings under our credit facilities, additional property level mortgage financings, and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect that our capital needs will be met through a combination of net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of \$2.80 per share, we would pay approximately \$166.6 million in dividends. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured and secured credit facilities, and our term loans, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/ 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 our 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. First Quality leased 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We sold this property in February 2007. We paid Alliance approximately \$4.0 million, \$7.0 million, \$3.0 million and \$6.1 million for the three and six months ended June 30, 2007 and 2006 respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 507 square feet of space at 420 Lexington Avenue on a month-to-month basis. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is \$15,210 per year. 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 pays to her pursuant to a consulting agreement, which is cancelable upon 30-days notice.

Management Fees

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S.L. Green Management Corp. receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately \$67,000, \$133,000, \$45,000 and \$88,000 for the three and six months ended June 30, 2007 and 2006, respectively.

43

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

Management Indebtedness

In January 2001, Mr. Marc Holliday, then our president, received a non-recourse loan from us in the principal amount of \$1,000,000 pursuant to his amended and restated employment and non-competition agreement he executed at that time. This loan bears interest at the applicable federal rate per annum and is secured by a pledge of certain of Mr. Holliday's shares of our common stock. The principal of and interest on this loan is forgivable upon our attainment of specified financial performance goals prior to December 31, 2006, provided that Mr. Holliday remains employed by us until January 2007. As a result of the performance goals being met, this loan was forgiven in January 2007. In April 2000, Mr. Holliday received a loan from us in the principal amount of \$300,000, with a maturity date of July 2003. This loan bore interest at a rate of 6.60% per annum and was secured by a pledge of certain of Mr. Holliday's shares of our common stock. In May 2002, Mr. Holliday entered into a loan modification agreement with us in order to modify the repayment terms of the \$300,000 loan. Pursuant to the agreement, one-third of the \$300,000 was forgiven on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remained employed by us through each of such date. This \$300,000 loan was completely forgiven on January 1, 2006.

Brokerage Services

Sonnenblick-Goldman Company, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2006, our 485 Lexington Avenue joint venture paid approximately \$757,000 to Sonnenblick in connection with refinancing the property and increasing the first mortgage to \$390.0 million. Also in 2006, an entity in which we hold a preferred equity investment paid approximately \$438,000 to Sonnenblick in connection with refinancing the property held by that entity and increasing the first mortgage to \$90.0 million. In 2007, our 1604-1610 Broadway joint venture paid approximately \$146,500 to Sonnenblick in connection with obtaining a \$27.0 million first mortgage and we paid \$759,000 in connection with the refinancing of 485 Lexington Avenue.

In 2007, we paid a consulting fee of \$525,000 to Stephen Wolff, the brother-in-law of Marc Holliday, in connection with our aggregate investment of \$119.1 million in the joint venture that owns 800 Third Avenue.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 11, Related Party Transactions in the accompanying financial statements.

Other

Insurance

We maintain all-risk property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) and liability insurance with limits of \$200.0 million per location. The property policies expire on December 31, 2007 and the liability policies expire on October 31, 2007. SL Green now maintains two property insurance portfolios. The first 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 \$450.0 million for acts of terrorism. The second portfolio maintains a \$600.0 million per occurrence, including terrorism, for the majority of the Suburban properties. The New York City portfolio incorporates our captive, Belmont Insurance Company, which we formed in an effort to stabilize, to some extent, the fluctuations of insurance market conditions. Belmont is licensed to write up to \$100.0 million of terrorism coverage for us, and at this time is providing \$50.0 million of terrorism coverage in excess of \$100.0 million and is insuring a large deductible on the liability insurance with a \$250,000 deductible per occurrence and a \$2.4 million annual aggregate loss limit. We have secured an excess insurer to protect against catastrophic liability losses (above \$250,000 / occurrence and a stop loss for aggregate claims that exceed \$2.4 million. We have 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. We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing \$1.0 billion of all-risk property insurance, including terrorism coverage, and 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, together with Gramercy, own One Madison

Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC. 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.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the NYC portfolio and provides primary liability insurance to cover the deductible program. 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-

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

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 January 1, 2006. Congress extended TRIA, now called TRIEA (Terrorism Risk Insurance Extension Act) until December 31, 2007. 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 terrorism. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases and our 2005 unsecured revolving credit facility and secured and unsecured term loans, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from all-risk insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

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.

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

FFO for the three and six months ended June 30, 2007 and 2006 are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net income available to common stockholders	\$ 265,881	\$ 29,060	\$ 413,308	\$ 52,792
Add:				
Depreciation and amortization	44,623	16,720	81,981	31,793
Minority interest in other partnerships	4,655	1,115	8,578	1,966
Minority interest in operating partnership	1,081	1,309	5,360	2,421
FFO from discontinued operations	2,849	5,434	5,987	10,425
FFO adjustment for unconsolidated joint ventures	5,078	7,613	10,900	15,593
Less:				
Income/gain from discontinued operations	(244,411)	(3,818)	(290,897)	(6,932)
Gain on sale of real estate				
Equity in net gain on sale of joint venture property			(31,509)	
Depreciation on non-rental real estate assets	(243)	(239)	(479)	(506)
Funds from Operations - available to all stockholders	\$ 79,513	\$ 57,194	\$ 203,229	\$ 107,552
Cash flows provided by operating activities	\$ 114,224	\$ 69,677	\$ 249,471	\$ 103,076
Cash flows (used in) provided by investing activities	\$ (50,065)	\$ 59,402	\$ (2,966,934)	\$ (250,101)
Cash flows (used in) provided by financing activities	\$ (483,586)	\$ (132,430)	\$ 2,680,585	\$ 137,105

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.

45

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

Forward-Looking Information

This report includes certain statements that may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements relate to, without limitation, our future capital expenditures, dividends and acquisitions (including the amount and nature thereof) and other development trends of the real estate industry and the Manhattan, Westchester, Connecticut, Long Island City and New Jersey office market, business strategies, and the expansion and growth of our operations. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Act and Section 21E of the Exchange Act. Such statements are subject to a number of assumptions, risks and uncertainties which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are generally identifiable by the use of the words may, will, should, expect, anticipate, estimate, believe, intend, project, the negative of these words, or other similar words or terms. Readers are cautioned not to place undue reliance on these forward-looking statements. Among the factors about which we have made assumptions are:

general economic or business (particularly real estate) conditions, either nationally or in New York City, Westchester, Connecticut, Long Island City and New Jersey being less favorable than expected;

reduced demand for office space;

risks of real estate acquisitions;

risks of structured finance investments;

availability and creditworthiness of prospective tenants;

adverse changes in the real estate markets, including increasing vacancy, decreasing rental revenue and increasing insurance costs;

availability of capital (debt and equity);

unanticipated increases in financing and other costs, including a rise in interest rates;

market interest rates could adversely affect the market price of our common stock, as well as our performance and cash flows;

our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes, our Operating Partnership's ability to satisfy the rules in order for it to qualify as a partnership for federal income tax purposes, the ability of certain of our subsidiaries to qualify as REITs and certain of our subsidiaries to qualify as taxable REIT subsidiaries for federal income tax purposes and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;

accounting principles and policies and guidelines applicable to REITs;

competition with other companies;

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.

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

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

46

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

For quantitative and qualitative disclosures about market risk, see item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2006. Our exposures to market risk have not changed materially since December 31, 2006.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended June 30, 2007, that has materially affected, or is reasonably likely to material affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of June 30, 2007, we were not involved in any material litigation nor, to management's knowledge, is any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

On December 6, 2006, the company announced that it and Reckson Associates Realty Corp. had reached an agreement in principal to settle the previously disclosed class action lawsuits relating to the SL Green/Reckson merger. The settlement, which remains subject to documentation and judicial review and approval, provides (1) for certain contingent profit sharing participations for Reckson stockholders relating to specified assets, (2) for potential payments to Reckson stockholders of amounts relating to Reckson's interest in contingent profit sharing participations in connection with the sale of certain Long Island industrial properties in a prior transaction, and (3) for the dismissal by the plaintiffs of all actions with prejudice and customary releases of all defendants and related parties.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of Part 2 in our Quarterly Report on Form 10Q for the quarter ended March 31, 2007. We also encourage you to read "Item 1A-Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006.

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

In March 2007, our Board of Directors approved a stock purchase plan under which we can buy up to \$300.0 million of our common stock. This plan will expire on December 31, 2008. As of June 30, 2007, we purchased and settled approximately 312,200 shares of our common stock at an average price of \$129.30 per share.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

On May 24, 2007, we held our annual meeting of stockholders (the Meeting) in New York, New York for the purpose of: (i) electing one Class I director to serve on the Board until our 2010 annual meeting of stockholders and until his successor is duly elected and qualified; (ii) ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007; (iii) authorizing and approving our amended and restated 2005 Stock Option and Incentive Plan; and (iv) authorizing and approving articles of amendment and restatement of our Articles of Incorporation. The total number of shares of common stock entitled to vote at the Meeting was 59,180,818, of which 50,717,388 shares, or 85.7%, were present in person or by proxy.

The results of the meeting were as follows:

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Name of Class I Nominee	For	Against	Withheld
Edwin T. Burton, III	46,922,785		3,794,603

There was no solicitation in opposition to the foregoing nominee by stockholders. The terms of office for Marc Holliday and John S. Levy, our Class II directors, and John H. Alschuler, Jr. and Stephen L. Green, our Class III directors, continued after the Meeting.

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007 was approved by our stockholders with 49,165,451 votes For, 1,545,549 votes Against and 6,388 votes Abstained, none of which such Abstentions were actually broker non-votes that were treated as Abstentions (as discussed in our proxy statement dated April 16, 2007, the Proxy Statement).

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Our amended and restated 2005 Stock Option and Incentive Plan was authorized and approved by our stockholders with 44,452,871 votes For, 4,048,303 votes Against and 26,878 votes Abstained, none of which such Abstentions were actually broker non-votes that were treated as Abstentions (as discussed in our Proxy Statement).

48

The articles of amendment and restatement of our Articles of Incorporation were authorized and approved by our stockholders with 46,153,334 votes For, 4,551,793 votes Against and 12,261 votes Abstained, none of which such Abstentions were actually broker non-votes that were treated as Abstentions (as discussed in our Proxy Statement).

Further information regarding the proposals is contained in our Proxy Statement.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

- (a) Exhibits:
- 3.1 SL Green Realty Corp. s Articles of Amendment and Restatement, incorporated by reference to the Company s Form 8-K dated May 24, 2007, filed with the Commission on May 30, 2007.
 - 10.1 Amended and Restated Employment and Noncompetition Agreement dated April 16, 2007, between SL Green Realty Corp. and Marc Holliday, incorporated by reference to the Company s Form 8-K dated April 16, 2007, filed with the Commission on April 20, 2007.
 - 10.2 Amended and Restated Employment and Noncompetition Agreement dated April 16, 2007, between SL Green Realty Corp. and Andrew Mathias, incorporated by reference to the Company s Form 8-K dated April 16, 2007, filed with the Commission on April 20, 2007.
 - 10.3 Amended and Restated Employment and Noncompetition Agreement dated April 16, 2007, between SL Green Realty Corp. and Gregory F. Hughes, incorporated by reference to the Company s Form 8-K dated April 16, 2007 filed with the Commission on April 20, 2007.
 - 10.4 Employment and Noncompetition Agreement dated April 16, 2007, between SL Green Realty Corp. and Andrew Levine, incorporated by reference to the Company s Form 8-K dated April 16, 2007, with the Commission on April 20, 2007.
 - 10.5 Amended and Restated 2005 Stock Option and Incentive Plan, incorporated by reference to the Company s Form 8-K dated May 24, 2007, filed with the Commission on May 30, 2007.
 - 10.6 Amended and Restated Credit Agreement dated as of June 28, 2007 by and among SL Green Operating Partnership, L.P., as Borrower, SL Green Realty Corp., as Parent, Wachovia Capital Markets, LLC and Keybank Capital Markets, as Co-Lead Arrangers and Book Managers, Wachovia Bank, National Association, as Administrative Agent, Keybank National Association, as Syndication Agent, each of Eurohypo AG, New York Branch and ING Real Estate Finance (USA) LLC as Co-Documentation Agents and the financial institutions initially signatory hereto and their assignees pursuant to Section 12.5, as Lenders, incorporated by reference to the Company s Form 8-K dated June 28, 2007, filed with the Commission on July 5, 2007.
 - 31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
 - 31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
 - 32.1 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
 - 32.2 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

49

SIGNATURES

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

SL GREEN REALTY CORP.

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By:

/s/ Gregory F. Hughes

Gregory F. Hughes

Chief Operating Officer and Chief Financial Officer

Date: August 9, 2007

50
